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BY EMAIL
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cc Karen Watt
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Dear Mike

SCOTTISH FUNDING COUNCIL – 2022–23 LETTER OF GUIDANCE

Introduction

As the Scottish Government's national strategic body investing £2.1 billion in tertiary education, research and knowledge exchange through 26 colleges, 19 universities and higher education institutions, and through a range of key national programmes, I am writing to set out more specific guidance on my expectations and priorities for the Scottish Funding Council (SFC) in 2022-23. In doing so, I wish to express my gratitude for the way in which the SFC and individual institutions have responded over the course of the previous year in continuing to deliver tertiary learning, teaching and research which has protected the interests of both students and staff, despite the ongoing challenge of the pandemic and the realities of fiscal constraint. You have shown flexibility while maintaining accountability – an important balance in these difficult times.

Strategic Context

During the financial year 2022-23 I expect you to focus your work on the implementation of your **Review of Coherent and Sustainable provision for tertiary education and research** ("the SFC Review" from here on) alongside the priorities of the recently published **National Strategy for Economic Transformation (NSET)**, both of which will bring greater alignment across the whole education, skills and research system to deliver transformation over the next decade and beyond. The key actions and priorities from both the Review and the NSET will

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ensure that the contribution our further and higher education institutions make to Scotland's economy, environment and society can be effectively promoted, measured and understood through our overarching National Performance Framework.

This year I expect to see significant progress in the delivery of six priority areas from the SFC Review. For SFC this will mean evidencing significant progress on Tertiary provision pathfinders, focus on strengthening excellence in Research and Innovation and development of a **National Impact Framework** and associated accountability and quality assurance mechanisms through four interlinked and mutually reinforcing activities: *Investment, Quality Assurance, Impact and Accountability, and Analytics and Insight*. This work should be aligned to the development of a clear Purpose and set of Principles (Strategic intent) for tertiary education and research that will be developed by my officials during the year and on which we will welcome your expertise advice. All this activity should be clearly acknowledged in articulating your key objectives for the period 2022-25, which will be published in your refreshed **Strategic Framework** this summer.

As the Scottish Government looks to finalise its Resource Spending Review (RSR), the SFC will also have a key role to play across its stated priorities of: delivering a stronger, fairer and greener economy, tackling child poverty and addressing the climate emergency supported by dynamic and responsive public services. These priorities will become central to your delivery and must be evident in the outcomes you work towards.

Within your broad statutory mission which encompasses tertiary learning and teaching, student support, quality enhancement, coherence of provision, a national qualifications framework and research and innovation, there is a need to support Ministers in pursuing a wide range of policy objectives. This year your delivery should include supporting the NSET's objectives, one of which is the requirement for collaborative working across organisational boundaries and in particular, between the SFC and Skills Development Scotland (SDS). Effective collaboration between the agencies is critical to deliver enhanced alignment of provision with economic need, resulting in a more agile and responsive system.

Shared Outcomes Framework

A [Shared Outcomes Framework](#) between the agencies was published on 9 March 2022 and is the means by which SFC and SDS will monitor and report on collaborative projects that contribute to overarching skills outcomes, including those in the NSET. I will continue to meet Chairs and Chief Executives of SFC and SDS together on a 6 weekly basis to discuss progress against agreed milestones for all of the projects in the Framework, in addition to the monthly liaison meetings with SFC

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also in place. I also require both agencies to report their progress fully to the **Shared Outcomes Assurance Group** in timely manner.

1. A Stronger, Fairer, Greener Economy

Our further and higher education institutions make an invaluable contribution to our society and economic growth with the return on investment in Scotland's colleges and universities reported as being between £6.50 and £11 for every £1 spent, and universities supporting over 72,900 jobs and add £4.6 billion to the Scottish economy. The NSET articulates five key programmes of activity, three of which are of significant importance for your work collaboratively with SDS, targeted towards delivering a skilled population in Scotland that is able to respond to the needs of the economy and its future direction. The 5 projects are:

- Developing entrepreneurial people and embedding a culture throughout our education and skills system that supports business creation and research spin-outs in responding to new market opportunities;
- Adapting the education and skills system to make it more agile and responsive to our economic needs and ambitions;
- Supporting and incentivising individuals and employers to invest in skills and training throughout their working lives;
- Expansion of Scotland's available talent pool at all skill levels and
- Helping to create a fairer and more equal society through the work of anchor colleges and universities.

The Regional Provision Pathfinders, as tests of change, will be a key step towards achieving greater alignment between provision and demand within the national and regional economy, in support of Regional Economic Partnerships. The Pathfinders should provide an improved understanding of current skills provision and unmet demand through better use of data and analysis; develop provision at regional level working closely with partners in a way that advances collaboration; enhance the process of provision planning for better impact; and deliver shared learning so that others across the sector can enhance their responsiveness for employers, students and local partners. I am pleased to note your progress to date in establishing regional boards in support of these outcomes, which will lead this work over 2022/23.

We would also encourage you to begin work on further refining your funding distribution model (see below), as we work together on the outcome of the Spending Review.

