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Scottish Funding Council

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29 March 2024

Dear Mike

SCOTTISH FUNDING COUNCIL: 2024-25 LETTER OF GUIDANCE

I am writing to set out strategic guidance on my expectations and priorities for the Scottish Funding Council (SFC) in 2024/25, as the national body for tertiary education, research and knowledge exchange.

Policy Context

The Purpose and Principles and supporting documents published last year 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 – aligned to the Scottish Government's core missions of equality, community and opportunity.

The Purpose and Principles, Initial Priorities and system level outcomes are set out at **Annex A** and provide the policy context within which SFC should prioritise strategic and operational plans.

The Purpose and Principles is aligned to the [National Performance Framework](#), the ambitions set out in the [National Strategy for Economic Transformation \(NSET\)](#), and the [Policy Prospectus](#), launched in April 2023.

I updated Parliament on my priorities for Post-School education and skills reform on [5 December 2023](#) and wrote to you confirming these priorities on 12 December 2023 – setting out that the Scottish Government will lead on:

- Development of a national approach to skills planning and strengthening of regional approaches;

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- Simplification of the Post-School funding body landscape - including options for a single funding body and, as a first step, bringing together funding for student support into one place and funding for apprenticeship provision into one place;
- Future development of apprenticeships;
- Developing a clearer and more coherent modus operandi for our national careers offering - building on the work of Skills Development Scotland, Developing the Young Workforce and third sector initiatives, such as Career Ready;
- A short, sharp review of Community Learning and Development, led by Kate Still; and,
- Enhancing employer engagement and ensuring their involvement at all points in the system.

I also committed to working towards providing a further update and an indicative timeline for reform. While all decisions will be for Scottish Ministers, I am clear about the key role for your Board, senior leadership team and your dedicated and expert staff as we work together to progress the vital reform and continuous improvement of our Post-School education, skills and research system, as part of our wider approach to Education and Skills.

As options are further developed, 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 working groups or taking forward discrete pieces of work. I also look to you and your Board to champion reform – both within your organisation and the wider sector - as this important work progresses.

Through the Chief Executive Forum, technical working groups and through my regular engagement with you as Chair, the Chief Executive and staff, I will ensure that you are engaged and involved as Ministers make decisions on next steps.

Education and Skills Reform

The Scottish Government's approach to reform is holistic and reflects a clear expectation that all elements of the education and skills system work together as one single system with a collective responsibility to improve outcomes for those who matter most – the people who experience and deliver education in Scotland.

My ambition is that reform improves outcomes for both young people and those undertaking education and training at all ages. It will only deliver on the ambition that we have if it directly leads to a system that works better for those at its core.

A key part of this is the opportunity to think about how the roles and responsibilities within the public sector landscape for the school and Post-School education and skills system can be simplified. While this will result in changes in the public bodies landscape, SFC will continue to play an important role in improving outcomes for the people of Scotland.

This work is a priority for the Scottish Government and I expect the SFC to incorporate the ambitions I set out in my statement in December in the approach to business-as-usual activity and to prioritise resources accordingly. It will be incumbent on SFC to discuss and agree with the Scottish Government, any changes to business as usual over this transition period to ensure alignment with reform.

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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 also recognise the role of our Post-School education, research and skills system as a key enabler of both our economy and our society. As such, I expect SFC to work with Skills Development Scotland and other delivery partners to play a full and collaborative role in supporting key Ministerial priorities including the National Strategy for Economic Transformation, [Entrepreneurial Campus Blueprint](#), our Green Industrial Strategy and Scotland's just transition to Net Zero.

I also note that this evolving picture across both Education and Skills and Public Bodies Reform, may necessitate the requirement for an additional letter of guidance in-year.

Governance, Budget and Public Service Reform

The very challenging financial environment sets an important context for SFC. 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. The Deputy First Minister has been clear that there is a collective challenge for the public sector as a whole to reduce costs.

