



Scottish Funding Council

Promoting further and higher education

SFC/19/63
Agenda item 9
5 September 2019

Ministerial Letter of Guidance actions

- To note how the key areas of new or enhanced emphasis in the Ministerial Letter of Guidance for 2019-20 are being taken forward.

Recommendation

- The Council is invited to note this paper.

Financial implications

- There are no new financial commitments arising from this paper.

Ministerial Letter of Guidance actions

Purpose

- 1 To note how the key areas of new or enhanced emphasis in the Ministerial Letter of Guidance for 2019-20 are being taken forward.

Letter of guidance

- 2 A copy of the Scottish Government's Letter of Guidance is attached to this paper as Annex A.
- 3 Since our new Strategic Framework was produced at the same time as the Letter of Guidance was being finalised, we were able to ensure the former encompassed all the key actions from the new Letter of Guidance. The key areas of new or enhanced emphasis (compared to previous Letters of Guidance) are set out in the following table, along with a description of how the Council executive plans to address them.

Letter of Guidance narrative	SFC response
MAIN LETTER	
<i>Fair Work</i>	
5. We want Scotland to be a fair work nation by 2025. Our commitment to fair work is demonstrated through the publication of our Fair Work Action Plan (February 2019), which sets out how we will deliver our ambitions on fair work across Scotland. To achieve our ambition we need employers, including the SFC, to adopt Fair Work practices and to support the delivery of Fair Work in its operational activities and through its procurement practices. I would ask that the SFC adopts the terms of the Scottish Government's Fair Work Agreement with the Civil Service Trade Unions with your recognised trade unions	We will develop an approach to the implementation of Fair Work in discussion and with the agreement of our recognised trade union.
... and attaches Fair Work criteria to your appropriate grants and funding streams.	During the course of 2019-20 we will develop and implement Fair Work criteria appropriate to different grants and funding streams.

Letter of Guidance narrative	SFC response
<i>Climate change</i>	
<p>8. ... In light of the climate emergency declaration, I would also ask you to give urgent consideration of how you can support the Scottish economy to decarbonise at pace. In doing this, I expect you to reprioritise, manage your resources, and make the changes required to your organisation and to the way it works to meet these new collective priorities.</p>	<p>Key elements include: Innovation funding call (500k) for new academic-industry partnerships on the climate emergency. Continued support for Carbon Capture & Storage research. Review SFC corporate carbon reduction targets.</p>
ANNEX	
<i>Learner Journey and Foundation, Modern and Graduate Apprenticeships</i>	
<p>18. SFC has a key role to play in the implementation of the 15-24 Learner Journey Review. In support of this I ask that you appraise options for further alignment of skills provision and funding, considering the consequences of implementation and provide advice to me. This advice should include a more assertive approach to skills alignment, setting out options to unify the planning of provision between SFC and SDS, including Foundation, Modern and Graduate Apprenticeships.</p>	<p>SFC offered advice as part of its spending discussions with Government in August. The ongoing work on funding of foundation and modern apprenticeships would be a major step towards more unified funding.</p>
<p>21. As Foundation, Modern and Graduate Apprenticeships become mainstream in schools, colleges and universities, and with continued uncertainty around European funding, I expect SFC and SDS to work with the Government to fully explore options for the sustainable delivery of these elements of the apprenticeship family, as part of the total learning and skills system. SFC and SDS should continue to work closely together on skills alignment, including engaging with Government to provide evidence and options on how Government investment routed through both organisations should be utilised to support our shared objectives on skills.</p>	<p>See above</p>

Letter of Guidance narrative	SFC response
Senior Level Pay	
<p>39. The SFC should encourage senior figures within the college and university sectors to demonstrate restraint in their own pay settlements and senior pay packages should be in step with the salary, terms and conditions offered to other university and college staff. As set out in your Financial Memoranda, while Public Sector Pay Policy does not apply directly to colleges and universities, they must have regard to it. Therefore, the SFC should be assured that institutions are setting pay arrangements for senior staff that ensure value for money, affordability and sustainability in the longer term.</p>	<p>Institutions are required, through the Financial Memorandum (FM), to have regard to public sector pay policy set by Scottish Ministers. The FM also requires institutions to be economical, efficient and effective in their use of public funding. SFC's accounts directions also require institutions to outline within their annual report details of the operation of the Remuneration Committee and the policy adopted for senior pay including that of the Principal. Institutions are also required to disclose the relationship between the Principal's remuneration and that of other employees, expressed as a multiple of the median pay across all staff.</p>
College provision	
<p>40. I am grateful to the SFC and colleges for their efforts in continuing to exceed our commitment to deliver 116,000 full-time equivalent places. To enable Scotland to respond effectively to current and future skills needs, I look to the college sector to ensure that it is flexible and highly responsive to the needs of industry and learners of all ages. I wish the college sector to continue to develop its culture of improvement and for there to be a clear line of sight between your investment in colleges and their contribution to the delivery of our national priorities as outlined in the Scottish Government's National Performance Framework and the contribution they can make to the UN Sustainable Development Goals</p>	<p>SFC had convened a Leadership Group including Education Scotland, Government, CDN and Colleges Scotland to better align and drive our work on improvement. As we develop new guidance for outcome agreements and assess bids for non-core funds we assess these against national priorities.</p>

