



The ninety-ninth meeting of the Scottish Further and Higher Education Funding Council was held on Friday 23 June 2017 at 9.30am, at Apex 1, 99 Haymarket Terrace, Edinburgh.

Present: Professor Alice Brown (Chair)
Robin Crawford (Vice-Chair)
John Kemp (Interim Chief Executive)
Paul Little
Lorraine McMillan (items 17/52 and 17/53, 17/59 to 17/66)
Douglas Mundie
Dr Veena O'Halloran
Professor Albert Rodger (items 17/52 to 17/67)
Caroline Stuart
Audrey Cumberford
Professor Maggie Kinloch (items 17/52 to 17/65)
Marlene Wood

Officers: Morag Campbell (items 17/60 to 17/65)
Michael Cross
Stephen Crowe
Martin Fairbairn (Secretary) (items 17/52 to 17/61)
Stuart Fancey
Lorna MacDonald
Keith Macdonald (items 17/60 to 17/65)
Sheila Meehan (Clerk)

Scottish

Government: Dr Roddy Macdonald (item 17/52 and 17/53)
Laura-Anne Brown (items 17/52 to 17/67)

Observers: David Blaney (HEFCW)
David Sweeney (HEFCE)
Vonnie Sandlan (NUS (Scotland))
Luke Humberstone (NUS (Scotland))

Apologies: Professor Anton Muscatelli
Dr Keith Nicholson

In attendance: Gordon Smail (Audit Scotland) (item 17/62)

17/52 Welcome

The Chair welcomed Roddy Macdonald and Laura-Anne Brown of the Scottish Government, David Blaney of HEFCW, David Sweeney of HEFCE, Vonnie Sandlan and Luke Humberstone of NUS (Scotland) to the meeting.

The Chair also congratulated Professor Anton Muscatelli, in his absence, on receiving a knighthood.

17/53 Overview of Scottish Government Higher Education policy issues presentation

The Chair welcomed Roddy Macdonald from the Scottish Government to the meeting. He gave an overview of Scottish Government higher education policy issues.

The Council noted the priorities for the Scottish Government going forward including the focus on international, innovation, widening access and the Science, Technology, Engineering and Mathematics (STEM) strategy, amongst others.

Following the introductory speech, discussions took place on the impacts of Brexit, the priority of widening access, the Industrial Strategy, STEM and the creative industries.

The Council **agreed** that Sheila Rowan, the Chief Scientific Adviser, would be invited to a future meeting.

17/54 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/17/44 was unstarred for discussion. The recommendations contained within papers SFC/17/51 and SFC/17/53 to SFC/17/56 were **agreed** without discussion.

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

As there were various papers that could potentially result in conflicts for different members, the Council **agreed** that, should a conflict arise the relevant member would advise the Council of the conflict

and, if necessary, leave the meeting during consideration of that item.

17/55 Chair's report (SFC/17/35)

The Council received and noted a paper providing a report from the Chair on her recent external engagements and **agreed** that a minor typographical error be corrected in advance of publication (extraneous text).

17/56 Minutes of the 17 March 2017 and 28 April 2017 meetings (SFC/17/Min02 and SFC/17/Min03)

The Council considered the minute of the 17 March 2017 meeting and **agreed** that a typographical error be corrected in advance of publication (presence of one member during specific parts of the meeting).

The minute of the 28 April 2017 meeting was confirmed as a true record of the meeting.

17/57 Action tracker (SFC/17/36)

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

17/58 Long-term agenda planning (SFC/17/37)

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

The Council **agreed** that an item on national bargaining be added to the long-term agenda in August.

17/59 SFC's Strategic Plan Performance Report (SFC/17/38)

The Council received SFC's Strategic Plan Performance Report and Risk Register.

The Interim Chief Executive advised that while workload had increased significantly, in part due to national bargaining pressures, the most recent staff pulse survey continued to show increased staff engagement.

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

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In relation to the Strategic Plan Performance Report, the Council also noted that:

- The measures used in performance reporting would be amended in response to the Enterprise and Skills Review and any other recent impacts that had caused a refocus of priorities.
- A more consistent use of particular iterations of SIMD data would help universities when reporting in outcome agreements; more timely outputs from SFC would be required to assist this.

In relation to SFC's Risk Register, the Council also advised that:

- The positioning of the Risk Register on the agenda should be considered.
- The colouring in the Risk Register should be revised to reduce confusion.

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

17/60 Chief Executive's report (SFC/17/39)

The Council received and noted a paper providing a report from the Interim Chief Executive on matters of current interest and **agreed** that a minor typographical error be corrected in advance of publication (extraneous text).

