



The 113th meeting of the Scottish Further and Higher Education Funding Council was held on Tuesday 25 June 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)  
Dr Veena O'Halloran  
Caroline Stuart  
Marlene Wood (Deputy Chair)  
Professor Lesley Yellowlees

**Officers:**

Michael Cross  
Martin Fairbairn (Secretary)  
Dr Stuart Fancey  
John Kemp  
Lorna MacDonald  
Keith McDonald (items 19/54 to 19/55)  
Sheila Meehan (Clerk)  
Fiona O'Neill (items 19/45 to 19/48)  
Lynne Raeside  
Martin Smith

**Scottish**

**Government:**

Dr Linda Pooley

**Observers:**

Andrew Youngson (union-nominated observer)  
Gordon Smail (Audit Scotland) (items 19/45 to 19/48)

**Apologies:**

Professor Sir Anton Muscatelli  
Professor Maggie Kinloch  
Dr Keith Nicholson  
Liam McCabe (President of NUS (Scotland))  
David Blaney (HEFCW)  
David Sweeney (UKRI/Research England)

**19/45 Welcome**

The Chair welcomed Dr Linda Pooley of the Scottish Government and Gordon Smail of Audit Scotland to the meeting.

The Chair also welcomed Andrew Youngson, SFC's union-nominated observer, to his first meeting.

**19/46 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. The recommendations contained within papers SFC/19/47, SFC/19/51 and SFC/19/54 were **agreed** without discussion. Paper SFC/19/53 was unstarred for 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:

- Lesley Yellowlees for agenda item 12.
- David Alexander in relation to West College Scotland.
- Veena O'Halloran in relation to University of Strathclyde.

The Chair advised members that SFC's Strategic Framework would be published, in conjunction with SDS, that day.

**19/47 Audit and Compliance Committee Annual Report (SFC/19/36)**

The Council received the Audit and Compliance Committee annual report.

The Council noted that:

- The Committee's Annual Report contained information on the main activities of the Committee, the results of its annual evaluation and a forward look to the priorities for the year ahead.
- The Committee had considered the SFC draft financial statements and the Annual Governance Statement, and agreed that the Council's financial and other control systems had operated effectively during the year ended 31 March 2019.
- The Committee had also received a series of consistent strong reports on assurance and governance during the year and thanked SFC officers for their input and support.

**19/48 Scottish Further and Higher Education Funding Council draft annual report and accounts, year ended 31 March 2019 (SFC/19/37)**

The Council received SFC's draft audited annual report and accounts for the year ended 31 March 2019, the letter of representation and Audit Scotland's Annual Audit Report 2018-19.

The Council noted:

- That SFC's Audit and Compliance Committee had scrutinised the annual report and accounts in detail and had agreed that there were no matters in respect of audit or internal control that prevented approval of them.
- That the external auditors had indicated that they expected to give an unqualified opinion on the accounts.
- The draft 2018-19 Annual Audit Report, Audit Scotland's report summarising the findings from their 2018-19 audit of SFC.
- That the external auditors confirmed that SFC managed its finances effectively and the systems of internal control had operated effectively in 2018-19.
- That annual consideration of accounting policies took place.

In discussion the Council advised:

- That it had been a positive if challenging audit process and resourcing issues were highlighted.
- On minor typographical errors that required amendment.

Members of the Audit and Compliance Committee, Finance Committee and the Audit Scotland representative commended the Finance team for their work on the accounts, but also noted the pressures arising from the tight timetable.

The Council **agreed**, following correction of typographical errors, to approve:

- The letter of representation to allow the Chief Executive to sign it.
- The annual report and accounts for the year ended 31 March 2019 for the Chief Executive to sign them.

**19/49 Minute of the 25 April 2019 meeting (SFC/19/Min02)**

The minute of the 25 April 2019 meeting was confirmed as a true record of the meeting.

**19/50 Action tracker (SFC/19/38)**

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

**19/51 Chair's report (SFC/19/39)**

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

In discussion the Council noted that:

- The appointment process for new Board members was now live and members were encouraged to disseminate the opportunities to their networks and to urge those with the relevant skills and knowledge to apply.
- *Scotland's Fiscal Outlook, The Scottish Government Medium-Term Financial Strategy* had been published in May 2019.

**19/52 SFC's Performance Report (SFC/19/40)**

The Council received SFC's Performance Report.

In discussion the Council noted:

- The significant challenges to achieving the 2030 widening access targets, including the part played by articulation, and that the Council executive would therefore be considering possible new policy options.
- Although the industrial relations issues in the college sector in relation to the lecturing staff cost of living award had been settled, the Council executive would continue to monitor developments closely.

The Council agreed with the Chief Executive's assessment that progress was on track.

**19/53 Chief Executive's Report (SFC/19/41)**

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

The Chief Executive confirmed that the introductory meetings that she had undertaken since joining SFC were a valuable source of learning in relation to the work of SFC and for assisting with future planning.

**19/54 Remit for 2020-21 Outcome Agreements (SFC/19/42)**

The Council received a paper proposing a negotiating remit for Academic Year (AY) 2020-21 outcome agreements (OAs) with colleges and universities.

In discussion the Council noted that:

- The Commissioner for Fair Access thought it possible that the access targets could be achieved quicker than originally planned.
- The options around flexible/blended offerings for upskilling were being investigated.

