

**SCOTTISH FUNDING COUNCIL
BOARD MEETING**

Minute of the meeting held Friday 9 February 2024 at 9am via Teams

The 141st meeting of the Scottish Funding Council [SFC] was held Friday 09 February 2024,

- PRESENT:** Dr Mike Cantlay OBE [Chair]; Ms Karen Watt [Chief Executive]; Mr David Alexander; Ms Sheila Duncan; Ms Linda Hanna MBE (*to agenda item #15 only*); Ms Mhairi Harrington OBE; Ms Lorna Jack [Vice Chair]; Professor Ewart Keep (*to agenda item #15 only*); Mr Andy Kerr; Professor Sir Peter Mathieson (*to agenda item #15 only*); Professor Irene McAra McWilliam OBE (*to agenda item #15*); Mr Grant Ritchie; Professor John Wallace CBE; Professor Lesley Yellowlees CBE (*to agenda item #15 only*).
- APOLOGIES:** Dame Jessica Corner; Dr David Blaney.
- IN ATTENDANCE:** Dr Jacqui Brasted [Interim Director Access, Learning and Outcomes]; Ms Helen Cross [Director of Research & Innovation]; Mr Martin Boyle [Director of Policy, Insights and Analysis]; Mr Richard Maconachie [Director of Finance]; Ms Elizabeth Shevlin [Deputy Director of Assurance & Outcomes] (*agenda it #6 only*); Ms Elspeth Nicholson [Senior Policy Officer] (*agenda item #7 only*); Ms Ursula Lodge [Deputy Director Institutional Sustainability] (*agenda items #6 and #7 only*); Mr Gordon Craig [Deputy Director Tertiary Education] (*agenda item #11 only*); Ms Lynne Raeside [Deputy Director, External Affairs]; Ms Louisa Baker [Deputy Director, Governance & Planning] [Board Secretary]; Ms Gillian Phillips [Senior Governance Officer] [Board Clerk].
- OBSERVERS:** Professor Steven Hill (*to agenda item #14 only*); Ms Ellie Gommersall (*to agenda item #14 only*); Ms Morven Pritchard (*to agenda item #14 only*).

24/ 001 Welcome, Introductions & Apologies

1. The Chair welcomed all attendees to the meeting and the relevant apologies were **noted**.
2. A particular welcome was extended to Professor Steven Hill who was attending to observe the meeting in place of Dame Jessica Corner.
3. The Chair also took the opportunity to express his thanks for the contributions of Dr David Blaney to the SFC Board, noting that Dr Blaney had stepped down from the role of Chief Executive of the Higher Education Funding Council for Wales (HEFCW) and Bethan Owen would assume the position of Interim Chief Executive with effect from 10 February 2024.



24/ 002 Chair's Business

4. Following the Chief Executive's announcement of her intention to retire in July 2024, the Chair invited Board members to pay tribute to her considerable contributions to SFC, noting that there would be a further appropriate opportunity for the Board to formally recognise the commitment and achievements of Ms Watt.
5. The Chair reported that arrangements to appoint a successor to the current Chief Executive were presently underway and that discussions with Scottish Government officials to date had been fruitful and productive. The Board were advised that they would be kept abreast of developments. The Chair reported that he had invited both Ms Jack and Ms Duncan in their respective capacities of Deputy Chair of the Board and Chair of the Remuneration Committee to support the recruitment process.
6. The Chair reminded Board members of their responsibility to indicate whether they have, or may be perceived to have, a conflict of interest under any item in the agenda. Whilst no new declarations were reported, it was noted that Professor Sir Peter Mathieson had an interest in agenda item #8 [Financial Transactions Programmes]. It was agreed that he would not be present for the discussion on this item. Ms Hanna also declared an interest in agenda item #6 [Pathfinders Project: Update and Review] in light of Scotland's Rural College [SRUC] participation in the project. It was agreed that as no decisions were being made at this time, the conflict was not considered to be material.
7. Board members were also reminded that items #15 and #16 on the agenda were be restricted to non-executive Board Members and that a small number of Board Members would be asked to leave for item #16 to allow for relevant conflicts to be dealt with appropriately.

24/ 003 Minute of the meeting held 17 November 2023

8. The minute of the meeting held 17 November 2023 was **approved** as an accurate record.

24/ 004 Board Action Log

9. The Board received and **noted** the action log, presented by the Deputy Director Governance & Planning. The Board agreed that actions marked as complete would now be removed from the Log.

24/ 005 Board Long Term Agenda and Dates of Future Meetings

10. The Board received and noted the Long-Term Agenda, presented by the Deputy Director, Governance & Planning. Board members were invited to provide comments or queries to the Deputy Director or Board Clerk.
11. Board members welcomed the inclusion of regular discussions around high engagement institutions. It was noted that this was an area also considered on a quarterly basis by the Finance Committee, through the lens of financial



sustainability. The SEAL Committee would also be considering the approach to assurance and accountability relating to the learning and teaching outcomes achieved by colleges and universities. It was therefore recommended that consideration should be given to the sequencing of both Committee and Board reports, to ensure timely and accurate reporting.

