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REGIONAL BOARD REPORT

Subject: SFC Letter of Guidance	**Purpose:** **For Approval** ☐ **For Discussion** ☒ **For Information** ☐
Prepared by: Tony Jakimciw	**Date: 12 April 2017**

Purpose: To advise members of the contents of the Ministers Letter of Guidance 2017-18 to the SFC and discuss the implications for the college.

Executive Summary: The Minister identifies a number of strategic priorities which she expects the SFC to address through their Outcome Agreements with colleges. The attached letter of guidance identifies these as

- **Prioritising provision to meet known skills gaps in the economy**
  - **Science, Technology, Engineering, Maths (STEM)**
  - **Digital**
  - **Screen/film/TV**
- **Enabling Access from those from the widest social background**
  - **Implementing the recommendations of the Commission on Widening Access**
  - **Addressing the gender balance in imbalanced curriculum areas**
- **Achieving the highest standards of governance and financial accountability in colleges to ensure efficient and effective running**
  - **Improved attainment, retention, articulation, positive destinations and student satisfaction**
  - **Improved long term financial and workforce planning**
  - **SFC to monitor the use of Arm's Lengths Foundations (ALFs) and their inclusion in financial planning**
  - **Successful college involvement in the Flexible Workforce Development Fund**
- **Work in partnership to maximise the impact of learning to individuals, society and economy**
  - **Implementing Developing the Young Workforce**
  - **Delivering Early Learning and Childcare training to support the government's commitment to increasing child care and nursery provision**
- **Effective knowledge exchange and innovation including excellent collaboration between colleges, universities and industries.**
  - **Support the government's Innovation Action Plan**

- **OTHER AREAS**
  - **Colleges to accredited as Living Wage Employers**
  - **Fully participate in the College Energy Efficiency Programme**
  - **Achieve carbon reduction targets and commitments**

Recommendation: Members are asked to discuss the Letter of Guidance and to identify any actions to be implemented or issues which should be addressed in response to this.

Previous Committee Approvals: **N/A**		
For publication ☒	**For publication with redactions** ☐	**Not for publication** ☐
Signed: **Author**	**Principal**	

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Professor Alice Brown CBE
Chair
Scottish Funding Council
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30 March 2017

Dear Alice,

SCOTTISH FUNDING COUNCIL – GUIDANCE 2017-18

Introduction

1. I wrote to you in September 2016 setting out my expectations for the funding provided to the Scottish Funding Council (SFC), before you finalised your 2017-18 Outcome Agreement guidance for both the college and university sectors.

Strategic Context

2. Education is this Government's defining mission. We are absolutely committed to ensuring that every young person can access learning that will provide them with the skills and qualifications to succeed in life and enable them to help create and benefit from sustainable economic growth in Scotland. The role of the SFC is critical to helping us achieve both excellence and equity in education.

3. In 2017-18, I look to the SFC to make decisions that ensure the funds provided to it by the Scottish Government are used to drive sustainable economic growth, deliver the priorities detailed in this letter and achieve the outcomes set out in the SFC's 2015-2018 Strategic Plan. On all aspects of your activity, I would emphasise the recommendation from the recent Audit Scotland report on Higher Education in Scottish Universities, that the SFC should *"ensure decisions on funding and activities in key areas, such as research, innovation, and teaching, fully align with, and support, achieving the Scottish Government's policy ambitions"*. I expect the planning and reporting mechanisms developed with the university and college sectors, and used at organisation level, to support Board and Ministerial decision making to make this alignment and its impact visible, and enable its scrutiny.

Scottish Funding Council budget 2017-18

4. In what has been a tight financial settlement for public services across Scotland, I am pleased that I have been able to provide cash increases to both the college and university sectors. This settlement clearly demonstrates the importance the Scottish Government places on the vital role of Scotland's colleges in ensuring learners have employment focused learning opportunities; and our continued commitment to supporting a world-class university sector, providing high quality learning and contributing to sustainable economic growth through skills, research and innovation. Central to this is the Scottish Government's commitment to supporting free tuition. The substantial resource provided to the SFC enables all Scottish domiciled first time entrants to full-time further and higher education to access high quality education without having to pay for it.

