



# ANNUAL REPORT AND ACCOUNTS 2020-21



Scottish Funding Council  
Comhairle Maoineachaidh na h-Alba

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SECTION 1:  
THE PERFORMANCE  
REPORT





## FOREWORD

**by Dr Mike Cantlay, Chair of SFC and  
Karen Watt, Chief Executive of SFC**

We are pleased to introduce the Scottish Funding Council's (SFC) Annual Report and Accounts for 2020-21. As well as fulfilling a statutory requirement to report on our financial performance, the publication of our Annual Report and Accounts gives us an opportunity to explain how we have invested our funding of £2.1 billion over the last year in support of Scotland's national priorities.

There is no doubt that 2020-21 has been dominated by the unprecedented COVID-19 global health crisis. We have all been on a journey since the virus took hold in March 2020, learning how to adapt to the impact of the pandemic on our own lives and on the people around us. It has been no less a journey for the colleges and universities that we fund and for SFC itself. We have faced a challenging year in which we have had to adapt rapidly to changing circumstances, learn new ways of working and collaborating, and respond to new and complex risks.

The beginning of the pandemic at the start of the financial year, and the considerable uncertainty, particularly from the potential impacts on health and wellbeing and from the restrictions adopted across the globe to stop the spread of the virus, created unparalleled challenges for colleges and universities. These included challenges to maintaining high quality learning and teaching, the ability to carry out research, and to student recruitment and financial sustainability.

We acted quickly to provide financial stability for colleges and universities, changing our reporting and accountability requirements to support their focus on crisis management, establishing effective channels of communication with stakeholders, and setting out our key priorities. Throughout the crisis we have focused on supporting students and their health and wellbeing, enabling colleges and universities so that they were able to adapt and continue their teaching, learning, research and other activities, and supporting the critical role of the sectors in Scotland's economic and social recovery.

It was clear that the pandemic would have a significant impact on students, including their health and wellbeing, their studies, and ability to continue progress through education. We took immediate steps to support students in the college sector by bringing forward student support allocations to enable colleges to respond quickly to students facing increased financial hardship, and by creating greater flexibility in the use of student support funding. We recognise the impact that the pandemic has had on the wellbeing of students and, with support from the Scottish Government, have allocated additional funds to support wellbeing and mental health, including by providing funding to embed 80 new mental health student counsellors across colleges and universities. We have taken a range of other actions throughout the year, including supporting students to complete their studies, undertake additional learning, and addressing digital poverty.

We are incredibly proud of the way in which all our colleges and universities have responded to the pandemic, including the

early steps taken to ensure campuses were COVID-19 safe and the rapid move to the delivery of online teaching and learning. We have acted throughout the year to support the sectors, including allocating additional funding to sustain research activity in universities, and to protect jobs and help students. We have also provided advice to the Scottish Government on funding and other interventions that could make a difference in dealing with the crisis, and have undertaken and published financial analyses about the current and longer-term impacts of the crisis.

The COVID pandemic has placed SFC more firmly than ever before in the heart of national discussions about the future of Scotland's economy and how best to achieve economic recovery. We have engaged actively in these conversations in a range of forums, articulating clearly the role that colleges and universities can play to support economic recovery and help address labour market challenges. We have worked closely with Scottish Government and the sectors to ensure that colleges and universities were recognised as key delivery agents for supporting economic recovery through initiatives such as the Young Persons Guarantee (YPG) and the National Transition Training Fund (NTTF). In addition we have taken a range of actions to respond effectively and rapidly to the central recommendations in the reports of the Advisory Group on Economic Recovery (AGER), established by the Scottish Government, and the sub-group on the labour market emergency, established by the Enterprise and Skills Strategic Board (ESSB). These actions include creating more



provision for retraining, upskilling and reskilling, working with Skills Development Scotland (SDS) to provide enhanced labour market data and intelligence to help plan for changes in provision, and supporting apprenticeships.

Although our focus through most of the year has been on responding to the COVID-19 pandemic, we have kept an eye firmly on the future. Given the scale of the external shock of the COVID-19 pandemic on education, it was clear that existing models of funding, governance, collaboration and delivery would be affected significantly by the emergency. We were pleased therefore that Scottish Ministers commissioned SFC in June 2020 to review how best it could fulfil its mission of securing coherent tertiary provision and excellent research in these changing times. We are grateful to the many people, partners and stakeholders who gave us their time and views and contributed to the review. The final report, published in June 2021, sets out an ambitious blueprint for how we can continue to develop a coherent tertiary education, skills and research system that is responsive to learners, and the economic, cultural and social needs of Scotland. We look forward to working with the Scottish Government and partners to deliver on the key recommendations set out in our Report.