24/ 006 Chief Executive's Report

12. The Board received and noted the Chief Executive's Report, presented by the Chief Executive which drew attention to strategic topics and many areas of activity since the previous meeting of the Board.
13. The Chief Executive augmented the written report with comments on the following themes: the welcome two year pay deal for staff which had been secured with the Scottish Government at the end of 2023 as a recognition of the dedication and expertise of staff across the organisation; the CEO's evidence to the Public Audit Committee as it continued its inquiry into the Auditor General's Report on Scotland's Colleges; and general updates on the delivery of strategic themes and sector news.
14. The Chief Executive reported that the corporate risk register was presently being reviewed and updated in advance of the Audit & Compliance Committee (ACC) meeting in February. Board members were informed that the review had been undertaken with a view to ensuring that SFC's corporate risk register remained current and up to date and reflected the context and environment the organisation was presently operating in. It was noted that following consideration by the ACC the refreshed risk register would be presented to the Board for approval in March.

24/ 007 Pathfinders Project: Update and Review

15. The Board received and noted the report, presented by the Deputy Director, Assurance and Outcomes which provided an update on SFC Pathfinder activity, including the achievements of the seven pilot projects and emerging learning.
16. Board members were reminded that the Pathfinders project had been established and launched in order to ensure greater alignment of provision against societal and employer need, achieve enhanced coherence and sustainability across provision, and identify simpler pathways and improved outcomes for learners. It was noted that the pilot projects had been located in the South of Scotland and North East and had been selected on the basis of emerging or existing regional skills priorities.
17. *Discussion redacted.*
18. Board Members recorded their thanks to the Deputy Director, Assurance and Outcomes and her team for the highly beneficial work undertaken to date and thereafter agreed that:
 - (i) SFC should continue with its approach to learning from the regional pilot project activity;



- (ii) SFC officers should ensure that evidence is translated into clear messages to inform decisions about reform, setting out how institutions and SFC can enhance regional skills planning and delivery; and
- (iii) Learning should be shared to actively promote and support the scaling and spreading of Pathfinder approaches to partnership and collaboration which have delivered regional benefit.

24/008 Net Zero Delivery Plan: Annual Update

19. The Board noted and discussed the annual update on SFC's Net Zero Delivery Plan, as presented by the Deputy Director, Institutional Sustainability. It was reported that work was ongoing to embed and integrate net zero [NZ] into directorate delivery plans and the Net Zero Delivery Group was planned to be re-established internally in order to drive progress and increase awareness of SFC's obligations.
20. It was reported that good progress was being made in supporting the sector's transition to Net Zero: quantitative and qualitative measures had been successfully integrated into Outcome Agreements and the Financial Transactions programme had sought to target carbon reduction and climate emergency related projects within university estates. It was noted that inaugural data collected through Outcome Agreements would act as a baseline and would be enhanced as Net Zero targets became more embedded.
21. The Board noted the work being taken forward by the Deputy Director, Institutional Sustainability and other senior colleagues to drive future initiatives for the NZ & Sustainability Framework in the context of the current challenging fiscal environment. Thereafter, the Board welcomed the update, noting that SFC was driving innovation in what was considered to be a strategically important area.

24/009 Financial Transactions Programme FY 2023/24

22. The Board received and discussed the Financial Transactions [FT] Programme report, presented by the Deputy Director Institutional Sustainability. Board members were informed that they would be invited to approve the funding for eight proposals as agreed by the Capital Decision Point Committee at its meeting on 18 January 2024.

23. *Discussion redacted.*

24. Thereafter, the Board:

- (i) **Approved** the offers of funding for eight projects as listed in the paper;
- (ii) **Agreed to delegate authority** to the Chief Executive to finalise negotiations and make offers for the proposals recommended for funding;
- (iii) *Agreement - note redacted.*

24/010 Additional Research Funding

25. The Board was reminded that at the meeting of 17 November 2023, it had agreed to delegate authority to the Chair, Deputy Chair and Chief Executive to finalise the



methodology and allocations for three potential tranches of research and innovation funding which was to be made available by the UK Government.

26. It was noted that the Board would be invited to **homologate** the funding allocations and methodology in relation to the Department of Science & Innovation [DSIT] funding which was made available to SFC in late November, which comprised an International Science Partnership Fund [ISPF] support grant and a further grant for Official Development Assistance [ODA] activities.
27. Allied to this, the Director of Research & Innovation reported that the Scottish Government had confirmed that funding would be made available through Barnett consequential as a result of the UK Government's launch of its Regional Innovation Fund in October 2023.
28. Board members were informed that the Chair, Deputy Chair and Chief Executive had duly approved the finalised funding methodology and allocations for DSIT funding. The update was welcomed and endorsed by the Board and the decision was thereafter, **homologated**.