SFC should ensure compliance with SG procedures for funding approval, including the requirement for Accountable Officer (AO) templates to be completed and approved before final allocations to colleges and universities are published in May 2024. These additional spend controls have necessarily been put in place in recent years to ensure that the Scottish Government is able to deliver a balanced budget.

SFC's Board has responsibility for overseeing the delivery of SFC's statutory functions in accordance with its Framework Document. SFC's framework document was last updated in September 2022. As we embark on a period of reform, it is important to ensure that the framework document remains fit for purpose and in line with Scottish Government best practice. Your Sponsorship Team will be in touch to discuss how to collectively update your framework.

Your Sponsorship Team will also 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.

I recognise the challenging delivery environment that SFC is operating in. Ministers have had to make extremely difficult choices in the face of the toughest budget since devolution and I recognise that this challenge is passed on to our public bodies.

Mindful of our missions of equality, community and opportunity and our priorities for Scotland, Ministers have had to prioritise legal and contractual obligations in determining how to deploy this budget. My ask of you in this context is to maximise opportunities for learners and research in so far as it is possible.

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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, the 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.

The very challenging financial environment sets an important context for SFC going forward. 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. The Deputy First Minister has been clear that there is a collective challenge for the public sector as a whole to reduce costs.

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 and the Equity pillar of the Policy Prospectus. 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. SFC should refer to the Scottish Government's [Fair Work First guidance](#) to inform its implementation of Fair Work First.

SFC Priorities

I expect SFC to focus on the **delivery of high-quality provision to meet the needs of learners, employers, communities and regional economies**. As set out in the Purpose and Principles, 'collaboration across the Post-School system is pursued proactively with shared values and a common purpose.' I expect SFC to be proactive in supporting institutions to deliver on this.

SFC should continue to **support colleges and universities in using their funding allocations to protect opportunities and equity of access to Scotland's further and higher education sector**; intervening where necessary to identify efficiencies and opportunities for improvement that enable institutions to meet the needs of learners more effectively.

I am grateful for SFC's work to-date to **support the sustainability of the college and university sectors and for implementing a more dynamic funding model for colleges**. I understand SFC will be proactive in seeking ways to evolve the funding model further, with due regard to accountability for public investment. It is vital that this work progresses in the coming year, including the expansion of the successful tri-partite approach between colleges, SFC and Scottish Government, with a comparable group being established to work with universities.

It is vital that our colleges continue to deliver outcomes for learners efficiently whilst maintaining sound financial assurance and sustainability. Given the pressures on public finances, I look to SFC to continue to work with the Scottish Government to **consider the longer-term sustainability of the sector and what this entails**.

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I am grateful for SFC's work so far on the College Infrastructure Strategy and SFC should continue to **work towards the College Infrastructure Investment Plan** which is due to be published this autumn.

I also note SFC's collaborative work across the tertiary sector to **bring forward the innovative Tertiary Quality Enhancement Framework** and look forward to hearing more about **work on SFC accountability and assurance** to enable the assessment of overall performance, quality, governance and financial health of Scotland's universities and colleges - securing accountability for the public investment in teaching, research and knowledge exchange and enabling a better understanding of performance in delivering for staff, students, potential learners and employers across the tertiary sector.

SFC should **continue to support research excellence and encourage connections across the research community and broader networks** to find innovative solutions to the complex challenges we face in Scotland and globally. This includes considering how to support the ambitions outlined in the International Education Strategy, and encourage development of a positive research culture.

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.

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 in the coming year. If you have any questions, my officials will be happy to discuss.



GRAEME DEY MSP
Minister for Higher Education, Further Education; and Minister for Veterans

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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.
<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.

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		<ul style="list-style-type: none"> • 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, 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"> • Scotland's Post-School system is internationally recognised for research, teaching, and innovation, leveraging substantial funding from international and domestic sources. • 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. 	<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 sector representatives. • 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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