Students in Scotland have been particularly hard hit by the COVID-19 crisis, but have remained incredibly resilient, and determined to complete their studies. Thank you for sticking with it, through the most challenging of circumstances. We would also like to pay tribute to the staff of colleges and universities, whose passion, dedication and experience have helped to ensure that the sectors have

been able to navigate through the pandemic and continue to deliver world-leading education, skills, research and innovation.

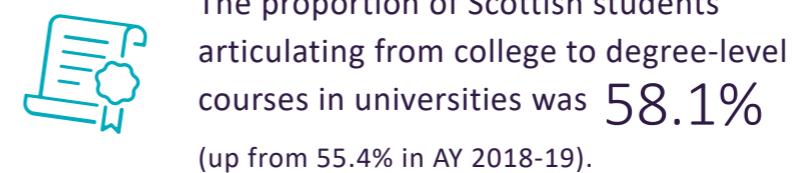
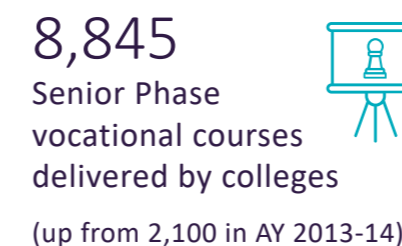
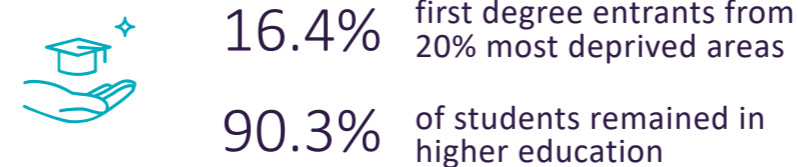
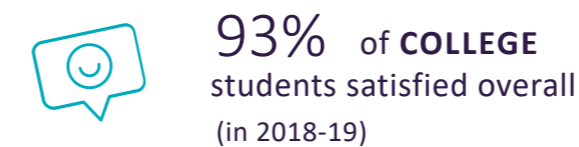
We offer our thanks to the staff of SFC who have helped keep the show on the road and done so much to support our colleges and universities in our journey over the last year. Finally, we are very grateful to our fellow Board colleagues who have demonstrated the real value of independent Boards to public life with their unstinting support to the organisation, balanced with constructive challenge, and, above all, their strong focus throughout the pandemic on continuing to be ambitious for our tertiary education sector.

  
**DR. MIKE CANTLAY**  
 Chair of SFC

  
**KAREN WATT**  
 Chief Executive of SFC

## HIGHLIGHTS

Figures relate to academic year 2019-20 unless otherwise stated



\* Full Time Equivalent

## OVERVIEW

### STATUTORY BACKGROUND

The Scottish Funding Council (SFC) is the national strategic body that invests £2.1 billion in tertiary education, research and knowledge exchange through colleges and universities in Scotland. We fund 26 colleges and 19 universities and Higher Education Institutions (HEIs). The SFC is a Non-Departmental Public Body (NDPB) of the Scottish Government and was established on 3 October 2005.

Our main statutory duties and powers come from the Further and Higher Education (Scotland) Act 2005. We have two core statutory duties:

- To secure the coherent provision by Post-16 education bodies of high quality and fundable further and higher education.
- To secure the undertaking of research.

Our purpose is to create and sustain a world-leading system of tertiary education, research and innovation that changes lives for the better, enriches society and supports sustainable and inclusive economic growth. We contribute to this by:

- Developing national policies for learning, skills, research, and innovation.
- Implementing our policies by negotiating and agreeing Outcome Agreements through which colleges and universities set out their ambitions in return for public funding.
- Investing in the people, buildings and equipment that allow learning, teaching, research and innovation to happen in colleges and universities.
- Providing strategic funding to promote change in the college and university sectors, ground-breaking new initiatives, or to support mergers or shared services.
- Being an active, creative and reliable partner with others where we have shared goals: Scottish Government, Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland, the South of Scotland Enterprise Agency, NHS Education Scotland, UK Research and Innovation, NUS Scotland, local authorities and many others.
- Promoting the learner voice in education, and supporting continuous improvement in the quality of learning and governance, and in the financial sustainability of colleges and universities.
- Providing high-quality advice and evidence to the Scottish Government and others on issues affecting further and higher education and Scotland's research base, thereby helping to shape and implement national policy and strategy on post-school education, skills, and research.

