



The 111th meeting of the Scottish Further and Higher Education Funding Council was held on Wednesday 30 January 2019 at 10.00am, at 99 Haymarket Terrace, Edinburgh.

Present:

Mike Cantlay (Chair)
Karen Watt (Chief Executive)
David Alexander
Mhairi Harrington
Paul Little
Douglas Mundie (Deputy Chair)
Professor Sir Anton Muscatelli
Dr Keith Nicholson (items 19/01 to 19/10)
Dr Veena O'Halloran (items 19/01 to 19/09)
Marlene Wood (Deputy Chair)
Professor Lesley Yellowlees

Officers:

Martin Fairbairn (Secretary)
Dr Stuart Fancey
Richard Hancock
Deanne Holden (items 19/01 to 19/10)
John Kemp
Martin Kirkwood
Lorna MacDonald
Sheila Meehan (Clerk)
Lynne Raeside
Martin Smith

Scottish

Government:

Richard Lochhead, Minister for Further Education, Higher Education and Science (item 19/01)
Aileen McKechnie (item 19/01)
Dr Linda Pooley
Danielle Hennessy

Observers:

Liam McCabe (President of NUS Scotland)
Ewen Brierley (HEFCW)

Apologies:

Caroline Stuart
Maggie Kinloch
David Sweeney (UKRI/Research England)

19/01 Board discussion with the Minister for Further Education, Higher Education and Science, incorporating SFC's Strategic Plan (SFC/19/01)

The Chair welcomed the Minister for Further Education, Higher Education and Science to the Council Board meeting.

The Minister thanked the Board for inviting him to the meeting and, following his introductory speech, discussions on SFC's Strategic Plan took place. The Minister welcomed the development of SFC's draft strategic plan and its alignment with Scottish Government priorities.

The Chair thanked the Minister for his time and the Minister left the meeting.

19/02 Welcome

The Chair welcomed Liam McCabe of NUS Scotland, Ewen Brierley of HEFCW and Danielle Hennessy of the Scottish Government to the meeting.

The Chair also welcomed Karen Watt, SFC's new Chief Executive and Linda Pooley, of the Scottish Government, to their first meeting.

19/03 Chair's business: papers for discussion and declarations of interest

The Chair invited members to indicate if they wished to discuss any of the starred items on the agenda. Paper SFC/19/09 was unstarred. The recommendations contained within papers SFC/19/12 and SFC/19/14 were **agreed** without discussion.

The Chair reminded Council members of their responsibility to indicate if they had, or may be perceived to have, a conflict of interest under any item.

The following members noted potential conflicts of interest:

- Veena O'Halloran for agenda item 7.
- Lesley Yellowlees for agenda item 7.
- Anton Muscatelli for agenda items 7 and 12.
- Paul Little for agenda item 8 and 12.
- David Alexander for agenda item 8.
- Mhairi Harrington for agenda item 10.

19/04 Minute of the 6 December 2018 meeting (SFC/18/Min07)

The minute of the 6 December 2018 meeting was confirmed as a true record of the meeting.

19/05 Action tracker (SFC/19/02)

The Council received an update on the actions from previous meetings of the Board and noted progress on those actions.

In discussion the Council noted that the Accountable Officer point remained under review by the Scottish Government (SG) lawyers and that, due to the pressures of Brexit, it was unlikely that there would be any progress in the near future. Consideration would be given, at a later date, to removing the item from the Action Tracker.

19/06 Chair's report (SFC/19/03)

The Council received and noted a paper providing a report from the Chair on his recent external engagements.

In discussion on the Ministerial visit the Council noted that:

- The focus of the next Ministerial visit would be on the delivery of SFC's strategic ambitions.
- In the meantime SFC would maximise opportunities to initiate solutions and provide evidence while supporting the institutions to deliver.
- The importance of SFC positioning itself and being reactive in the event of a Spending Review/emergency budget.

In discussion on the draft Strategic Plan the Council stated that:

- The narrative needed to depict the economic impact that institutions have on the economy of Scotland, that Scotland punched above its weight, but that needed to be sustained and built upon, with the value for money and value added aspects being stressed.
- Presenting a future picture that encourages people to think that 'this is the way to get there' would be valuable.
- The ambition should be as broad as possible and a future should be presented, a 2030 vision, as a conversation starter, then the shorter term issues feeding in.

The Council **agreed** that a paper updating on the recent joint Report of the Lessons Learned Review exercise would be brought to the next Council board meeting.

19/07 SFC Performance Report (SFC/19/04)

The Council received a supplement to SFC's Performance Report.

In discussion on the content of the Report the Council noted:

- That SFC's actions had been fundamental to the delivery of the widening access target.
- The current position on industrial action in the college and university sectors.
- That the change to the transitional arrangements for EU citizens had a very negative impact on the recruitment of staff from the EU.
- That the proposed merger of Shetland College was progressing with a planned vesting date of January 2020.

19/08 Chief Executive's Report (SFC/19/05)

The Council received and noted a paper providing a report from the Chief Executive on matters of current interest.

19/09 University Indicative Outcome Agreement funding allocations for AY 2019-20 (SFC/19/06)

The Council received a paper setting out indicative budget plans and allocations for the university sector in 2019-20.

