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SCOTTISH FUNDING COUNCIL  
SFC BOARD

Minute of the meeting held Friday 6 December 2024 at 10am via Microsoft Teams

- PRESENT:** Dr Mike Cantlay (Chair); Mr Martin Boyle (Interim Chief Executive); Ms Lorna Jack (Deputy Chair); Professor Cara Aitchison; Mr David Alexander; Dr Richard Armour; Ms Linda Hanna MBE; Ms Mhairi Harrington OBE; Professor Ewart Keep; Ms Kate Lander; Professor Irene McAra-McWilliam; Professor Sir Peter Mathieson (*to item #13 and then items #15 to #19*); Ms Alison Nicolson; Professor Lesley Yellowlees (*to item #13 and then items #15 to #19*).
- APOLOGIES:** Professor John Wallace CBE; Mr Andy Kerr; Mr Simon Pirotte (Chief Executive, Medr) (Observer).
- OBSERVERS:** Ms Francesca Osowska (Incoming Chief Executive); Mr Rory Stride (SFC Staff Observer) (*from item #3 to item #17*); Ms Sai Shraddha Suresh Viswanathan (NUS President) (*from item #3 to item #17*); Dame Jessica Corner (*item #3 to item #17*); Ms Rachel Jurance (Governance Officer).
- IN ATTENDANCE:** Dr Jacqui Brasted (Interim Director, Access, Learning & Outcomes); Ms Helen Cross (Director of Research & Innovation); Mr Richard Maconachie (Director of Finance); Ms Louisa Baker (Deputy Director Governance & Planning) (Board Secretary); Ms Lynne Raeside (Deputy Director, External Affairs & Policy); Mr Steve McDonald (Chief Information Officer); Ms Gillian Phillips (Senior Governance Officer) (Clerk).

1. Welcome, Chair's Business and Opening Remarks

- 1.1 The Chair welcomed all attendees to the meeting and the relevant apologies were **noted**.
- 1.2 The Chair took the opportunity to extend a particular welcome to Ms Osowska who was attending the Board meeting in an observational capacity ahead of the commencement of her role as Chief Executive in January. On behalf of the wider Board, the Chair wished Ms Osowska every success in her forthcoming role. These sentiments were warmly endorsed by Board members.
- 1.3 *Discussion redacted*
- 1.4 The Chair reminded Board members of the responsibility and obligation to indicate whether they have, or may be perceived to have a conflict of interest under any of the items on the agenda. Whilst no new declarations were reported, it was noted that Professor Yellowlees and Professor Mathieson both had a long-standing interests under paper SFC (2024) 092. As Fellows of the Royal Society of Edinburgh, it

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was noted that they had an interest in the investment of the society and so would take no part in the decision-making.

- 1.5 It was noted that a reserved item which contained commercially sensitive information would be considered by the Board as a reserved item at the end of the meeting . The Chair confirmed that Board members with a declared conflict would be permitted to remain for this item, but that members would need to take particular care to avoid discussing anything which resulted in the conflict materialising.

## 2. Chair's Report

- 2.1 The Chair reported that the process to appoint a new Chair from 2 April 2025 was now underway and encouraged Board members to apply for the position. It was noted that a process to appoint an interim Chair had been developed should it be required.
- 2.2 The Chair reported that the Chair of the Finance Committee had confirmed that she intended to step down from the Chair position once arrangements for the 2025-26 funding allocation had concluded. The Board were advised that a new Committee Chair would therefore be identified in 2025.
- 2.3 The Chair reminded the Board that a number of members were due to demit office in early October 2025 and encouraged Committees to consider the skills they required over the coming months. In parallel, it was reported that the Remuneration & Nominations Committee (RNC) would take on a more prominent role in succession planning.

## 3. Minute of the meeting held Tuesday 3 September 2024

- 3.1 The minute of the extraordinary Board meeting held Tuesday 3<sup>rd</sup> September was **approved** as an accurate record.