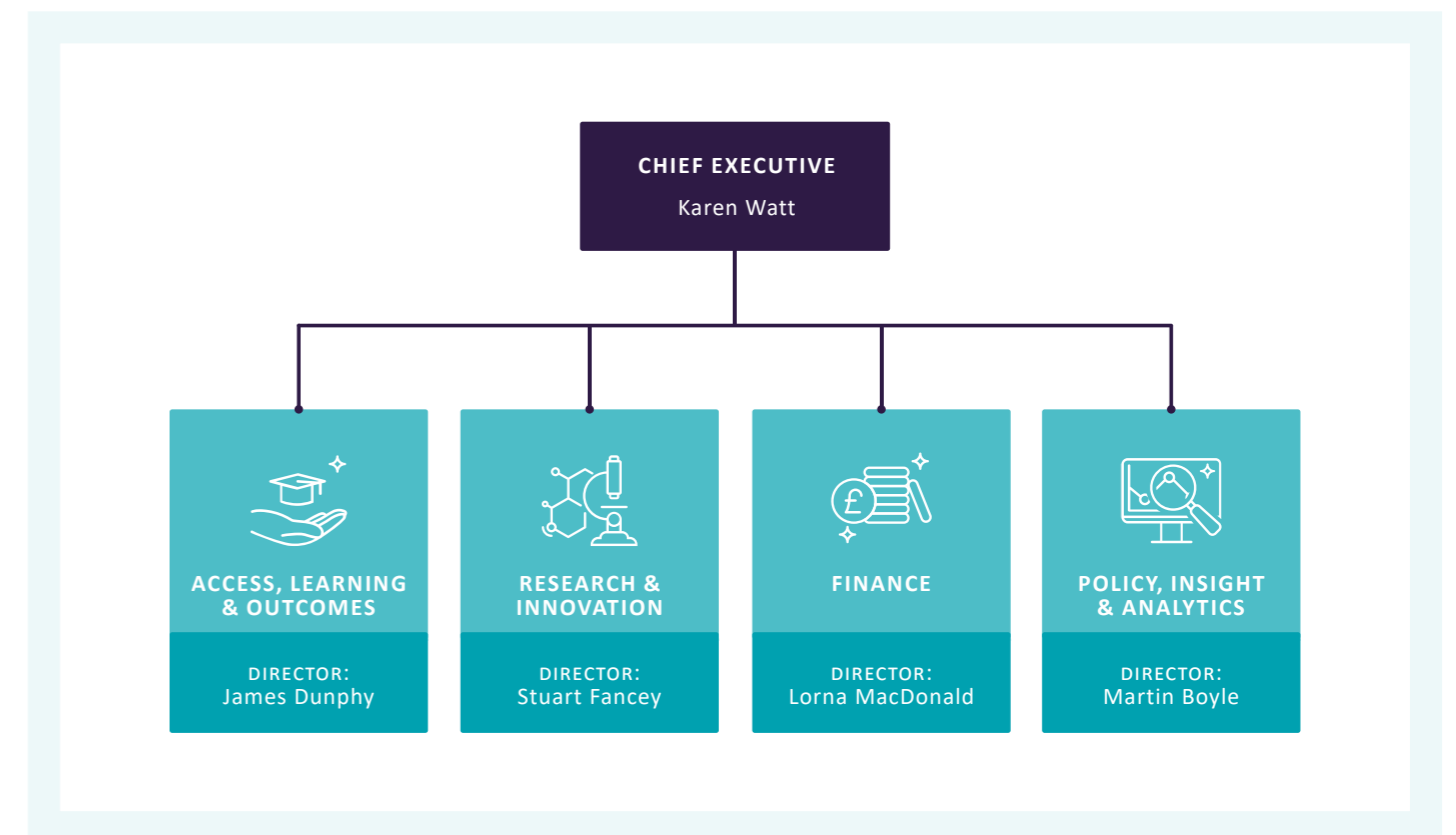
## OUR ORGANISATION

We are based in a single location in Edinburgh and employ 114 people. Throughout the Financial Year (FY) 2020-21 our staff have been working remotely in line with Scottish Government and UK Government guidance and requirements.

During the course of the year, we continued to implement our organisational strategy '*Developing our capacity and capability*', by reshaping our organisation so that we can better deliver our Strategic Framework priorities, continue to respond to the COVID-19 pandemic, and be in a strong position to support Scotland's economic and social recovery.