5. The Scottish Government's budget for 2017-18 includes the planned funding for colleges and universities, and administration funding for the SFC, set out in the table below. As normal, transfers in and out of the budget will be detailed in the spring and Autumn Budget Revisions, published each year and subject to Parliamentary scrutiny.

Financial Year 2017-18	£(m)
Higher Education Resource	1,013.9
Higher Education Capital	55.5 (including £10m Financial Transactions)
College Resource	551.3
College Capital	47.4
College NPD Expenditure	29.1
SFC Administration	7.5

SECTION 1: SFC's contribution to Scottish Government priorities

6. Mapped against the three key outcomes of the SFC's Strategic Plan 2015-2018, this letter sets out my strategic priorities for the Government's investment in the sectors. It also addresses my expectations of the SFC operating as a highly effective public body working in partnership with others, and in relation to your role providing Government with advice on policy and strategy.

7. I would again emphasise that in directing your support and investment across all of your activity, the SFC must focus on maximising the contribution that your investment will make to achieving the Scottish Government's priorities as set out in this letter and captured in the Programme for Government and Scotland's Economic Strategy. Your planning and reporting, including the Outcome Agreements developed with colleges and universities, should be demonstrably based, and their effectiveness assessed, on this alignment. I expect you to use your regular engagement with Scottish Government officials and Ministerial level liaison to provide Government with a robust and timely assessment of progress and risks in relation to these plans.

8. I welcome the progress that the SFC has made in developing and delivering Outcome Agreements but want to see this process intensified. By building on this process, and scrutinising and reporting on the achievement of outcomes for learners and the Scottish economy across both the college and university sectors, I expect the SFC to be able to demonstrate clearly how Scotland's colleges and universities are contributing to the delivery of our national priorities.

9. I would also highlight that in the context of the Enterprise and Skills Review, the four bodies covered by the Review will require to reconsider their strategic and operational level plans in order to demonstrate closer alignment and collaboration supporting the achievement of shared outcomes.

Strategic Priorities for the SFC

- **SG strategic priority: High quality learning in a learning system which is seamlessly connected for the learner, including learning which prepares people well for the world of work and successful long term careers, prioritising provision that meets known skills gaps in the economy**
- *SFC strategic outcome: High-quality learning and teaching*

Meeting Skills Needs in the Economy

10. The SFC must work with the sectors to ensure that students have access to courses that reflect the needs of industry in Scotland, and that the existing links between industry and the sectors are further developed. You should work in partnership across the enterprise and skills system, involving institutions, to respond as appropriate to labour market need. You should continue to play a leading role in the data workstream of the Enterprise and Skills Review to support relevant policy developments to enable Scotland to improve its performance on key measures of productivity, equality, wellbeing and sustainability.

STEM

11. The SFC should continue to support skills development strategies in sectors of the economy where targeted efforts by Government are already underway. The Scottish Government's STEM Strategy seeks to coordinate all of the work underway to promote STEM skills and capability across all age ranges and settings. The SFC should continue to work closely with the Government to finalise the strategy and, once finalised, to play a full part together with partners in implementation. I expect the SFC to work with institutions to continue to increase the courses available at all levels in STEM subjects, in line with labour market need.

Digital

12. Digital skills are also a priority. I expect the SFC to intensify engagement with the sector to ensure students have access to the courses that reflect the needs of industry (particularly computing science including cyber resilience) and to enhance industry links. The SFC's efforts should reflect that of the public sector as a whole in addressing the gender imbalance within computing science studies across the learning system.

Screen

13. The screen sector is another priority sector highlighted in the Programme for Government. I expect the SFC to make a tangible contribution, in partnership with others, to the work to deliver a dedicated screen unit.

The SFC should align and target its activity in a coherent way with those offered by other agencies so as to deliver measurable improvement in the development and growth of the film and television sectors in Scotland.

- **SG strategic priority: Access to education for people from the widest range of backgrounds, including implementation of the recommendations of the Commission on Widening Access and addressing gender balance among student intakes for some key subjects.**

- *SFC strategic outcome: High-quality learning and teaching*

Access and Learning

14. It is important to ensure that we continue to make progress in widening access to higher education and take forward the recommendations of the Commissioner on Widening Access. The appointment of Scotland's first Commissioner for Fair Access, Professor Sir Peter Scott is a significant step in helping us achieve our ambitions. I welcome SFC's new guidance to Scotland's higher education institutions which seeks to ensure that priority for those widening access places added to the system in recent years is given to those living in SIMD20 areas. I expect the SFC to be able to demonstrate its own contribution to delivery of the recommendations and how Scotland's colleges and universities are contributing to the targets set by the Commission, which should be reflected clearly within outcome agreements.

