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20 December 2024

Dear Mike,

I am writing to set out strategic guidance on priorities for the Scottish Funding Council (SFC) in 2025/26, as the national body for tertiary education, research and knowledge exchange.

I wish to thank you, your fellow Board Members, and all staff at SFC for your hard work and leadership over the past year and I look forward to working together in the coming year to deliver the priorities set out in this letter.

Policy Context

The [Purpose and Principles and supporting documents](#) published in June 2023 set out the long term framework for decision making for Post-School education, skills and research that will ensure this vital part of our critical national infrastructure is fit for the future - delivering better social and economic outcomes for the investment that we make.

The Purpose and Principles, Initial Priorities and system level outcomes are set out at Annex A. These outcomes are aligned to the [National Performance Framework](#) and contribute to delivery of the First Minister's priorities for Scotland, as set out in the 2024-25 [Programme for Government](#): eradicating child poverty, growing the economy, tackling the climate emergency and ensuring high quality and sustainable public services – as well as the ambitions set out in the [National Strategy for Economic Transformation \(NSET\)](#).

SFC should ensure that strategic and operational plans align with the Purpose and Principles and must be able to demonstrate the impact that their plans will have on making progress towards the outcomes Ministers have set for the system.

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Reform and continuous improvement

Considerable work has been underway over the course of this year to progress with the reform priorities that I set out in my letters to the Education, Children and Young People Committee in [March](#), [June](#) and [October](#) 2024. This has included the consultation on options to simplify the post school funding body landscape; the consultation and subsequent announcement on regional strategic bodies in Glasgow and Lanarkshire, and work to develop a new national approach to skills planning and to strengthen regional approaches. These priorities were highlighted in the [Programme for Government for 2024/25](#), which also set out Ministers' plans to introduce a Bill to simplify the post-school funding body landscape.

I recognise that reform and continuous improvement presents opportunities but is also a source of uncertainty. Ministers will respond to the simplifying the post school funding body landscape in due course, and I will provide as much clarity to your Board, your staff and wider stakeholders as I can at the earliest opportunity.

While all decisions will be for Scottish Ministers, I appreciate the detailed contribution that has been made by a number of your staff in supporting the development of the Outline Business Case for simplification of the funding body landscape and I look forward to more of them being closely involved as we prepare for implementation and transition to new funding body structures in the coming years as well as being engaged in the development of other projects within the programme.

Across the programme, as options are further developed and as the policy direction of Ministers becomes clearer, I expect the full support of the SFC Board and Leadership Team; including, sharing any information required and ensuring that staff with vital expertise are made available to support this work; whether through formal, full time secondments, participation in assurance or working groups or taking forward discrete pieces of work in line with the priorities set by Ministers.

I also look to you and to the SFC Board and Leadership Team to take a positive and active role in supporting reform - delivering on Ministerial priorities and championing these, both within your organisation and with stakeholders - as this important work progresses.

Through the Chief Executive Forum, and the regular engagement that my senior team and I have with you as Chair and with the Chief Executive and leadership team I will ensure that you are as engaged and involved as possible as Ministers make decisions on next steps.

While the teams leading reform projects and programmes will support you with information and will provide opportunities for engagement, including with recognised trade unions, you know your organisation best. I expect you to lead on providing reassurance to colleagues and supporting their wellbeing as we move towards delivering on the reform priorities.

I recognise that to do this effectively, Scottish Government will have to provide clear leadership and policy direction at a sufficient level of detail. That is my intention. I am aware that the evolving picture across budget, Education and Skills and Public Service Reform may require an additional letter of guidance in-year.

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Business as usual activity

It is vital that SFC continues to perform its existing role to a high standard as the programme of reform is taken forward. Importantly this includes continuous improvement of the services you deliver. However, it is also important that any planned changes to business as usual approaches over this transition period are discussed with your sponsor team as part of regular governance and assurance to ensure alignment with reform and best value.

I look to SFC to work with Skills Development Scotland, the enterprise agencies and other delivery partners to play a full and collaborative role in supporting key Ministerial priorities including the National Strategy for Economic Transformation, our Green Industrial Strategy, Scotland's just transition to Net Zero and to support the eradication of child poverty.