We have increased our investment in, and given priority to, developing our analytical capacity and operational policy development, improving the resilience and capacity in our finance function, developing our research policy capacity, and giving a greater focus to climate emergency responses and carbon neutral policy development and implementation. Following the introduction of a successful Voluntary Exit scheme later in the year, we made some further changes to our organisational structure. We agreed a new structure from 1 April 2021 with four directorates.

We will continue to implement our organisational strategy in FY 2021-22.





## STRATEGIC FRAMEWORK 2019-22

We published our strategy in a [Strategic Framework](#) document in July 2019 setting out our priorities for the period 2019-22. We have four core objectives:



### OBJECTIVE 1

To invest in education that is accessible to learners from all backgrounds, gives them a high-quality learning experience, supports them to succeed in their studies, and equips them to flourish in employment, further study and fulfilling lives.



### OBJECTIVE 2

To invest in excellent research and innovation that adds to current knowledge, delivers economic and societal value, enhances Scotland's international reputation and attractiveness, and makes the world around us prosperous, healthier and more sustainable.



### OBJECTIVE 3

To ensure colleges, universities and specialist institutions form part of a successful, world-leading, coherent and sustainable system of education that responds effectively to the future needs of learners and the skills needs of the economy and society, enhances our rich cultural life, and strengthens Scotland's international connections.



### OBJECTIVE 4

To be an excellent, outcome-focused public body that provides leadership, inspires confidence, models collaborative working, is committed to continuous improvement, and stewards public resources well.

Our Strategic Framework also sets out how we will contribute to the Scottish Government's National Performance Framework and the priorities of the Strategic Board for Enterprise and Skills.

As part of our Strategic Framework, we also published an Operating Plan for Financial Year (FY) 2019-20 with our organisational priorities for the year ahead.

## OPERATING PLAN 2020-21

At the start of FY 2020-21, the emerging COVID-19 crisis began to have a significant impact on our plans and organisational priorities. In particular, we moved quickly to support colleges and universities through the crisis, reprioritise key tasks, and look after our staff and our capacity to deliver. In that context, we revised radically our Operating Plan priorities and drafted a new plan for FY 2020-21 with a strong focus on:

- Supporting students, particularly those facing hardship and those at risk of being unable to complete their studies.
- Supporting students' well-being and mental health
- Supporting colleges and universities through the crisis, particularly by providing immediate flexibility and funding stability for institutions.
- Protecting Scotland's research and science base
- Working to support the economic recovery, and mitigating the impacts of the crisis on young people through, for example, creating more provision for retraining, upskilling and re-skilling and through other initiatives that provide young people with access to work, training, education or volunteering opportunities.
- Working closely with the Scottish Government and a wide range of other partners to mitigate the impacts of the crisis and provide creative solutions.

We provide our Board with an assessment of our progress in delivering the priorities in our Operating Plan at least twice a year. Further information about our Operating Plan priorities and how we performed against our Strategic Framework objectives can be found in the Performance Summary on page 18.



PHOTO: CITY OF GLASGOW COLLEGE



## MANAGING RISK AND UNCERTAINTY

We operate in a challenging environment, with significant external risks, complexity and uncertainty that have the potential to impact negatively on the achievement of our operations and Strategic Framework objectives. The following risks are those which were prioritised by our Board as high-level risks during the year.

### THE IMPACT OF COVID-19

Throughout the Financial Year, COVID-19 has remained a significant risk to colleges, universities and to SFC, with the potential to impact negatively on the delivery of all of our four Strategic Framework objectives.

At the beginning of the year, there was considerable uncertainty about the potential impact of the pandemic on access to learning, the delivery of learning, the recruitment of international students, on research, and on the financial sustainability of colleges and universities. We acted quickly to reprioritise our work and take steps to mitigate the risks and support colleges and universities through the crisis. We have given a strong focus on supporting students, particularly those facing hardship or at risk of disruption to their studies,

as well as giving priority to the well-being and mental health of students and the quality of the learning experience. These actions have helped to ensure the continued delivery of our priorities for learning and skills.

We have provided stability to colleges and universities and increased flexibility, and have acted to protect Scotland's research and science base, including through the allocation of a one-off £75 million package of support for AY 2020-21. Further details of the additional funding provided to colleges and universities in FY 2020-21 can be found in the Performance Summary on page 18.

Our strong response to the pandemic and collaborative working with the Scottish Government, colleges and universities, student bodies, and other stakeholders, has helped minimise the scale of disruption and damage to the sectors, and ensured the continued delivery of our Strategic Framework objectives. We anticipate that the COVID-19 pandemic will continue to present a risk in the next Financial Year, particularly around arrangements to re-open campus activity safely for the new academic year. We will continue to engage closely with colleges and universities, Scottish Government and other partners on mitigating actions.