15. Colleges' role in widening access to higher education is central, and I ask the SFC to work across the learning system, using your activity and levers to take a learner centred approach to progression and articulation through further and higher education. I expect this to include the continued encouragement of universities to increase articulation from colleges. These efforts will be central to the considerations of the 15-24 Learner Journey Review which the Government is currently progressing.

16. There has been a positive reaction to the decision by Scottish Government Ministers to introduce an enhanced system of loan support for taught postgraduate courses at Scottish universities. We expect SFC to work with institutions to ensure that SFC direct investment in taught postgraduate provision opens wider opportunities for graduates to undertake postgraduate training, equipping them with the skills necessary to build successful careers and help drive economic growth.

English for Speakers of Other Languages (ESOL)

17. Through the Outcome Agreement process, the SFC should ensure that colleges take account of unmet demand in ESOL in liaison with Community Planning Partnerships. Education Scotland will continue to work with the SFC to monitor the uptake and access to courses and share data of any reported unmet demand.

Gender Action Plan

18. I expect the SFC and its education partners to engage actively with the college and university sectors to implement its Gender Action Plan.

I expect the SFC to work with institutions to make immediate progress to address the gender imbalance at senior academic levels in our universities and other higher education institutions.

- **SG strategic priority: The highest standards of governance and financial accountability in colleges to ensure the efficient and effective running of these bodies.**
- *SFC strategic outcome: High-quality learning and teaching*

Scotland's Colleges

19. Colleges are at the centre of our efforts to build the workforce Scotland's employers and economy need. Regionalisation has transformed our college sector and I am grateful to the SFC and colleges for their efforts in continuing to deliver our commitment to deliver 116,000 full-time equivalent places. This includes the additional places for Early Learning and Childcare (see para 29 below). Building on the successes of the sector in responding to the needs of young people, to learners of all ages and to the local and national labour markets, I wish the college sector to continue to develop its culture of improvement, with a view to further demonstrating success in attainment, retention, articulation, positive destinations and student satisfaction. This approach should be anchored in, and build upon the new quality regime being implemented by the SFC, Education Scotland, and colleges themselves. This evidence on performance and outcomes for learners, together with the work being progressed through the 15-24 Learner Journey Review and the Skills Alignment workstream of the Enterprise & Skills Review, will make a significant contribution to the evidence base for informing future decisions about provision in the college sector.

Long term planning

20. As described in the Audit Scotland Colleges 2016 report, a key role of the SFC is to ensure the financial sustainability of individual colleges through effective engagement and monitoring of college finances, either directly or through the effective monitoring of Regional Strategic Bodies and proactive risk management. In line with Audit Scotland's recommendations, in 2017-18 I expect the SFC to support the college sector in making significant progress towards colleges developing long-term financial plans that link to workforce plans.

National Bargaining

21. I expect the SFC to continue its efforts to ensure the college sector maintains progress on national bargaining and its plans for modernising the college workforce.

Arm's Length Foundations

22. The SFC should monitor the sector's use of Arm's Length Foundations, factoring this information as well as forecasting of future use into its financial planning and in its advice to Ministers on investment decisions.

Regional Strategic Bodies

23. The SFC should continue to support the last remaining Regional Strategic Body that has still to assume its full responsibilities for funding their assigned colleges to do so; to support all three regional strategic bodies for college planning and board appointments in their region; and ensure that each regional board has robust arrangements in place to discharge its duty to monitor its performance and that of any colleges assigned to it.

Flexible Workforce Development Fund

24. SFC has transferred £6 million per year since 2012-13 to Skills Development Scotland which has been used to fund the colleges' activity as part of the Employability Fund. For 17-18, this funding will be re-focussed and used to respond to the skills needs of employers through the establishment of a new Flexible Workforce Development Fund. Details are currently being worked through and I require the SFC to work with the Scottish Government and Skills Development Scotland to assist with the development and delivery of this new employer led approach which should deliver high quality training opportunities that meet the identified needs of employers to up-skill and re-skill their workforce.