Public Service Reform

The Scottish Government is committed to delivering public service reform which achieves effective and person-centred, fiscally sustainable public services, leading to improved outcomes and reduced inequalities. In the delivery of its functions, SFC should adhere to this commitment and ensure that its services are affordable within a constrained budget, where value for money is a major focus.

SFC is expected to test and exhaust all options for efficiency savings. Budget management processes should be utilised effectively to inform difficult decisions, balancing fairness with affordability and fiscal sustainability.

As part of our approach to Public Service Reform in Scotland I also expect SFC to build on existing good relationships with the other public bodies, particularly those in the education and skills landscape, identifying opportunities for engagement, collaboration, alignment and further opportunities for shared services as reform work progresses.

Engagement with end users

At the heart of all of our work are the learners, employers and communities whom we serve. We can only deliver services and support that meets their needs if we actively engage, listen to what they tell us and act on that intelligence. The Scottish Budget for 2025-26 was clear in prioritising support (including financial support) for students and supporting them to complete their studies in the face of cost of living pressures. SFC must be able to demonstrate continued efforts made to build and enhance constructive relationships with these key stakeholders and the impact this has on delivery.

Budget

As you are acutely aware, the Scottish Government is operating in the most challenging fiscal context since devolution. Organisations across the public sector, including the Scottish Government, are subject to constrained funding and must make every effort to deliver within their agreed budgets. Ministers have listened to the views of the college and university sectors and the 2025-26 Scottish Budget provides over £2bn for colleges, universities and the wider skills system.

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It is a vital part of your role as a public body that you can provide evidence to demonstrate that the money being invested in our post school system is delivering the outcomes and impact envisaged.

SFC should ensure compliance with all additional SG procedures for spend approval, including the requirement for Accountable Officer (AO) templates. The Cabinet Secretary for Education and Skills wrote to all public bodies in her portfolio on 23 August 2024 setting out enhanced spend control measures public bodies are expected to follow. I recognise that this has resulted in decisions that may have previously been within the scope of the Board's responsibility having to progress through different approval processes. I am grateful for the continued cooperation of SFC in implementing these measures.

Governance

SFC's Board has responsibility for overseeing the delivery of SFC's statutory functions in accordance with its Framework Document. As you know, my officials are currently taking forward work with SFC to update your framework document, which was last updated in September 2022. I look forward to a revised Framework Document being agreed, which reflects the current operating, budgetary and policy environments.

As Chair, I look to you to continue to ensure the Board provides leadership, direction, support and guidance, to ensure that SFC delivers and is committed to delivering its functions effectively and efficiently and in accordance with the aims, policies and priorities of the Scottish Ministers.

Your Sponsorship Team will also continue work with you on ensuring the recommendations of [Eleanor Ryan's review of Scottish Government relationships with public bodies](#) are implemented, building on already well-established working relationships, in line with [our response](#) to this review.

Fair Work

Fair Work continues to be a high priority for the Scottish Government and is central to delivery of outcomes under the National Performance Framework. SFC has a dual role to play in supporting the implementation of Fair Work First: as an employer; and as a steward of significant public funding which supports the delivery of public services and supports Scottish Government priorities, including through procurements or the award of grants/funding. Building on SFC work already underway, SFC should continue to refer to the Scottish Government's [Fair Work First guidance](#) to inform its implementation of Fair Work First conditionality in grants.

The Scottish Government also recognises its responsibilities to ensure the principles of Fair Work underpin any plans for reform of the skills delivery landscape which are likely to impact on the future work of Scottish Funding Council staff.

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2025/26 Priorities

Coherent Provision

I expect SFC to focus on funding high-quality provision of fundable further and higher education that meets the needs of learners, employers, communities and the national and regional economies. Being able to demonstrate the responsiveness and relevance of the offer across further and higher education and apprenticeship provision to emerging national and regional skills priorities will be vital as we progress with system wide reform.