## THE FINANCIAL HEALTH OF COLLEGES AND UNIVERSITIES

The financial health of colleges and universities has been a significant risk with the potential to impact negatively on the achievement of our Strategic Framework objective for a successful, world-leading, coherent and sustainable system of education. The risk to colleges and universities has increased as a result of increasing costs from pensions, pay awards and other financial pressures, as well as the impact of COVID-19 on college and university finances.

We have prioritised our resources on those institutions at most risk and worked with the sectors to collect, analyse and publish data, as well as provide advice to the Scottish Government on interventions to support colleges and universities. Our review of coherent provision and sustainability has also been considering our role in supporting the long-term financial sustainability of the sectors. We have taken mitigating actions during the course of the year, including providing flexibility in grant payments to several colleges facing financial liquidity challenges and allocated additional funds to support students, sustain research, and protect jobs. Further information about the additional funds is provided in the Performance Summary on page 18.

Although the financial health of institutions remains a major risk, the positive budget settlement for colleges and universities agreed in the Scottish Budget for FY 2021-22 has provided some short-term relief for colleges and universities. While the additional funding made available to both sectors in FY 2020-21 helped to stabilise institutions' finances, it is important to note that it is non-recurring funding which will only address immediate financial pressures. It is clear from institutions' financial returns that the future financial position of both sectors remains challenging across all indicators of financial sustainability. Cost pressures include funding staff pay increases, increased employer pension contributions and addressing estates maintenance requirements. The effect of COVID-19 on the longer-term financial sustainability of institutions remains uncertain but is expected to impact for years to come.

A [detailed report](#) on the financial sustainability of colleges and universities, including the longer-term risks to financial sustainability, can be found on our website at [www.sfc.ac.uk](http://www.sfc.ac.uk).



PHOTO: UNIVERSITY OF ST. ANDREWS



## THE UNITED KINGDOM'S EXIT FROM THE EUROPEAN UNION

The UK's exit from the European Union (EU) continued to be a major risk throughout the year, with the potential to affect negatively the achievement of our Strategic Framework objectives for learning, skills, and research. We identified a range of potential impacts, including on access to EU research funding, European Social Funds, and the ERASMUS student mobility scheme, as well as other impacts, including on EU staff working in Scotland's colleges and universities. We have sought to mitigate the risks by working with colleges and universities and by developing briefing material, analyses and advice to the Scottish Government on potential responses, interventions, and other mitigating actions.

Following the agreement of the EU-UK Trade and Co-operation Agreement in December 2020, the risks to colleges and universities from the UK's exit from the EU have reduced, although there are still some uncertainties for colleges and universities. We have continued to provide guidance on our website, including on the new UK Turing Scheme to support international education, on access to Horizon Europe, the EU's flagship research and innovation funding programme, and on the UK Shared Prosperity Fund. We have also continued to contribute actively to consultations on a range of issues connected to Brexit.

We will continue to monitor closely the impact of the UK's withdrawal from the EU on the achievement of our Strategic Framework objectives in the new Financial Year and will take action, including providing advice to the Scottish Government on potential interventions and mitigating actions.

## INDUSTRIAL RELATIONS IN THE COLLEGE AND UNIVERSITY SECTORS

Industrial relations issues have been prominent in both the college and university sectors during the year as a result of disputes over pay and conditions, and pensions, with disruption to teaching and other activities. This has presented a significant risk to the achievement of our Strategic Framework objective for learning and skills. As SFC is not the employer, we have limited scope to mitigate the risk, but have continued to monitor the situation, provide advice and act where we can. We anticipate that industrial relations issues will continue to be a risk in the short to medium term.

### CYBERSECURITY

Cybersecurity has become an increasing risk across the public sector in Scotland. The main risks to SFC are damage to the integrity of our data and information, disruption to our operations, including our payments to colleges and universities, and financial and reputational damage. The risk has the potential to affect negatively the achievement of our Strategic Framework priority to an excellent, outcome-focused public body.

We have taken a range of actions during the year to ensure the resilience of our IT systems, maintain strong cybersecurity, and raise awareness with our staff. We have a programme of work in place to further strengthen our cybersecurity in the context of constantly changing threats.

We have also been monitoring the actions being taken by colleges and universities to maintain and strengthen their cyber resilience and working with them to establish good practice across the sectors. We have worked with those colleges and universities that have experienced an attack to understand the impact on business continuity. Our aim has been to minimise the potential disruption to teaching, learning and research and the achievement of our Strategic Framework objectives.