- **SG strategic priority: colleges working in partnership to maximise the impact of the learning on offer in colleges to individuals, society and the economy**
- *SFC strategic outcome: High-quality learning and teaching*

Developing the Young Workforce and employer engagement

25. Colleges have played a central role in the introduction of new vocational pathways in the senior phase of Curriculum for Excellence. I now look to the SFC to develop its plans for the next four years of DYW implementation and set out how the colleges will build on partnerships with schools and employers and respond to regional and national labour market demand in order to provide opportunities for all young people to progress through learning and into work.

Skills alignment: apprenticeships

26. I want the SFC to continue its close working with Skills Development Scotland to ensure a co-ordinated, coherent and effective effort is made to offer opportunities across all the family of apprenticeships. Ministers expect this to be pursued in line with the ambitions of the skills alignment workstream of the Enterprise and Skills Review, as part of SFC's engagement across the Review's full programme of activity.

Early Learning and Childcare (ELC)

27. The Scottish Government will almost double entitlement to free ELC to 1140 hours per year (from the current 600 hours per year) by 2020 for all three and four year olds and eligible two year olds. This will require a substantial increase in the ELC workforce. We welcome SFC's support in ensuring a more diverse workforce that better reflects wider society.

28. For the 17/18 academic year, we are seeking provision to train an additional 350 entrants at Manager level. Those should be split with provision for an additional 270 BA Childhood Practice students and 80 Professional Development Awards. We are also seeking an additional 650 HNC places at practitioner level for the 17/18 academic year.

We are providing funding of £1,219,108 for the university provision and £1,946,088 for the additional college places. SAAS will provide the standard undergraduate support package for eligible students.

29. Our current modelling, which is sensitive to a number of policy decisions yet to be made, indicates that around 14,000 additional people will be required to train and join the workforce in this timescale. Although not all ELC workers will train via college or university, the requisite increase in provision of ELC courses from 18/19 is hugely significant. I know you are already working with colleagues in our Directorate for Children and Families on fulfilling this commitment and welcome your continued engagement to ensure the institutions are planning appropriately. As you are aware, the Scottish Government is also seeking an additional 126 PGDE places in 2017. These additional teachers will be utilised in ELC settings.

Innovation

30. Innovation in the college sector is important and SFC should encourage colleges and their representatives to enhance their involvement in the Innovation Centre programme and work with ICs to support innovation in local businesses, for example responding to business demands for skilled people.

- **SG strategic priority: Ensuring provision of quality learning in Scottish higher education institutions**

HE strategic futures

31. The SFC played a full and constructive part in engagement with the university sector, alongside the Scottish Government, in the run-up to the 2017-18 draft budget announcement. Savings in the sector, discussed within the HE Strategic Funding Group, will enable SFC to ensure that there will be no reduction in core funding for teaching, research or widening access activity. We will expect the SFC to continue to be closely involved as work with the sector to consider strategic futures and scope for ongoing partnership working. A priority for the Scottish Government in that engagement will be to agree a framework for a long-term partnership with the sector, which is underpinned by the Scottish Government's continuing substantial public investment in our universities and other higher education institutions.

Quality assurance

32. In the context of the UK Government's Teaching Excellence Framework, I would like to reaffirm the view of Scottish Ministers that the existing Quality Enhancement Framework approach to quality assurance in Scotland remains the key determinant of assessing the provision of quality learning in Scottish universities. However, the SFC should also work to protect, as far as possible, the interests of the Scottish university sector as the Teaching Excellence Framework develops.

Higher Education Governance

33. The Higher Education Governance (Scotland) Act was commenced by regulations in December 2016. The regulations fully commenced the Act with the majority of provisions coming into force on 30 December. The Act takes positive action to enhance the governance of our higher education institutions.

34. I look to the SFC to ensure that HEIs are taking the action necessary to ensure that their governing instruments are amended as necessary to enable them to meet with the all of the requirements of the 2016 Act in line with the timescales set out in the commencement regulations. Alongside this the SFC must give careful consideration to the revised Scottish Code of Good HE Governance in the context of the 2016 Act and their duty under the Post 16 Education (Scotland) Act 2013 to require the institution to comply with any principles of governance which appear to the Council to constitute good practice in relation to higher education institutions.