The Interim Chief Executive informed Council that he had attended a meeting that week with the college principals to discuss national bargaining. It had been a useful meeting and helped to ensure that

there was a shared understanding of the issues and the potential impacts. SFC would continue to engage closely both with the sector and with Scottish Government on this.

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The Interim Chief Executive also updated the Council on the recent Audit Scotland Section 22 reports on Moray College and Lews Castle College, and the Scottish Parliament's Public Audit and Post-Legislative Scrutiny Committee's subsequent scrutiny of those reports.

17/61 Remit for 2018-19 Outcome Agreements (SFC/17/40)

The Council received a paper proposing the negotiating remit for the 2018-19 outcome agreements (OAs) with colleges and universities.

In discussion the Council noted that:

- The Chair and Interim Chief Executive had met with the Minister for Further Education, Higher Education and Science that week and had a very constructive and realistic discussion, including on potential intensification of the outcome agreements.
- The core purpose for the new outcome agreement remit was a shorter, more concise remit founded on the following principles:
 - Intensification
 - Simplification
 - Targeting and focus
 - Capacity for effective public presentation.
- The World Leading Research section would be revised to ensure appropriate read-across from the Research Strategy.
- The potential for raising the profile for gender would be investigated.

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The Council **agreed** to:

- The proposed updates to the guidance, as set out in the paper.
- Delegate responsibility to the Chief Executive to finalise and issue updated 2018-19 OA guidance to the colleges and universities, consistent with the proposals in the paper and taking into account the discussions noted above.

17/62 SFC annual report and accounts for 2016-17 (SFC/17/45)

Council's draft audited annual report and accounts for the year ended 31 March 2017, the letter of representation and Audit Scotland's Annual Audit Report 2016/17.

The Council noted:

- That SFC's Audit and Compliance Committee and Finance Committee had scrutinised the annual report and accounts in detail and was satisfied, following minor changes, to recommend approval.
- That the external auditors had indicated that they would give an unqualified opinion on the accounts.
- The draft Annual Report of the external auditors to the Board and the Auditor General for Scotland.
- That the external auditors confirmed that SFC had strong internal controls.

Audit Scotland thanked the Director of Finance and her team for their hard work and support through the review of the accounts in their first year as SFC's external auditor.

The Council agreed to recommend approval of the:

- Letter of representation to allow the Interim Chief Executive sign it.
- The accounts for the year ended 31 March 2017, to allow the Interim Chief Executive and Chair to sign them.

17/63 SFC's Research Strategy (SFC/17/41)

The Council received a paper that presented a draft SFC Research Strategy (2017-18).

In discussion the Council noted:

- That the draft SFC Research Strategy was tied to the present SFC Strategic Plan, while also being developed to be relevant going forward, linked to Enterprise and Skills Review expectations and post-Brexit.
- There had been consultation with, and input from, Universities Scotland's Research and Knowledge Exchange Committee (RKEC), SFC's RKEC and the Research Excellence Working Group on the draft Research Strategy.
- That issues around equality and diversity, in relation to caring responsibilities, had been flagged during the Research Excellence Framework consultation.
- The developing range of issues under debate for the Research elements of the new Strategic Plan (2018-21).
- That, when drafting the new Strategic Plan (2018-2021), the aspiration for research would be increased.

The Council **agreed** that the Research Strategy be adopted and published.

17/64 SFC's participation in the Research Excellence Framework (SFC/17/42)

The Council received a paper inviting agreement to SFC's participation in the next Research Excellence Framework (REF 2021) - subject to similar agreement across the three other UK higher education funding bodies on the final structure of the exercise.

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The Council also noted that the aim was to implement the Stern Review Principles and more engagement would be undertaken to support that.

The Council **agreed**:

- That SFC should participate in REF 2021 subject to agreement across the four UK higher education funding bodies on the final structure of the exercise.
- That it endorsed the direction of travel on areas requiring further consultation and development.
- That authority be delegated to the Interim Chief Executive to agree the final structure on behalf of SFC.
- In principle, to SFC's financial contribution to the running of REF 2021, subject to appropriate and final due-diligence on the estimated costs.

17/65 The Innovation Centre programme: Phase Two (SFC/17/43)

The Council received a paper providing an update on progress with the consideration and implementation of the recommendations from the 'Independent Review of the Innovation Centres (IC) Programme'.

In discussion the Council noted that:

- The College Innovation Fund had been allocated £500,000 by the Scottish Government to progress the college innovation agenda.
- Innovation Centres should develop multi-partner models and be more jointly-owned ventures.
- The Memorandum of Understanding was being strengthened in advance of finalisation and would formalise the enhanced multi-partner approach.
- Innovation Centres were a significant investment, both on a cost and resource basis.
- SFC, Scottish Enterprise, Highlands and Islands Enterprise and (potentially) other public sector partners would use a robust jointly run process for future investment recommendations.
- Compelling propositions would be required before transition funding would be considered.