## 4. Minute of the meeting held Friday 20 September 2024

- 4.1 Subject to a minor amendment, the minute of the Board meeting held Friday 20<sup>th</sup> September was **approved** as an accurate record.

## 5. Board Action Log and Matters Arising

- 5.1 The Board received and **noted** the Board Action Log. The Board agreed that actions marked as complete would now be removed from the log.

## 7. Long Term Agenda and Dates of Future Meetings

- 7.1 The Board received and **noted** the Board Long Term Agenda and Dates of Future Meetings. Board members were invited to provide comments or queries to the Board Secretary and Clerk.
- 7.2 It was confirmed that the process to review SFC's Risk Management Framework was currently underway and the SFC Executive Team (ET) had committed to making further changes to SFC's approach to risk, particularly in light of the potential outcome of Reform. It was confirmed that a paper on proposed changes to the risk management framework would be considered by the Audit & Risk Committee (ARC) in February, before being brought to the Board for consideration and approval in March.
- 7.3 It was reported that work on the development of the 2025-26 Delivery Plan was in its early stages and SFC Officers were in parallel developing draft KPIs. It was agreed that the establishment of a robust set of KPIs would help strengthen the Delivery Plan through the analysis of trends, measuring of progress and management of organisational performance. Board members emphasised the need to ensure the KPIs developed were impact focused.

## 8. Chief Executive's Report

- 8.1 The Board received and **noted** the Chief Executive's Report which drew attention to strategic topics, sector news and developments in the wider policy environment since the last meeting of the Board. The Interim Chief Executive augmented the written report with further comments on key internal organisational activities and an update on initial implications on the Scottish Government's draft budget for 2025-26.
- 8.2 The Board were informed that SFC had been successful in retaining its Silver Investors in People (IiP) status, which was considered to be a significant achievement and accolade. Whilst a number of areas of focus had been identified, it was noted that the IiP assessor had identified a number of areas of good practice and had in particular commended the respectful and supportive team environment SFC had in place.
- 8.3 The Interim Chief Executive reported that the Scottish Government draft budget for 2025-26 had been published on 4 December 2024. Whilst it was noted that although there had been an increased in funding to the Scottish Government through Barnett consequential, enduring inflationary pressures meant that public sector spending remained under significant strain. It was reported that no conclusion had yet been reached about the treatment of increases to employer National Insurance (NI) contributions in the public sector.
- 8.4 Board members were informed that in recognition of the vital role of colleges and universities in supporting economic growth, the Scottish Government had confirmed

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that it would continue to invest more than £2bn in further and higher education and specific reference had been made to increasing the university sector budget by 3.5%. It was clarified that the uplift equated to an increase of funding of 1.7% alongside the repurposing of funds associated with the 2,500 SQA COVID places. It was confirmed that this broad allocation would enable SFC to increase the unit of resource: the exact sum would be confirmed following further in-depth analysis of the budget and the impact of the financial and academic year conversion.

- 8.5 The Scottish Government draft budget announcement was broadly welcomed by Board members and the proposal to increase capital spend was warmly endorsed. The Board nevertheless expressed concern about the lack of clarity around the management of increases in NI contributions. In response, the Interim Chief Executive confirmed that the Scottish Government were unable to confirm their position until negotiations with the UK Government had concluded.
- 8.6 It was reported that circa. £30m had been set aside by the Scottish Government for investment in public sector reform and SFC officers were seeking further clarity from Scottish Government officials as to how this would be allocated amongst public sector bodies.
- 8.7 The Board considered and discussed the proposal within the Chief Executive's Report to allocate unutilised funding from SFC's controlled funded places to partially reinstate the fee anomalies budget for AY 2024-25. It was noted that this proposal had not been discussed by the Finance Committee in any detail. Following discussion, it was agreed that a short paper outlining the principles of fee anomalies and the justification for its re-introduction be developed and circulated to the Board as soon as possible.