- **SG strategic priority: Internationally competitive and impactful research**
- *SFC strategic outcome: World-leading research*

Outcome of the EU referendum

35. The outcome of the EU referendum has the potential to have a significant impact on the free movement of people, our ability to attract EU funding - especially Horizon 2020 - and our European and global influence and reputation. These may have a significant and long-term impact on the quality and sustainability of our universities. Scotland, as part of the UK, remains a member of the European Union and so continues to be eligible to participate in EU funding programmes such as Horizon 2020. This has been confirmed by the EU Research Commissioner Carlos Moedas and I look to the SFC to engage with the sector on this issue.

Protecting the core research budget

36. In the context of this uncertainty, I welcome the SFC decision, set out in the 2017-18 HE indicative allocations, to use the 2017-18 budget settlement to protect the core research budget and, specifically, to ensure that the Research Excellence Grant in 2017-18 is maintained at the same level as in 2016-17.

- **SG strategic priority: Effective knowledge exchange and innovation including excellent collaboration between universities and colleges and industry.**
- *SFC strategic outcome: Greater innovation in the economy*

Innovation

37. The Scottish Government published the Innovation Action Plan for Scotland in January 2017. This encompasses a set of starter actions that we plan to undertake to improve Scotland's innovation performance. Innovation is also a key theme in the Enterprise and Skills Review. I look to the SFC to play its part in implementing the Innovation Action Plan as well as any recommendations that emerge from phase 2 of the Enterprise and Skills Review.

38. As part of our efforts to streamline the innovation landscape, we are building on the role of the CAN DO Innovation Forum to work in tandem with the ISF implementation group and its action plan. While the ISF has therefore been stood down, I look to the SFC to continue in its active support of the ISF implementation group and your efforts to monitor and deliver a series of actions to increase collaboration between universities/colleges and businesses. I also expect the SFC to work with the ISF Implementation group and the CAN DO Innovation Forum to report on progress.

Innovation Centres

39. Scottish Ministers welcomed the recommendations of Professor Graeme Reid's independent review of the Innovation Centre Programme on behalf of the SFC and its partners published last year. While it was too early to form a clear assessment of the economic impacts of the Programme, the study found evidence of benefits and impacts for participating companies, and clear signs of the potential for future impacts. I look to the SFC to work with Scottish Enterprise, Highlands & Islands Enterprise and other key partners to consider how best to implement Professor Reid's recommendations and to report on progress within the timescales outlined in the review.

Innovation and Investment Hubs

40. As you know, the 2015-16 Programme for Government announced plans to develop Innovation and Investment Hubs. Scotland House, the London Hub, will become fully operational within the next few weeks. It will provide a permanent presence and a platform from which universities, colleges, research institutes and innovation centres can connect with potential industry and academic partners, initiate collaborations and showcase their entrepreneurial capabilities and innovations to the London academic and investment communities. I would look to the SFC to work with partner agencies to encourage participation and support activities and events in Scotland House to showcase the excellence of Scotland's university and college sector and innovation and R&D capacity and capability.

SECTION 2: SFC's operations, governance, collaboration with partners and your role in advising Government on policy and strategy

- **SG strategic priority: SFC operating as a highly effective public body working collaboratively with others to maximise its impact on individuals, society and the economy**

A. INVESTMENT DECISIONS AND FINANCIAL ACCOUNTABILITY

Strategic Funds

41. Having funds available to invest in Further and Higher Education projects which contribute to meeting Scottish Government strategic objectives is something that I welcome and would like to see continue. In line with the Audit Scotland's commentary, 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 would expect the SFC to examine currently-funded projects with a view to assessing their continued consistency with Scottish Government strategic objectives. I am also keen for the SFC to adopt an approach to the use of Strategic Funds where funded projects set out a pathway to becoming self-sustaining where appropriate.

European Funding

42. In collaboration with Skills Development Scotland and colleges, I expect the SFC to continue to maximise the opportunities available through the current European Funding programme, paying particular attention to your responsibility to comply with regulations and audit procedures.