We have a structured approach to managing risk, which is summarised on page 40.



PHOTO: UNIVERSITY OF ST. ANDREWS

## REVIEW OF COHERENT PROVISION AND SUSTAINABILITY

Given the scale of the external shock of the COVID-19 pandemic on education, it was clear that existing models of funding, governance, collaboration and delivery would need to shift significantly in order to meet the challenges and potentially exploit new opportunities. In this context, Scottish Ministers commissioned SFC in June 2020 to review how best it could fulfil its mission of securing learning and skills provision by colleges and universities, and the undertaking of research and innovation.

Our review started from a position of strength with a tertiary education sector that encompasses world class universities, colleges and specialist institutions, a globally significant research base, and institutions that serve learners, business and local communities. We undertook the review in three phases. Our Phase 1 Review Report, published in October 2020, distilled over 100 responses to an initial call for evidence, and was informed by round-table discussions, advisory groups and relevant sector-specific and economic recovery reports. The report reflected back a clear expression of immense pride in our world-leading education and research, an appetite for debate about the future, an ambition for change, and the need to take a whole-system view of change, working across the education and skills system.

During Phase 2 of our review, we developed our thinking across the themes, focusing particularly on addressing the immediate challenges presented by COVID-19 and expanding on feedback from our call for evidence. Our Phase 2 update, published in March 2021, captured the work undertaken in the last four months of FY 2020-21 to respond to the consequences of the pandemic and to keep policy development momentum in play.

Our final report from Phase 3 of our review, with advice to Ministers and options and recommendations for change, was published in summer 2021. The final report contains an ambitious blueprint for how we can continue to develop a coherent tertiary education, skills and research system that is responsive to learners, and the economic, cultural and social needs of Scotland. The outcomes of the review will influence our future priorities and the continued development of our organisational strategy in the new Financial Year 2021-22.

You can find a copy of the final report from our review, *Coherent Provision and Sustainability: a Review of Tertiary Education and Research*, on our website at [www.sfc.ac.uk](http://www.sfc.ac.uk).