Action	Who
A short paper covering principles behind and justification for re-introduction of the fee anomalies budget to be developed and circulated to the Board.	Director, Finance

- 8.8 The Interim Chief Executive provided a verbal update on a health and safety incident which had occurred in Apex 1 and had involved a member of SFC staff. **Discussion redacted**. The Board were informed that due to the member of staff being absent from work for more than seven calendar days, SFC were legally required to report the incident to the Health & Safety Executive (HSE). It was reported that the HSE had the authority to undertake their own investigation of the incident, should it wish to, and SFC colleagues were working closely with colleagues in Scottish Enterprise to address the issues which had caused the accident to occur.
- 8.9 It was noted that all mandatory training was up to date and staff had been reminded of good practice when using meeting rooms. It was reported that the RNC had received an in-depth appraisal of the accident at their meeting on 4<sup>th</sup> December and had commended SFC Officers for the swift action taken in response to the accident.

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On behalf of the Board, the Chair requested that their good wishes be extended to the member of staff involved for a safe and speedy recovery.

8.10 Board members were reminded that the Interim Chief Executive, Director of Finance and Deputy Director External Affairs & Policy had appeared before the Public Audit Committee (PAC) in November to give evidence on Audit Scotland's Report *Scotland's Colleges 2024*. On behalf of the Board, the Chair commended the team on their performance, noting that their delivery had been accurate, professional and skilled. The Interim Chief Executive expressed his thanks for the commendation but stressed that their performance had only been made possible through weeks of preparatory work which had been expertly led by colleagues in the Public Affairs Team.

8.11 Thereafter and following discussion, the Board:

- (i) **Approved** the changes to the risks outlined in the corporate risk register and
- (ii) **Agreed** to the changes to the Risk Management Framework, as outlined.

## 9. SFC Corporate Governance Policies

9.1 The Board received the suite of Corporate Governance policies, presented by the Deputy Director, Governance and Planning. It was noted that extensive consultation had been undertaken with Board members in the development of the policies and revisions to these had been made in light of the feedback received. Board members were reminded that the amendments proposed to the policies sought to ensure that SFC remained consistent and compliant with relevant legislation and the Board's own Code of Conduct.

9.2 It was reported that following a meeting with the Chair of ARC and the acquirement of legal advice, a small number of relatively minor amendments had been made to the policies and these had been cross referenced with SFC's established Grievance and Disciplinary policies.

9.3 The Whistleblowing, Counter Fraud and Financial Conduct and Antibribery and Corruption policies were **approved** by the Board.

## 10. SFC Internal Strategies, Frameworks and Policies

10.1 The Board received and considered the paper, presented by the Deputy Director Governance & Planning which set out the approach that SFC takes to its internal strategies, frameworks and policies. It was noted that the paper was being brought to the Board on the recommendation of the ARC.

10.2 It was noted that the current Scheme of Delegation set out specific duties for the Chief Executive in relation to administrative matters of SFC's activities and operations. The current approach was noted that corporate governance policies

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were considered and approved by the Board, all other policies were considered operational and delegated to the Chief Executive for approval through the Scheme of Delegation.

10.3 It was reported that the Scheme of Delegation and Framework document were both due to be reviewed but would be undertaken when the new Chief Executive was in place. SFC Officers confirmed that the timeline to review the Framework Document had been agreed with Scottish Government officials.

10.4 The paper was **noted**.

### 11. SFC Delivery Plan 2023-24: Q2 Reporting

11.1 The Board received and considered the paper, presented by the Deputy Director Governance & Planning which provided the Board with the quarter two review of the 2024-25 Delivery Plan. It was reported that good progress was being made in relation to the activities contained within SFC's 2024-25 Delivery Plan with 14 activities considered to be complete and a further 36 considered to be on track to be delivered by the identified deadline.