The Council **agreed** to endorse the plans for a more strategic and aligned approach to phase two of the Innovation Centre programme.

17/66 Use of delegated authority (SFC/17/44)

The Council noted the report of the Interim Chief Executive's use of delegated authority during the period 1 March 2017 until 31 May 2017.

The Council noted that projects funded from strategic funds were reviewed and assessed by the Strategic Funding Group and had to have measurable outcomes and to align with government priorities.

Following discussion on the Use of delegated authority report, the Council **agreed** that future iterations of the paper would include more detail, including the extent of Scottish Government specific priorities.

17/67 Corporate Governance (SFC/17/46)

The Council received a paper providing the outcomes of the Board evaluation of effectiveness.

Consistent with generally-accepted governance good practice, the Vice-Chair, Robin Crawford, chaired this item.

In discussion the Council noted:

- The outcomes of the evaluation and other corporate governance issues listed in the paper.
- That the Board was keen to drive the efficiency agenda but it was difficult to drive efficiencies in the tight funding environment.

The Council **agreed**:

- To remove the requirement on all committees to produce annual reports. (The Audit and Compliance Committee would still be required to do so.)
- To the amendments noted in the paper to the Standing Orders of the Committees.
- That thought be given to the creation of a Learning and Teaching (Learning Enhancement) Committee, taking into account resource implications.

- That the potential for more time for the Board's consideration of the funding round be investigated.

17/68 Audit and Compliance Committee annual report (SFC/17/47)

The Council received and noted the Audit and Compliance Committee annual report.

17/69 Research and Knowledge Exchange Committee annual report (SFC/17/48)

The Council received and noted the Research and Knowledge Exchange Committee annual report and noted the priorities for the Committee going forward.

17/70 Skills Committee annual report (SFC/17/49)

The Council received and noted the Skills Committee annual report and confirmed that the Committee would be re-purposed in response to the Enterprise and Skills Review recommendations.

17/71 Access and Inclusion Committee minutes (SFC/17/50)

The Council received the unconfirmed minutes of the Access and Inclusion Committee meeting of 16 May 2017.

The Council noted that:

- The recommendations from the Committee on the Outcome Agreement Guidance for AY2017-20 were being taken forward.
- A review of the diversity of committees was being undertaken.

17/72 Audit and Compliance Committee minutes (SFC/17/51)

The Council received the unconfirmed minutes of the Audit and Compliance Committee meetings of 30 March 2017 and 8 June 2017.

17/73 Finance Committee minutes (SFC/17/52)

The Council received the unconfirmed minutes, and selected papers, of the Finance Committee meeting of 24 May 2017.

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17/74 Remuneration Committee minutes (SFC/17/53)

The Council received the unconfirmed minutes of the Remuneration Committee meeting of 17 March 2017.

17/75 Research and Knowledge Exchange Committee minutes (SFC/17/54)

The Council received the unconfirmed minutes of the Research and Knowledge Exchange Committee meeting of 5 May 2017.

17/76 Skills Committee minutes (SFC/17/55)

The Council received the unconfirmed minutes of the Skills Committee meeting of 21 April 2017.

17/77 Amended SFC Board meeting dates 2018 (SFC/17/56)

The Council received and noted the amended SFC Board meeting dates for 2018.

17/78 Any Other Business (Oral)

The Council received an update from David Blaney, Chief Executive of HEFCW, on changes to HEFCW. He confirmed that proposals to create a new commission to oversee the higher and further education sector in Wales had been published that week. He also

confirmed that Professor Graeme Reid, who had undertaken the review of Innovation Centres for the Scottish Funding Council, was assisting the Welsh Government in the area of research and innovation.

The Council received an update from David Sweeney, Executive Chair Designate of Research England, who confirmed that active steps would be taken to manage the relationship between United Kingdom Research and Innovation (UKRI) and the devolved administrations, and to promote collaborative working to ensure an effective relationship for all partners.

The Council then received an update from Vonnie Sandlan, President of NUS (Scotland), on recent changes to the NUS, both at UK and Scotland level.

The Chair advised members that this was Vonnie's last meeting, as she would step down as President of NUS (Scotland), with Luke Humberstone taking over as President, in July 2017. The Chair thanked Vonnie warmly, on behalf of the Board, for her contribution and enthusiasm at Board and Committee meetings and wished her the best for the future.

17/79 **Next meeting:** 25 August 2017.