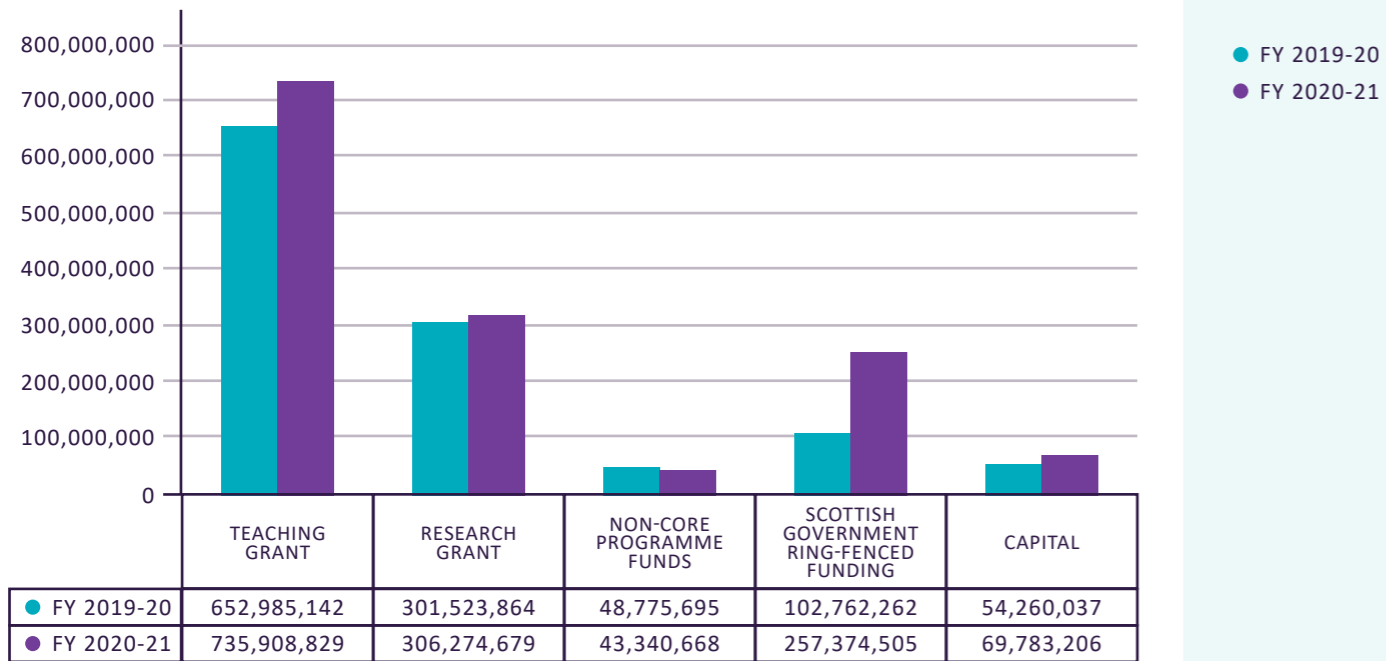


## PERFORMANCE SUMMARY

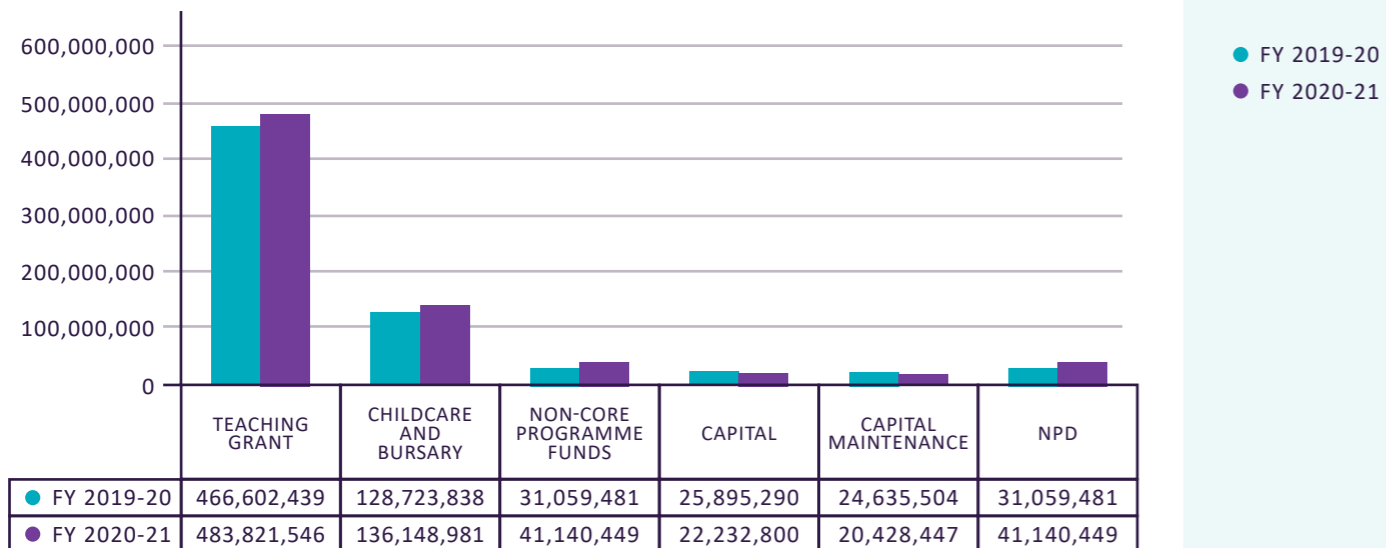
Our investment of about £2.1 billion annually in further and higher education is used by colleges and universities to deliver high-quality learning to students, undertake world-leading research, and support innovation in the economy and wider society.

During FY 2020-21, we awarded £1.4 billion to universities and other bodies (FY 2019-20: £1.2 billion), and £734 million to colleges and other bodies (FY 2019-20: £706 million). Included in these awards is £190 million of one-off funds to deal with the effects of the COVID-19 emergency.

### GRANTS PAID TO HEIS AND OTHER BODIES



### GRANTS PAID TO COLLEGES AND OTHER BODIES



## DELIVERING OUR STRATEGIC FRAMEWORK OBJECTIVES

At the beginning of March 2020, the early stage of the COVID-19 pandemic began to have an impact on people and businesses across the United Kingdom. Colleges and universities were on the front line of the pandemic, both in terms of having to switch to online learning and support the education and training needs of their students and in drawing on their expertise and resources to support the national response. We responded immediately to the pandemic and have taken action throughout the year to support colleges and universities and ensure the continued delivery of our Strategic Framework and 2020-21 Operating Plan priorities.

We have focused on supporting colleges and universities to do their best for disadvantaged pupils, students, local employers, and people in local communities facing the economic and social impacts of the pandemic. We have supported the research base, and placed a strong focus on the work of colleges and universities to support economic and social recovery. We have allocated additional funds to throughout the year to support colleges and universities and stabilise their financial position. Further details of the [additional funds](#) can be found on our website.