11.2 Board members were advised that work to develop the 2025-26 Delivery Plan was already underway and the Governance team had commenced a programme of extensive engagement, consulting with key internal stakeholders and ensuring alignment with SFC's overarching strategic objectives.

11.3 Board members welcomed the update and noted the comprehensive nature of the report but expressed concern around the small number of activities which were considered to be delayed. In response, the Interim Chief Executive confirmed that these activities were receiving stringent focus to progress and complete, however it was acknowledged that there may be a need to reprioritise activities depending on the additional work required to be undertaken to meet the anticipated requirements of reform.

11.4 Board members recommended a further reduction of the number of activities for the 2025-26 Delivery Plan and encouraged further closer alignment with SFC's own strategic objectives.

### 12. Pathfinder Programme Report

12.1 The Board received and noted the report, presented by the Deputy Director, Assurance and Outcomes which provided an update on SFC Pathfinder activity, including the achievements of the seven regional projects and emerging learning.

12.2 Board members were reminded that the Pathfinders project had been established and launched in order to ensure greater alignment of provision against societal and employer need, achieve enhanced coherence and sustainability across provision, and identify simpler pathways and improved outcomes for learners. It was noted that the

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pilot projects had been located in the South of Scotland and North East and had been selected on the basis of emerging or existing regional skills priorities.

12.3 Board members were informed that a fundamental part of the Pathfinder programme had been the determination to *learn by doing* with the aim of how SFC could make the education and skills system more responsive, more integrated and more able to support regional economies.

12.4 It was noted that a number of Board members had been involved in project and had been impressed with the level of commitment, energy and enthusiasm for the project from all partners. It was observed that the project had established and identified new forms of cooperation, collaboration and learning which could prove to be transformational to regions and colleges. The Board commended SFC Officers in spearheading and coordinating arrangements for the project.

12.5 Board members were informed that the final Pathfinders report was planned to be published in the new year and a further deep dive exercise with the Board to allow a deeper scrutiny of the outcomes of the project, would take place in early 2025.

### 13. Research Excellence Framework 2029: Update

13.1 The Board received and considered the paper, presented by the Director Research & Innovation which provided the Board with an update on preparations for the Research Excellence Framework (REF) 2029.

13.2 The Board were provided with a high level overview of the purpose, objectives and function of REF. Board members were reminded that the outcomes of REF were used by the four UK higher education funding bodies to inform research funding.

13.3 It was reported that the assessment elements found in REF 2021 had been reshaped to include a broader range of research and impact- enabling activities. It was confirmed that the balance of these elements in the assessment was to be: People, Culture and Environment (PCE); Contribution to Knowledge and Understanding and Engagement and Impact. Board members were informed that the increased focus on PCE reflected a global shift that recognised research culture as crucial in supporting high quality research with impact.

13.4 It was reported that a number of advisory panels had been established and Panel Chairs had been duly appointed with further panel member recruitment planned to take place over the coming months. The key milestones for REF 2029 were also highlighted, and it was reported that following the PCE pilot, criteria and definitions for this element would be published.

13.5 Board members welcomed the update and underlined the importance of REF in its role of providing vital insights into the health of research in HEIs in the UK and in providing accountability for public investment in research. It was noted that the development of REF 2029 had been characterised by significant consultation with

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the sector on new development and proposed changes. It was noted that the Research & Knowledge Exchange Committee (RKEC) received frequent updates on the development of the REF model.

### 14. Innovation Infrastructure Progress: Interface & Converge

- 14.1 The Deputy Director Research & Innovation presented the paper which updated the Board on SFC's plans to continue funding Interface and Converge over multiple years.
- 14.2 It was reported that SFC Officers had asked Interface and Converge to develop proposals on their future strategic direction, covering the period 2025- 2030 and the proposals should seek to consolidate both organisations' existing key roles within the current system, as well as outlining the ambitious evolution of their programmes to further enhance Scottish innovation and knowledge exchange within a more cohesive SFC supported system.
- 14.3 It was reported that RKEC had been kept fully apprised of the process and it was noted that the Research & Innovation Directorate were considered to have provided high quality support and advice to both Interface and Converge during the transition process.