43. Between April 2017 and March 2018 the SFC will continue to manage its European Structural Fund programmes (ESF). ESF activity is delivered by colleges in addition to SFC core activity. In collaboration with Skills Development Scotland, SFC will deliver its component of the Developing Scotland's Workforce (DSW) programme. This programme will focus on higher level skills to meet regional skills demand by providing courses linked to emerging key growth sectors in Scotland. The SFC will continue to allocate additional activity to colleges under the Youth Employment Initiative (YEI). The YEI programme focuses on young people aged 16-29 who are not in employment, education or training (NEET) in the South-West Scotland region.

Long term financial planning

44. I look to the SFC to advise Ministers on the long term financial needs of the sectors, taking account of demography, significant financial pressures and options for greater efficiencies and cost savings.

Capital investment and estates strategy

45. I look to the SFC to work with the sectors to ensure an up-to-date understanding of the priorities for capital activity. This includes the full estates condition survey being undertaken by the SFC for the college sector at the present time and on which I would welcome regular progress reports ahead of its completion in summer 2017. It remains vitally important that there is appropriate long term, evidence-based understanding of capital requirements across both the college and university sectors.

College Energy Efficiency Programme

46. The development of the College Energy Efficiency Programme (CEEP) is on-going with the launch of the programme anticipated in spring 2018. SFC has a unique opportunity to ensure the successful delivery of the non-domestic energy efficiency college pathfinder project that is being supported by funding awarded through the Scottish Government's Capital Stimulus Programme in September 2016. Building on this pathfinder and sharing the learning across the sector should provide the incentives for colleges to capitalise on the benefits of the estate wide energy efficiency invest to save model.

Financial transactions

47. The SFC has again been allocated £10m of financial transactions to support capital activity in the university sector. I expect the SFC to work collaboratively with the sector to determine the most effective way in which these can be used.

NPD expenditure

48. The budget allocated to the SFC also includes £29.1m to cover College NPD expenditure. I expect the SFC to use this funding to cover the unitary charge payments required for college NPD projects in 2017-18.

Financial monitoring and reporting

49. The SFC will submit accurate reports and claims in relation to all programmes which they fund, as per agreements established between the SFC and individual Scottish Government policy areas. In relation to Education Maintenance Allowances, unclaimed balance for financial year 2017-18 must be declared at financial year close and deducted from future claims in financial year 2018-19. Evidence of these adjustments must be shared with the Scottish Government. The Scottish Government will not pay claims, or part of a claim which relates to previous financial years.

50. The SFC should continue to focus on ensuring the quality and robustness of financial reporting from the college sector and ensure effective, timely and efficient handling of any challenges which may arise.

B. GOVERNANCE AND OPERATIONS

Gender balance

51. Gender Balance on Public Boards legislation was announced in the Programme for Government, representing a further significant step towards the realisation of women's equality in Scotland. Using the new competence transferred to the Scottish Parliament through the Scotland Act 2016, the Bill will require positive action to be taken to redress gender imbalances on public sector boards. Action need not await legislation and I look for a continuation of SFC's important contribution to this ambition through the gender balance on your Council.

Building organisational capacity and capability to improve outcomes

52. The SFC must demonstrate the right levels of rigour, flexibility and responsiveness, supported by the right levels of expertise. I welcome the steps already taken by the Interim Chief Executive to support the organisation through a period of corporate reform and ask you to work with the Scottish Government and the other bodies to review your improvement plans in the context of the Enterprise and Skills Review.

53. In a time of increasing financial pressures, your Interim Chief Executive's role as accountable officer for public funds granted to colleges and universities remains a crucial one. I expect you, and your Board, to (i) make full use of the powers available to you to lever maximum impact from Government investment and (ii) ensure no ambiguity across either sector about the importance of absolute compliance with the terms and conditions of grant set out in the SFC's Financial Memorandum. In this context, I welcome your engagement with Scottish Government officials to refresh your Framework Document which I expect to be completed in 2017-18.

Production of statistics, reporting and performance management

54. In order to measure progress and demonstrate success, it is essential to have access to high quality evidence on a timely basis which will also help inform future decisions. You should keep under review the range, timing and content of statistical publications you produce and consider how they align with the work of others including, for example, the Commissioner for Fair Access and with the need to report progress on the areas covered by outcome agreements. As a producer of official statistics, you should also continue to focus on improving the quality of your statistical outputs, taking into account user requirements,

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building on best practice and ensuring your products are trustworthy, high quality and of public value, as defined in the Code of Practice for official statistics. You should also endeavour to follow the Government Social Research code which provides similar guidance on the development, use and publication of Social Research for public policy making and monitoring.