In discussion the Council advised that:

- In relation to access ambitions, that unintended consequences had to be considered, including the costs and impacts for institutions.
- It would be beneficial to consider measures other than just the Scottish Index of Multiple Deprivation (SIMD) and the potential around using individual university contextualised admission data should be investigated, without diminishing the important and valuable focus provided by the SIMD targets.
- A greater focus on gender targets would be welcomed as progress towards targets was slower than desirable.
- There would be benefit in joining up the Adult Learning Strategy and the access targets to ensure that resources were more harmonised.

The Council **agreed** to:

- The proposed updates to the remit for outcome agreement guidance for 2020-21.
- Delegate authority to the Chief Executive to finalise and issue the updated outcome agreement guidance to colleges and universities, consistent with the proposals in the paper, the Council discussion and the upcoming Letter of Guidance from the Government.

#### **19/55 Innovation Centre programme – phase 2 (SFC/19/43)**

The Council received a paper seeking approval of SFC's contribution to the Scottish Aquaculture Innovation Centre (SAIC) phase 2 business plan and updating on the ongoing development of the longer term vision and forward strategy for the Innovation Centre (IC) Programme.

In discussion on the proposal in relation to SAIC funding, the Council noted that:

- Farmed Atlantic salmon was the largest food export for Scotland, and SAIC had instigated large-scale projects to tackle key challenges for the industry, including the prevalence of sea-lice and gill health disease.

- SFC was the main funder of SAIC, which was hosted by the University of Stirling.
- The proposed investment of £2m from Highlands and Islands Enterprise (HIE) for SAIC was a significant investment for and demonstrated HIE's commitment and support for SAIC's work for the rural economy and Scotland.
- SAIC also received funding from various partners, including private industry.

In discussion on the forward strategy the Council noted the high level draft principles and that a developed version of the strategy would be presented to the September 2019 Council Board meeting. The Council advised that the final strategy should be bold and ambitious.

The Council **agreed** to approve SFC's contribution to the SAIC phase 2 business plan of £7.5 million for 5 years from AY 2019-20 and to delegate authority to the Chief Executive to agree, with the funding partners, the final heads of terms and contractual arrangements, subject to the necessary clearance through Scottish Government processes.

#### **19/56 Sector Agency Funding (SFC/19/44)**

The Council received a paper seeking approval for funds that exceed the authority of the Chief Executive for the College Development Network (CDN), Quality Assurance Agency (QAA) Scotland, and JISC.

In discussion the Council noted that the Council executive would continue to use the outcome agreement process to ensure that the best value for the funding of these organisations was achieved. Ongoing engagement with stakeholders would continue to be encouraged to ensure that activities meet the needs of the relevant sectors.

The Council **agreed** funding in AY 2019-20 for CDN (£1,544,328), QAA (£1,237,127), and JISC (£8,073,372), subject to any necessary clearance through Scottish Government processes.

#### **19/57 Skills Alignment (SFC/19/45)**

The Council received a paper summarising progress with the Skills Alignment 5-Step model developed jointly by SFC and SDS.

In discussion the Council noted the:

- Appointment of the Director of Skills Alignment.

- Summary of progress, updates on the pilot activity that was taking place, and the challenges and risks involved.

**19/58 Scottish Teachers Superannuation Scheme: funding for change to employer contribution rate (SFC/19/46)**

The Council received a paper setting out proposed funding arrangements for colleges and universities to support the change to the employer contribution rate from September 2019.

The Council **agreed** to:

- The proposed arrangements for providing additional funding to colleges and universities to support the change to the employer contribution rate from 1 September 2019.
- Delegate authority to the Chief Executive to approve and announce the breakdown of institutional allocations across each sector.

**19/59 Use of delegated authority (SFC/19/47)**

The Council received and noted a paper reporting on the Chief Executive's use of delegated authority during the period 16 April 2019 until 6 June 2019.

**19/60 Institutional Governance (SFC/19/48)**

The Council received a paper summarising the current position in relation to a payment made to the former Principal of the University of Aberdeen upon his retirement.

The following three paragraphs are withheld from publication on the Council website under the Freedom of Information (Scotland) Act 2002, Section 30: Prejudicial to the effective conduct of public affairs

[ ] × 3 paragraphs

**19/61 Review of Post 18 Education and Funding: the Augar Review (SFC/19/49)**

The Council received a paper updating on the key funding implications of the recommendations from the Review of Post 18 Education and Funding for England, if implemented.

- 19/62 Access and Inclusion Committee minutes (SFC/19/50)**  
The Council received the unconfirmed minutes of the Access and Inclusion Committee meeting of 23 May 2019.
- 19/63 Audit and Compliance Committee minutes (SFC/19/51)**  
The Council received the unconfirmed minutes of the Audit and Compliance Committee meeting of 13 June 2019.
- 19/64 Finance Committee minutes (SFC/19/52)**  
The Council received the unconfirmed minutes of the Finance Committee meeting of 30 May 2019.
- 19/65 Learning Enhancement Committee minutes (SFC/19/53)**  
The Council received the unconfirmed minutes of the Remuneration Committee meeting of 11 April 2019.
- 19/66 Research and Knowledge Exchange Committee minutes (SFC/19/54)**  
The Council received the unconfirmed minutes of the Research and Knowledge Exchange Committee meeting of 6 March 2019.
- 19/67 Long-term agenda (SFC/19/55)**  
The Council received a paper informing members of substantive agenda items proposed for future meetings.
- 19/68 Any Other Business (Oral)**  
The Chair advised that it was the last meeting for Michael Cross who would be leaving SFC and taking up a post at City of Glasgow College over the summer. The Chair confirmed, on behalf of the Board, that it had been a pleasure to work with Michael, that he would be missed and wished him well for his new post.
- 19/69 Next meeting: 5 September 2019**