SFC should remain closely engaged in the skills planning reform work being led by the Scottish Government, and collaborate actively with SDS and partners on exploring approaches to enable the system to respond to current and future skills priorities. This will include on-going work on current funding models and exploring how better data and evidence on provision can support future skills planning processes at the national and regional levels.

I welcome SFC's ongoing work to implement the newly developed Outcomes Framework and Assurance Model, underpinned by the new Tertiary Quality Enhancement Framework and the Research Assurance and Accountability guidance provide the foundations for being able to demonstrate the ways in which the system delivers coherent provision.

I welcome the good progress that has been made in ensuring that every young person in Scotland has a chance of success, no matter their background or circumstance and I am encouraged to see a record number of Scottish domiciled students from our most disadvantaged communities successfully applying to university.

Within the challenging financial context, opportunities for Scottish domiciled students should continue to be protected while supporting delivery of our widening access commitments and enhancing the student experience. Ministers also acknowledge that SFC must take steps to ensure that funds are aligned to demand. Where there is excess supply in the system resulting from the completion of the extra 2,500 university places provided during the COVID-19 pandemic, funds should be repurposed and targeted across the system to reflect demand, maximising opportunities for all Scottish domiciled students and improving the learner experience for all.

Whilst of course recognising potential resourcing challenges, SFC should also engage with the sector on other options to maximise the impact of our investment, exploring appropriately any sectoral suggestions in that regard. SFC should advise Ministers on any such steps.

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I encourage SFC to expedite your work to establish a structured, evidenced and stakeholder informed approach to redesigning the funding received by colleges . In doing so, the framework established in the Purpose and Principles should sit at the centre of this work, and careful consideration should be given to factors such as:

- differentials in the cost-base of provision, (for example on rurality, or the types of course);
- responsiveness to changes in demographics and economic demands
- responsiveness to significant trends in performance and quality of strategic planning,
- national and regional skills planning priorities as these become established;
- the needs of learners, providers and employers, with an emphasis on fairness, transparency and accessibility;
- enhancing collaboration to deliver better value for money, drive efficiencies and encourage more diverse sources of funding.

In consultation with SFC, the sector, employers and learners, Ministers may issue further guidance to SFC on strategic priorities for coherent provision and associated funding considerations.

Tuition Fees for rUK Students

Following the UK Government announcement to increase the tuition fee rate in England from £9,250 to £9,535 from the 2025/26 academic year, I agreed to allow Scottish institutions the flexibility to charge students from the rest of the UK the maximum fee of £9,535, in line with the maximum that will be charged by English institutions. SFC should reflect this change accordingly in their conditions of funding for the 2025/26 academic year.

Equalities

I expect SFC to continue to work in partnership with the Equalities and Human Rights Commission (EHRC) in the coming year to enhance SFC's leadership and oversight in tackling persistent inequalities and to support SFC in its oversight role with colleges and universities.

Institutional and Sectoral Sustainability

I am grateful for SFC's work to-date to support the sustainability of the college and university sectors. I look to SFC to continue to monitor the institutional landscape to ensure sustainable and coherent provision. It is vital that Ministers are sighted and assured that Scotland's institutions continue to deliver outcomes for learners efficiently whilst maintaining sound financial assurance and sustainability. This may require information on the financial sustainability of the sector to be shared, with appropriate safeguards in place, with Ministers on a regular basis.

I expect SFC to engage with institutions as needed, making use of its statutory power to conduct efficiency studies where required, and to support institutions and the wider sectors to thrive in the long term. In line with this I expect SFC to have contingency and resilience plans in place to manage the impact of any potential disruption to learning.

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It is essential that public funding is maximised and so, while careful consideration must be given to the financial sustainability of individual institutions, I expect SFC to consider the wider landscape of provision and the needs of learners within the overall system when exercising its statutory duty to administer funds.

Collaboration and engagement

The work that has been taken forward in tripartite form in the last year with the Scottish Funding Council, Colleges Scotland / Universities Scotland and Scottish Government working collectively to address shared sector challenges has been extremely valuable.

Given the momentum and trust fostered through the tripartite way of working, it makes sense that these groups continue to build on progress so far.