55. I also urge you to continue to participate in analytical developments that are being promoted by the Scottish Government, such as data linkage and open data and in particular to shape and respond positively to the plans developed by the data workstream of the Enterprise and Skills Review.

C. ADVISING GOVERNMENT ON POLICY AND STRATEGY & COLLABORATION

56. I value the SFC's role in providing Government with advice from a college and university sector perspective. I will seek, and expect you to offer, this advice on matters of strategic and operational significance in relation to the achievement of the strategic priorities set out in this letter. For 2017-18, I particularly welcome your continued contribution to the following areas:

The Enterprise and Skills Review

57. I welcome the SFC's engagement in the Governance workstream of the Enterprise and Skills Review and look to you to respond positively and with pace to the proposals set out by the Cabinet Secretary for the Economy, Jobs and Fair Work in his statement to Parliament of 30 March.

58. Ministers appreciate the contribution that the SFC – along with Skills Development Scotland, Highlands and Islands Enterprise and Scottish Enterprise - make to Scotland's education, skills and business. We also know that there is significant room for improvement in how Scotland performs on key measures of productivity, equality, wellbeing and sustainability. This review goes to the heart of my ambitions for the SFC, and I expect you to drive closer alignment and collaboration across the enterprise and skills system to create real improvement on outcomes. I look to the SFC to take a leadership role in designing and delivering new approaches across the Review's work programme in order to achieve demonstrable progress against these ambitions.

EU membership referendum outcome and implications

59. The outcome of the 2016 EU referendum raises a range of issues for colleges and universities, particularly in relation to the position of EU students and staff, and to the funding of research and infrastructure. We look to the SFC to play a major role in considering the implications and options for the sectors in responding to the challenges ahead as a result of the EU referendum. The SFC's approach to supporting the sectors in their European and international relationships becomes even more critical in this context. Coordination and alignment of efforts with key partners through mechanisms such as Connected Scotland should be continued to ensure a Team Scotland approach to promoting Scotland's universities on a global stage.

The 15-24 Learner Journey Review

60. The Government is conducting a review of the 15-24 Learner Journey to ensure that education provision for young people is as effective and efficient as possible and provides

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more stepping stones for those needing most support. I see two drivers for the review: learner personalisation and choice, and system efficiency. In its first stage, the review will engage a wide range of partners, stakeholders and importantly young people themselves to help us gather and test the evidence base, and design improvements. I welcome your membership of the Review Group and look to the SFC to play a full part in the review process and the implementation of its findings.

Fair Work

61. Ministers have been clear that public bodies should lead the way on Fair Work, ensuring access to work that offers effective voice, opportunity, respect, fulfilment and security of employment and income. There are currently 5 colleges and 5 universities, accredited as Living Wage Employers. I ask that you build on this by encouraging more colleges and universities to become Accredited Employers and to promote the benefits of Fair Work, both through their HR functions and more widely to staff and students.

Equalities

62. I expect the SFC to be proactive in monitoring the equality impacts from the recent budget, in line with statutory duties.

Carbon reduction

63. The Scottish Government has set clear and ambitious targets for carbon emissions reductions in the Climate Change (Scotland) Act 2009. I note the commitments made by both colleges and universities towards these targets, in the form of the Universities and Colleges Climate Commitment for Scotland. I expect the SFC to make further progress by helping both sectors to reduce their carbon footprint, comply with climate change legislation and duties and prepare effectively for the unavoidable impacts of climate change.

Conclusion

64. I am looking to the SFC to take a leadership role in pursuing Government's priorities across education, enterprise and skills. To enable Ministers and Parliament to assess the SFC and the sectors' role and performance in relation to achieving these priorities, I ask the SFC to continue to develop transparent and effective planning, performance management and reporting processes drawing on robust evidence from institutional, regional and national levels. This should form the basis on which decisions are made by the SFC and on which you advise Ministers on how to leverage the maximum impact from the Scottish Government's considerable investment in further and higher education and research.

SHIRLEY-ANNE SOMERVILLE

Copies:

John Kemp, Interim Chief Executive, Scottish Funding Council
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Ken Milroy, Chair, Colleges Scotland
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