Letter of Guidance narrative	SFC response
Employer engagement	
<p>43. The SFC should prioritise supporting colleges to create effective partnerships with employers and industry groups. This should build on the work already underway with Education Scotland to establish an evidence base of employer engagement across the sector and the establishment of an Employer Engagement Framework to support colleges in enhancing their relationship with industry. SFC should work with colleges to take forward the findings from Education Scotland's Overview Report, to be published this year, to further strengthen the quality of employer engagement at strategic, operational and practitioner levels.</p>	<p>This will be reflected in our OA guidance and our interactions with institutions. We are also considering an event to demonstrate best practice in this area.</p>
<p>44. This focus on employer engagement should be undertaken by the SFC as part of wider work to maximise the vocational routes learners and employers need, and support the delivery of recommendation 11 of the 15-24 Learner Journey review. Working with Colleges Scotland and SDS, I want to see the SFC lead this work with impetus to ensure colleges are well placed to inform and deliver the Scottish Government's Future Skills Action Plan.</p>	<p>See above. SFC has worked with Government in the preparation of the Future Skills Action Plan.</p>
<p>57. I look to the university sector to ensure that, in delivering its primary objectives, it is flexible and highly responsive to the needs of both industry and learners of all ages. In particular, I look to the university sector to continue to develop its strong links with business, while also building on the relationships that exist with colleges and schools. I expect SFC to play a key role in helping the sector deliver this, including supporting the university sector to further develop its partnerships with employers and industry groups.</p>	<p>While we are largely implementing this through the OA process - including the work on alignment - we have also redirected funds towards upskilling in order to incentivise more flexible approaches by universities.</p>
Fair Work First	
<p>74. I also expect the SFC to promote Fair Work across the college and university sectors, with a view to them adopting Fair Work First as part of our wider roll-out of this approach to bodies in receipt of public sector funding. I will also look to you to continue to promote Fair Work to other organisations with which you work and through your stakeholder networks.</p>	<p>We will work with Colleges Scotland and Universities Scotland to develop and implement an approach, including production of a report on the position and development of Fair Work by the end of academic year 2019-20.</p>

Letter of Guidance narrative	SFC response
Non-core funds	
<p>81. Having funds available to invest in activity which contributes to meeting Scottish Government strategic objectives is something that I welcome and would like to see continue. I would stress the importance I attach to ensuring that projects prioritised for funding are clearly linked to Scottish Government strategic objectives. As part of this, I welcome the SFC's planned review of Strategic Funds and ask you to work closely with my officials in that process. I am also keen that the SFC seeks to ensure that funded projects become self-sustaining where appropriate.</p>	<p>Given the priority to maintain teaching and research funding there has been a squeeze on our non-core (strategic funds). We ensure that these funds are aligned with the Government's strategic objectives and projects are time limited and become self-sustaining. Given the continuing pressure we will review all projects with SG colleagues.</p>
<p>82. I am aware of the continued downward pressure on such funds and look to the SFC to manage wherever possible institutions' need for emergency funding by encouraging them to consider a full set of options before funds are provided and ensuring that, where emergency funding is invested, the institution has the appropriate structures in place. This should tie in with institutions' ability to accurately forecast a year in advance, have in place appropriate scenario planning, sensitivity analysis, assessment of key risks and the identification of mitigation strategies. In the same vein, I look to the SFC to reduce universities' reliance on strategic funds and look to integrate and mainstream funding arrangements where possible.</p>	<p>Colleges and universities provide financial forecasts which we analyse and we work closely with institutions at risk to ensure that they take mitigating action and put in place plans to ensure a sustainable future. Our priority has been to maintain core funds to avoid having to use non-core funds.</p>

Letter of Guidance process

- 4 As already noted, there is a significant overlap between the Letter of Guidance and the content of the Council's 2019-20 Operational Plan (published as part of the new Strategic Framework). Unfortunately, because the content of the Letter of Guidance was largely set when the Operational Plan was being finalised, it was not possible to put in place an integrated approach, whereby the Letter of Guidance effectively endorsed the Operational Plan while emphasising the very highest priorities. The Council executive will seek to work with the sponsor team in advance of the next Letter of Guidance to achieve such integration, one benefit of which would be to enable the Letter of Guidance to focus on a relatively small number of very high priorities.

Risk assessment

- 5 The Letter of Guidance does not require any change to the Council's current assessment and management of risks.

Equality and diversity assessment

- 6 The Letter of Guidance does not, in itself, require any change to the Council's existing assessment of equality and diversity impacts across its various strategies.

Recommendations

- 7 **The Council is invited to note this paper.**

Financial implications

- 8 There are no new financial commitments arising from this paper.

Publication

- 9 This paper will be published on the Council's website following the meeting.

Further information

- 10 Contact: Martin Fairbairn, Chief Operating Officer (phone: 0131 313 6524; email: mfairbairn@sfc.ac.uk).