In terms of the college tripartite, this work will deliver on exploring ways in which the college sector can tap into a wider range of funding streams. This work should explore campus co-investments and new delivery models as well as progressing work on asset disposals. This will also include supporting colleges, to diversify their funding sources to meet local, regional and national skills needs. In doing so, I look to SFC to draw on the experience of other public bodies, including SDS, SFT and the enterprise agencies as well as through direct engagement with industry to support colleges to diversify their funding sources to meet local, regional and national skills needs.

Research and Knowledge Exchange

I recognise the essential role that fundamental research plays in driving forward our ambitions across a broad range of portfolio areas, as we have recognised within number of our key policies and strategies such as the National Innovation Strategy, International Education Strategy and Green Industrial Strategy.

I look to SFC to continue to prioritise the delivery of our investment in core university research and knowledge exchange grants to drive the sector's competitiveness and produce positive economic and social outcomes. This includes continuing to provide underpinning, capacity building support for the sector's research activities through the Research Excellent Grant; building and nurturing our next generation of talent through the Research Postgraduate Grant; and incentivising our institutions to work collaboratively to exploit their research to improve Scotland's economy through the Knowledge Exchange and Innovation Fund, including supporting commercialisation of research, encouraging entrepreneurship and driving business engagement.

I am grateful for the efforts made by SFC this year to better evidence the impact of investment in research, and I welcome your work to continue to evolve your strategic investments to maximise the benefits they deliver and their alignment to Scottish Government ambitions. SFC should continue to invest funding strategically in areas which encourage connections and partnership building across academia and beyond, including through initiatives which encourage connections and partnership building across academia and beyond.

I also ask SFC to continue to represent Scotland's interests in development of the next Research Excellent Framework, and to consider how funding might help to support a successful outcome for Scotland.

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In addition, we ask that the SFC continue to work with government and the sector to identify and consider how best to capitalise on the opportunities in the broader research and innovation ecosystem, including via UK Research and Innovation, Horizon Europe and internationally.

In undertaking your activities, SFC should explore how to align efforts with the ambitions set out in the International Education Strategy and the National Innovation Strategy, as well as supporting development of a positive research culture, enhancing knowledge exchange, and empowering universities to contribute to local economic growth.

Regional Governance

I appreciate the support and advice which has led to the recent announcement on the reform of regional strategic boards and subject to parliamentary process and will be relying on SFC to deliver a successful transition to new arrangements. In so doing I look to SFC to ensure a high level of accountability is maintained and that staff are treated sensitively in line with Fair Work principles.

Net Zero

I expect SFC to continue work implementing your Net Zero and Sustainability Framework for Action, ensuring SFC – and our institutions - realise their full potential in supporting Scotland's just transition to Net Zero.

Conclusion

The challenging operating context, fiscal constraints and the need for public sector reform will require effective decision making, constructive working and clear accountability from all of us, and I am keen that we retain regular dialogue.

Thank you again for your hard work and leadership. If you have any questions, your Sponsorship Team will be happy to discuss in the first instance.

Yours sincerely



GRAEME DEY

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Purpose and Principles – System Level Outcomes & Initial Priorities

Purpose

To develop new thinking, products and systems through research and to ensure that people, at every stage in life, have the opportunity and means to develop the skills, knowledge, values and attributes to fulfil their potential and to make a meaningful contribution to society.