24/011 Innovation Centres: Update

29. The Board received and **noted** the update presented by the Director of Research & Innovation which outlined progress in finalising Infrastructure Innovation Centre [IC] plans and next steps for those not continuing as part of SFC's programme of innovation infrastructure investments.
30. The Board was advised that SFC was continuing to work closely with those ICs whose investment was continuing: it was noted that ICs were being encouraged to adopt a longer-term vision and develop three-year delivery plans, firmly aligned with SFC's infrastructure principles. The First Minister's announcement around the renewed support for the IC programme was warmly welcomed by the Board. It was noted that this had gained significantly positive media attention.
31. The Board noted the continued engagement of SFC with those ICs not continuing as infrastructure investments and the support being provided to them to manage next steps.
32. The Board welcomed the continued good progress and took the opportunity to note their thanks to the Director of Research & Innovation and her wider team for the work undertaken to deliver and manage the outcome of the assessment. It was observed that the decision-making process was considered to have been open and transparent and the Board commended the approach adopted in managing the complex transition process. The Board was informed that the Research & Knowledge Exchange Committee [RKEC] had agreed to engage with the successful ICs in the future.



24/012 Scottish Government Draft Budget 2024/25 and Funding Allocation Principles

33. The Board received and discussed the paper, presented by the Deputy Director Tertiary Education Funding, which outlined the draft Scottish Budget for financial [FY] 2024/25 for college and university funding and SFC running costs. It was noted that the paper also set out a number of principles which SFC should adhere to and recommended approaches to guide indicative funding allocations for colleges and universities. The Board was informed that the proposals outlined were being brought to the Board on the recommendation of the Finance Committee.
34. The work of the Deputy Director, Tertiary Education Funding and his team was commended by the Chair of the Finance Committee: it was noted that the budget settlement provided was considered to be both challenging and complex and there remained an ongoing risk to the financial sustainability of the sector. The proposed allocation principles which had been developed were nevertheless considered to be equitable, measurable and proportionate.
35. It was reported that colleges had expressed significant concern around the removal of the Flexible Workforce Development Fund [FWDF] which enabled colleges to respond effectively to regional and employer need. It was noted that employers had similarly expressed their profound disappointment about the removal of the FWDF. The Board supported an exploration of options for continued employer engagement while recognising the limitations of the budget settlement.
36. It was reported that interactions with the sector to date had been broadly positive and that the Executive team had been engaging closely with the sector bodies. Engagement with Scottish Government Ministers and officials was also planned in advance of future Committee and Board meetings.
37. The Board observed that a complex programme of reform would require to be delivered alongside a significantly challenging budget: the allocation principles outlined were therefore commended by the Board. It was noted that these were considered to be sensible, pragmatic and proportionate.
38. The Board was reminded that proposed allocations for universities and colleges would be considered by the Finance Committee at its meeting on 1 March before being brought to the Board for approval on 15 March.
39. Following discussion, the Board
 - (i) **Approved** the proposed approach to modelling for indicative funding allocations for colleges and universities;
 - (ii) **Noted** the draft FY 2024/25 Scottish Budget for colleges, universities and SFC running costs, the subsequent funding available for AY 2024/25 and some of the challenges arising;
 - (iii) **Noted** SFC's FY 023/24 revised running costs budget following reforecast; and
 - (iv) **Noted** the proposed timeline for further consideration, approval and publication of indicative (and final) funding allocations for AY 2024/25.



24/013 Equalities Outcomes: Annual Update

40. The Board received and **noted** the Equalities Outcomes annual update as presented by the Interim Director, Access, Learning and Outcomes. It was noted that good progress continued to be made in driving compliance within SFC and externally in the wider sector. It was reported that a dedicated EDI Officer had recently been appointed and they would be instrumental in providing expert support to colleagues on the internal element of this work going forward.

24/014 Research and Knowledge Exchange Committee: Minute of the meeting held 30 October 2023

41. The Board received and noted the minute of the Research and Knowledge Exchange Committee meeting, held 30 October 2023.

24/015 Finance Committee: Minute of the meeting held 5 December 2023

42. The Board received and noted the minute of the Finance Committee meeting held 5 December 2023.

24/016 Reform Update

43. The Board received a high-level overview of progress against the reform agenda. Key milestones to date were identified and indicative next steps were outlined.

24/017 High Engagement Institutions

44. The Board received, discussed and noted the verbal update, presented by the Director of Access, Learning and Outcomes on high engagement institutions.

24/018 Date of Next Meeting

45. It was noted that the next SFC Board meeting would take place on Friday 15 March 2024 from 10am in the Boardroom, Apex 1.