In discussion the Council noted that:

- The original version of the paper had been considered at Finance Committee on 22 January 2019 and that the version provided to Council incorporated the Committee's views.
- The starting position was a pressure of £12.6m due to student support commitments and taking into account the Academic Year (AY)/Financial Year (FY) conversion.
- Further information on controlled subjects and the expansion of Early Years Education would be provided for the final allocations.
- The funding for the additional Taught Postgraduate (TPG) places for skills would be repurposed for AY 2019-20, with the c.£6.2m fund being set aside to meet revised strategic skills priorities in shorter courses.
- Teaching and Research would both be maintained at 2018-19 sector levels.
- There were small shifts in the Research Excellence Grant distribution to support focus on excellence.

- Options were provided around adjusting the Strategic Funds to manage the £12.6m pressure, including transferring one long standing commitment from Strategic Funds to Capital.
- There was to be a reduction of capital maintenance of £1.5m compared to 2018-19.
- The Council executive confirmed that the flat cash settlement, while manageable, was challenging and that there would be no headroom for new strategic investment.

In discussion the Council advised that:

- The position with the Strategic Funds should be clearly communicated to the sector.
- It was important that the strategic grants that supported additional activity were continued.

The Council **agreed** to approve the indicative university sector funding allocations for AY 2019-20 as set out in Option 2 in the paper, including transferring one long standing commitment from Strategic Funds to Capital, and to delegate authority to the Chief Executive to finalise the publication.

19/10 College Indicative Outcome Agreement funding allocations for AY 2019-20 (SFC/19/07)

The Council received a paper setting out indicative budget plans and allocations for the college sector in 2019-20.

In discussion the Council noted that:

- The original version of the paper had been considered at Finance Committee on 22 January 2019 and that the version provided to Council incorporated the Committee's views.
- Funding commitments in relation to the final tranche of National Bargaining pay harmonisation costs in AY 2019-20 would be met.
- 2019-20 Student Support commitments would result in a pressure of £5.7m on the budget.
- Ongoing commitments in relation to the Flexible Workforce Development Fund and European Social Funds would be supported for 2019-20.
- The Council executive would continue to monitor the financial sustainability of the college sector and maintain ongoing discussions with SG if there were specific pressures.

In discussion the Council advised that the lack of headroom for both the college and university sectors was of concern and an opportunity to explore the Strategic Fund commitments would be welcomed.

The Council **agreed**:

- To approve the indicative college funding allocations for AY 2019-20 as set out in Option 2 in the paper and to delegate authority to the Chief Executive to finalise the publication.
- That a paper be brought to the next Council board meeting on Strategic Fund commitments.

19/11 Infrastructure and Digital Infrastructure (SFC/19/08)

The Council received a paper providing an update on the development of the Council's approach to infrastructure investment across both sectors, including digital infrastructure.

In discussion the Council noted that:

- Traditional capital funding would not be an option for the foreseeable future and future capital funding solutions would require innovative methods.
- The Council executive would work to support colleges in sourcing investment opportunities and in ensuring that capital business cases were ready in the event that funding became forthcoming.
- The university sector could access Financial Transaction (FTs) funding. FTs were best suited to 'spend to save' projects.
- The Council executive would ensure that any future capital support for universities would be taken forward within the context of the Scottish Government's Learning Estate Strategy.
- A new, three year, Outcome Agreement for JISC was being prepared which would include the expectation that a high level assessment of college ICT infrastructure would be undertaken.

19/12 Developing the Young Workforce update (SFC/19/09)

The Council received a paper updating on SFC's contribution to Developing the Young Workforce – the Scottish Government's Youth Employment Strategy and **agreed** that it would be re-presented to the next meeting for further consideration.

19/13 Gender Action Plan Annual Progress Report (SFC/19/10)

The Council received and noted a paper updating on SFC's annual progress on its Gender Action Plan (GAP).

The Council **agreed** that the impact of conflicting initiatives should be taken into account to ensure a joined up approach and a reduction of duplication.

19/14 Corporate Governance (SFC/19/11)

The Council received a paper considering several areas of corporate governance.

In discussion the Council noted:

- The Council review of effectiveness, the outcomes of the evaluation and the improvement actions around stakeholder engagement and Council paper content/length.
- The Board succession plans and knowledge, skills and experience priorities for the next recruitment round.
- The comments on Board member development.
- The changes to SFC's Scheme of Delegation.
- The update on SFC's committee structure.
- A change to SFC's Remuneration Committee Standing Orders.

The Council **agreed**:

- That information should be issued electronically between meetings where possible to free the agenda for strategic considerations.
- That the Council executive would meet with the Deputy Chairs to consider the Council agenda/long-term agenda.
- The revised Scheme of Delegation.
- To consider SFC's committee structure at the next Council board meeting.
- One change to the Standing Orders of the Remuneration Committee.

19/15 Audit and Compliance Committee minutes (SFC/19/12)

The Council received the unconfirmed minutes of the Audit and Compliance Committee meeting of 11 December 2018.

19/16 Finance Committee minutes (SFC/19/13)

The Council received the unconfirmed minutes of the Finance Committee meetings of 4 December 2018 and 22 January 2019.

19/17 Remuneration Committee minutes (SFC/19/14)

The Council received the unconfirmed minutes of the Remuneration Committee meeting of 14 December 2018.

19/18 Long-term agenda planning (SFC/19/15)

The Council received a paper informing members of substantive agenda items proposed for future meetings.

The Council **agreed** that the Council executive would revisit the agenda items for the March 2019 workshop meeting.

19/19 Update from observers (Oral)

The Council received updates from the observers.

The Council noted that the chief executives of the four funding bodies were to meet quarterly and **agreed** that the potential for an Office for Students observer to attend SFC Board meetings would be investigated.

19/20 Next meetings: Strategic - 14 March 2019

Business – 25 April 2019