You should report to me on progress against the four packages containing these actions, with packages 1-3 completed by October 2022 and package 4 no later than January 2023.

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The Scottish Government recognises the importance of Scotland's research base to the delivery of NSET priorities. Our sustained investment in Scotland's research and science base in both knowledge creation and knowledge exchange is critical to realise the full potential of universities contributing to 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 excellence, taking into account any change to the funding model following the **Research Excellence Framework** (REF) results.

Growing entrepreneurship constitutes another key element of the NSET's delivery, and I have supported the SFC Review recommendation that SFC should rapidly develop a co-owned and co-designed **Entrepreneurial Campus Strategy**. I expect this to build on existing successful activity in colleges and universities, with an ambition to dramatically increase the flow of entrepreneurs into technology and other ecosystems consistent with the Scottish Technology Ecosystem Review (STER) report recommendations, taking into account the need for appropriate course provision and curriculum development to support its development.

I welcome your consultation on **funding policies for knowledge exchange and innovation (KE&I)** which will help support our ambition to transition towards net-zero and a green recovery, as will your proposed support for collaborative research-led responses to the Scottish Government's key priorities.

Apprenticeships should continue to be promoted as a core workplace learning pathway, in recognition of their critical role in delivering training which closely meets the needs of employers and the economy, while supporting Scottish Government's approach to economic recovery and delivering opportunities through the youth employment strategy. I expect SFC to work with SDS and other partners to build on progress already made through the expansion and delivery of **Foundation and Graduate Apprenticeships** and welcome the efforts that SFC has gone to in order to offer opportunities for 2,500 Foundation Apprenticeships during 2022/23. I also expect SDS and SFC to work together to work with Government and other partners to respond to the findings of the Education Scotland HMIE's *Review of Foundation Apprenticeships*, with officials to take forward an independent evaluation of Graduate Apprenticeships to inform the future direction and expansion of that programme.

The Scottish Government believes that a stronger economy also needs to be a fairer economy, with Fair Work continuing to be a central element of our vision. I look to SFC to continue its progress in adopting **Fair Work First**, both as an employer and through attaching Fair Work First criteria to its grants, procurements and other funding. The Bute House Agreement also commits Scotland to strengthening our

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approach to conditionality further, through introducing a **requirement on public sector grants** to pay at least the real Living Wage to all employees (subject to limits on devolved competence) and I continue to look for your leadership in this policy area.

2. Tackling Child Poverty

We know that success in education and training is an increasingly [important route out of poverty](#) towards better life chances, jobs and living standards. The Scottish Government's *Tackling Child Poverty Delivery Plan 2022-26* was published on Thursday 24 March and sets out the bold and ambitious to provide the support families need both immediately and in the medium to longer term. Skills and qualifications can be a key contributing factor in mitigating poverty, in-work poverty and social inequalities, including those caused by Covid disruption. Enabling parents to participate in learning and improve their skills can also have a positive effect on children in terms of supporting their learning to achieve better outcomes at school and beyond.

The **Young Persons Guarantee (YPG)** is focused on reducing the unemployment rate for young people aged 16-24 (excluding those in full-time education) to pre-Covid levels by the end of the current parliamentary term; I expect you to continue to work towards increasing the proportion of 18 to 24 years with qualifications at SCQF level 5 and to measure the progress of institutions against all 5 published YPG Key Performance Indicators. SFC should also build on progress already made in helping students from more disadvantaged backgrounds into University, implementing recommendations of the **Commissioner for Fair Access**, meeting the ambition that by 2030, 20% of Scottish domiciled full-time, first degree university entrants come from the 20% most deprived communities in Scotland.

As increasing amounts of learning continues to be delivered through online and blended models, I expect SFC to support students who are at risk of **digital poverty** to ensure they are not disadvantaged due to the costs associated with learning. We have provided £5 million worth of capital investment this financial year, to be split between colleges, universities and community learners to support this outcome.

The Scottish Government acknowledges that life circumstances (including experience of poverty) have a significant impact on student wellbeing and to this end have provided £4.2 million this year as part of a four-year commitment to fund 80 counsellors in universities and colleges this year. We will look forward to your reporting on the impact of this provision and the learning that should inform the development of a **Student Mental Health Action Plan** this year, identifying appropriate and sustainable support for our current and future student population.

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Community Learning and Development provides support to some of the most vulnerable learners, increasing their skills for learning, life, and work, and can be the first step for many into further education and learning. It has a vital role to play in reducing child poverty recognising that for many areas of the workforce, the retraining and upskilling of adults will be critical to sustaining alternative employment now and in the future. The Scottish Government, agencies and colleges should all collaborate to build effective, accessible, integrated and positive pathways for learners over their lifetimes. The **Adult Learning Strategy** will be published in May 2022 and I expect the SFC to take an active role in its delivery and implementation in order to support the *Lifetime Skills Offer* set out in NSET and the **Covid Recovery Strategy**. I will look to SFC to ensure that colleges continue to take appropriate actions that build stronger connections between community-based adult learning and colleges.