### 15. Royal Society of Edinburgh (RSE) Funding Grant

- 15.1 The Director of Research & Innovation introduced the item, which sought the Board's approval of confirmation of funding for the Royal Society of Edinburgh [RSE] in 2024-25. Board members were reminded that the proposal outlined provided the third and final year of funding which had been agreed in principle by the Board in September 2022 for the period 2023-24 to 2025-26.
- 15.2 The RSE's unique role in Scotland's knowledge environment was highlighted to Board members, along with its deep commitment to SFC's overarching strategic priorities. The Board was reminded that they had supported and approved a flat cash funding proposal in September 2022, noting that any lift in baseline would be in line with broader university funds and subject to available funding.
- 15.3 The Director of Research & Innovation reported that the RSE had undertaken an effective transformation programme and had sought to diversify its income, building new streams of income, establishing a strong focus on EDI and developing new partnerships. The Board was reminded of RSE's role in the broader sector and environment and its ability to act as an advocate and ambassador around knowledge and research exchange.
- 15.4 Board members broadly welcomed the paper and it was noted that the proposal for funding had been considered at length by the Finance Committee earlier in the month. The need for greater transparency was nevertheless encouraged by Board members. It was recommended that the Board should be provided with a deeper



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insight into the impact of RSE's funding in order to accurately demonstrate to the Board that funding was being applied in line with both SFC and the Scottish Government's overarching strategic and national priorities. The proposal to make reference to SFC's funding in future RSE publications was also recommended as a condition of funding by Board members.

- 15.5 Following discussion, it was agreed that a further paper, outlining RSE's link to direct outcomes be circulated to the Board, via correspondence for agreement. It was agreed that any decision on funding should be deferred until more detailed information had been received. It was acknowledged that this request would help to set the scene for future funding arrangements.

Action	Who
A paper focussing on the impact of SFC's funding to RSE to be circulated to the Board. Approval for 2025-26 funding to be deferred until the Board has received this information.	Director, Research & Innovation

### 16. Research & Knowledge Exchange Committee (RKEC): Minute of the meeting held 31 July 2024

- 16.1 The Board received and noted the minute of the Research and Knowledge Exchange Committee meeting, held 31 July 2024.

### 17. Remuneration & Nominations Committee: Minute of the meeting held 2 September 2024

- 17.1 The Board received and noted the minute of the Remuneration and Nominations Committee meeting, held 2 September 2024.

### 18. Audit & Risk Committee: Minute of the meeting held 6 September 2024

- 18.1 The Board received and noted the minute of the Audit & Risk Committee meeting, held 6 September 2024.

## Reserved Item

### 19. Funding Proposal

- 19.1 The Board received and considered the funding request, which had been subject to considerable scrutiny by the Finance Committee earlier in the year. It was reported that the Finance Committee had been supportive of the recommendations put forward.

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19.2 Following discussion and noting that the timing associated with the funding arrangement may fall in a vital leadership transition period for the Board, the Board agreed to:

- (i) Offer support to the institution, per the paper presented;
- (ii) The SFC Chair/ Interim Chair/ Incoming Chair and Interim Chief Executive/ Chief Executive are delegated the authority to agree the final funding amount to be offered following the recommendation of the Strategic Infrastructure and Investment Group (SIIG); and
- (iii) Offer an immediate funding advance, to support the continuation of the business case.

## 20. AOB

20.1 On behalf of the Board, the Chair took the opportunity to express his thanks to the Interim Chief Executive for his leadership and guidance during what was recognised to be a significantly challenging period. Board members endorsed these sentiments and noted and thanked the Interim Chief Executive for his work. The Chair closed the meeting by wishing all participants a restful and peaceful break over the Christmas period.