Principles	Long Term System Outcomes	Initial Priorities
<p>Transparent, Resilient and Trusted</p> <p>The system is financially and environmentally resilient; trusted to deliver, and subject to effective governance.</p>	<ul style="list-style-type: none"> Public funding models for education, skills and research are fair, transparent, and maximise value. All parts of the Post-School system are trusted to deliver, environmentally and financially resilient and held to account for their impacts on learners, practitioners, local communities, and the wellbeing economy. Collaboration across the Post-School system is pursued proactively with shared values and a common purpose. 	<ul style="list-style-type: none"> To lead the development of a new model of public funding for all forms of provision. To investigate the options to deliver a single funding body, including tuition and living cost support, paying regard to issues such as the status and scope of the body's responsibilities. To include responsibility for overseeing all publicly funded post school qualifications (except degrees) and the underpinning occupational standards and skills frameworks as part of the new qualifications body.
<p>Supportive and Equitable</p> <p>People are supported throughout their learning journey, particularly those who need it most.</p>	<ul style="list-style-type: none"> The public funding system for student support is perceived as fair, transparent and accessible by learners, providers and employers. Learners have access to holistic, person-centred support, empowering them to access, sustain and complete their learning. 	<ul style="list-style-type: none"> Within financial constraints, build on manifesto commitments and undertake a review of student support for part-time learners to improve the parity of support on offer, especially for those who are returning to learning and may have other caring or work-related responsibilities. Develop a model for student support and engagement that takes account of all provision pathways and not just further and higher education, including considering apprenticeships and CLD.

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<p>High Quality</p> <p>High quality opportunities are available for people to enhance their knowledge and skills at the time and place that is right for them.</p>	<ul style="list-style-type: none"> • A motivated and valued workforce of practitioners are empowered to deliver consistent high-quality learning opportunities. • Learners have the skills and knowledge they need to secure or progress in sustained employment that is well-aligned to local, national and international economic and social need. • The system supports a culture of lifelong learning with a 'no wrong door' approach, where learners have equity of access and opportunity to fulfil their interests and potential. 	<ul style="list-style-type: none"> • Build on the work of the recommendations from the Careers Review to consider options for embedding careers advice and education within communities, educational settings and workplaces across Scotland; including options for future delivery of national careers services. • Build a comprehensive understanding of the Post-School qualifications landscape to inform processes for developing, funding, assuring and approving publicly funded qualifications, and actions for wider reform of the qualifications landscape - including improved articulation with the senior phase. • Lead work to inform our future approach to apprenticeship development and delivery as part of an integrated landscape of pathways. • Work with institutions, public bodies and unions to ensure that staff at all levels are supported and empowered to deliver the high-quality work required by students, society and the wellbeing economy, in keeping with fair work principles.
<p>Globally Respected</p> <p>Research, teaching, innovation and knowledge exchange undertaken by Scotland, must make a difference; enhance and contribute to global wellbeing,</p>	<ul style="list-style-type: none"> • Scotland's Post-School system is internationally recognised for research, teaching, and innovation, leveraging substantial funding from international and domestic sources. 	<ul style="list-style-type: none"> • Use and improve Study in Scotland materials as part of our approach though NSET to talent attraction and retention. • Take forward a pilot international mobility programme co-designed with

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<p>addressing 21st Century challenges such as the climate emergency and attracting inward investment and talent to study, live and work in Scotland.</p>	<ul style="list-style-type: none"> • Providers attract and retain a highly trained teaching, innovation, and research workforce with global reach and impact. • Scotland's internationally competitive economy is underpinned by world-leading research, teaching, innovation and knowledge exchange, driving inward investment and productivity. 	<p>sector representatives.</p> <ul style="list-style-type: none"> • Continue to seek to influence the UK Government to secure our future association to Horizon Europe and other EU research programmes and ensure Scottish interests are protected regardless of outcome.
<p>Agile and Responsive</p> <p>Everybody in the system collaborates to deliver in the best interests of Scotland's wellbeing economy</p>	<ul style="list-style-type: none"> • Collaboration between policymakers, employers and providers produces a supply of talent and innovation to help drive Scotland's wellbeing economy. • Learners, no matter their background or prior attainment, can develop skills to enter and progress in good quality employment and/or realise their potential. • Scotland has an aligned and responsive regional skills delivery system fuelling a suitably skilled and motivated workforce, increasing productivity and business success at local, regional and national level. 	<ul style="list-style-type: none"> • To take responsibility for skills planning – developing an approach at a national level that works with partners to set clear priorities. • Enhance and embed the role of employers in shaping system planning priorities, pathways and provision. • This will be supported by a regional approach that builds on existing regional economic partnerships and has employers and local providers, in particular colleges, at the centre.

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