The Scottish Government has made a £500 million commitment to support the new, good and green jobs of the future, including upskilling and reskilling people to achieve those. As part of this commitment, in 2022/23 SFC is expected to continue your delivery of training and up-skilling opportunities through the **Flexible Workforce Development Fund** should continue, providing UK Apprenticeship Levy-paying and SME employers with opportunities to support inclusive growth through up-skilling/re-skilling employees.

The Scottish Government is committed to ensuring that everyone in Scotland whose first language is not English can contribute to Scotland's future and the society they live in and participate within our education system. To this end, I expect colleges to support local partnership working to better meet **English as a Second Language** (ESOL) need for all those who are living in Scotland, including refugees. 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. I also expect SFC and colleges to do all they can, within current student support provision, to support **Recognition of Prior Learning** (RPL) within the context of the overarching **Scottish Credit and Qualifications Framework**, particularly for the most disadvantaged people moving to and living in Scotland. This includes your engagement with the new *Skills Recognition Scotland* (SRS) scheme, designed to enable people who have migrated to Scotland (including refugees and asylum seekers) to overcome under-employment and to support employers in recruiting talent.

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3. Addressing Climate Change

We know that tertiary education has already played a crucial role in helping to understand the key causes of climate change and identify solutions, such as emission reduction, to address Scotland's commitment to the Sustainable Development Goals. Through prioritising these actions, I expect you to align with the Scottish Government's **Digital Strategy for Scotland, A Changing Nation**, and our **Just Transition Planning Framework** which both seek to ensure that people in Scotland will be equipped with the skills, education and retraining required to support retention and creation of access to green, fair and high-value work. This includes working with SDS and other partners to ensure that the investment in Apprenticeships, further and higher education, upskilling and reskilling is fully aligned to the aims of our just transitions framework. Engagement with key sectors of our economy will be essential to ensure that the curriculum being delivered will support our learners to gain skills and expertise to access green jobs now and in the future.

I look to SFC to engage universities and colleges collaboratively to ensure momentum towards our climate goals in the entirety of their operations. A key outcome in this area will be your collaboration with SDS and other partners to progress activity in relation to the **Climate Emergency Skills Action Plan (CESAP) Pathfinder Project**. This work will help ensure our current and future workforce has the skills to support the transition to net zero. Similarly, I expect your wide-ranging support for Research and Innovation will take steps to build on and increase capacity to support innovation towards the same goal.

This year I expect the SFC to publish the college sector Infrastructure Strategy which will present a proposed approach to developing a national **Colleges Infrastructure Investment Plan** in line with agreed principles as set out in the Strategy. The Strategy will support Scotland's transition to net zero, with production of an Investment Plan for the sector a key strategic goal. I note that development of the Plan is dependent on further work actioned by both the colleges and SFC.

4. Building Strong, Responsive Public Services: Reform

As you know, Ministerial consideration of priorities over the Resource Spending Review period is underpinned by our commitment to building stronger, more responsive public services to meet the needs of Scotland's population and its economy. The importance of tertiary education in supplying appropriately skilled people to the public sector workforce cannot be overstated.

I commend the SFC's commitment to exploring available flexibilities for college sector finances during 2022/23 and anticipate that you will begin work on developing a **revised funding distribution model for colleges**, which takes forward the

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recommendations of the SFC Review and will be an important step forward in reforming the funding of our education and skills system.

I expect SFC to engage with the wider **education reform agenda** across the Scottish Government and public services as it develops over the year. The Logan and Muir Reviews and (in future) the Hayward report commissioned by the Cabinet Secretary and to which Ministers have responded positively (and will respond), all include action-focused proposals which will ensure more effective cohesion, purpose and principles across our entire Scottish education system. My response to your Review last year demonstrates clearly that I regard SFC as a key stakeholder in these conversations, alongside colleges and universities, ensuring that tertiary education's role is fully reflected in Ministerial ambitions for a student-focused learner journey and quality assured education system, and within the underpinning structural reforms.

As the newly published **National Workforce Strategy for Health and Social Care in Scotland** makes clear, our population is getting older resulting in a shift towards long term, complex and multi-layered conditions as increasing demands on our Health and Social Care services and workforce. I expect SFC and the tertiary education sector to be fully engaged, alongside SDS, in the planning and provision of a 'pipeline' of workers coming into the profession, alongside existing student place provision, wider employability routes and re-training and upskilling opportunities.

I would like to end by acknowledging that the ambitious strategic agenda which I am setting SFC will require you to increase your own resourcing capacity in order to deliver effectively. I have previously made a commitment to enabling greater investment in the organisation and I expect that investment to be made wisely and with this letter of guidance in mind.

I would like to extend my thanks to you, your fellow Board Members and all staff at SFC for your hard work and leadership over the past year. I look forward to working together over the coming year. If you have any questions, or if you foresee any issues developing at any time in the course of the year, please contact Pauline Radcliffe in your sponsor team who will be happy to continue productive engagement with SFC.



Jamie Hepburn

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