The following paragraphs summarise the main activities that we have undertaken to deliver our Strategic Framework priorities.

We collect and publish a wide range of statistics, data and analyses that allow us and our stakeholders to measure the performance of the college and university sectors and assess the achievement of our objectives and priorities for tertiary education. Drawing on a selection of this information, we also summarise below the performance of colleges and universities and their contribution to our Strategic Framework priorities. At the time of drafting this year's Annual Report and Accounts, most of the available data relates to AY 2019-20 and does not therefore capture the full impact of the COVID-19 pandemic on the performance of the sectors.

Further information about the performance of the college and university sectors can be found on our website at [www.sfc.ac.uk/publications-statistics](http://www.sfc.ac.uk/publications-statistics).



PHOTO: CITY OF GLASGOW COLLEGE





**OBJECTIVE 1:** to invest in education that is accessible to learners from all backgrounds, gives them a high-quality learning experience, supports them to succeed in their studies, and equips them to flourish in employment, further study and fulfilling lives

Over the last Financial Year, we have given priority to mitigating the impact of COVID-19 on learners and the learning experience, and on supporting the well-being of learners and those facing hardship:

**PROTECTING AND PROMOTING EQUALITY AND SOCIAL INCLUSION:**

we continued to support a significant number of programmes aimed at promoting widening access and social inclusion. Our focus has been on mitigating the impact of COVID-19 on those for whom school closures, new assessments and the shift to online study may have had a significant impact on their opportunities and future success in life.

**SUPPORTING STUDENTS TO COMPLETE THEIR STUDIES AND TO UNDERTAKE ADDITIONAL LEARNING:**

in order to mitigate the risk of learning loss and reduced educational attainment, and to ensure students whose studies were disrupted have the opportunity to complete their studies, build their skills and gain their qualifications to secure employment or further study, we prioritised funding for students who need to repeat units as a result of COVID-19. We also wrote to college principals in March 2021 setting out a nine point plan to support students through their studies and, where appropriate, progress to a higher level course in AY 2021-22. Our plan included a combination of additional funds, bringing forward funding allocations where necessary, increased credit targets and flexibility in our credit guidance.

**STUDENTS FACING HARDSHIP:**

we provided immediate support to students by arranging for some of the student support allocations to colleges to be brought forward to respond quickly to students facing increased financial hardship; supported colleges to redirect travel and childcare funds to discretionary funds; removed the individual student £4,000 cap on discretionary funds; and worked with benefit providers to secure the flexibility colleges needed to bridge the gap students faced at the end of the Academic Year, as their student support funding ended and before they could receive benefits if they were unable to secure employment.

**SUPPORTING MENTAL HEALTH AND WELLBEING:**

to enable students to get support when they need it, we worked with the sectors to embed 80 new mental health student counsellors across colleges and universities. We also worked with colleges and universities to share good practice and secure equality of access for students to this resource.

**ALLOCATING ADDITIONAL STUDENT PLACES AT UNIVERSITIES:**

we allocated additional funded student places to universities in AY 2020-21 following the decision that Scottish Qualification Authority (SQA) examination result should be based on teacher and lecturer assessments. The additional places were intended to ensure that no learner was disadvantaged because of the challenges they had faced as a result of the COVID-19 emergency, and that there were enough places in colleges and universities so that all places awarded to young people could be taken up.

HOW HAVE THE SECTORS PERFORMED?

**PROVIDING LEARNING OPPORTUNITIES**

Colleges and universities have continued to provide a wide-range of learning opportunities for students across Scotland. In Academic Year (AY) 2019-20, colleges delivered 117,666 Full-Time Equivalent (FTE) places, exceeding the Scottish Government’s student activity target by 1,397 places. In the university sector, universities delivered 138,544 FTE places, exceeding the student activity target by 9,574 places.

**WIDENING ACCESS**

Widening access to learning for students from deprived areas is one of our key Strategic Framework priorities. The proportion of full-time first degree entrants from the 20% most deprived postcodes increased from 15.9% in AY 2018-19 to 16.4% in AY 2019-20. The result is 0.4 percentage points above the 2021 target of 16%, which was set following the publication of the 2016 report of the Commission on Widening Access (COWA).

**PROVIDING A HIGH-QUALITY LEARNING EXPERIENCE**

Improving the quality of the learner experience and the outcomes for learners is a long standing strategic priority for SFC. In the university sector, the percentage of students satisfied with the overall quality of their course of study in the National Student Survey has improved slightly from 84% in AY 2018-19 to 85% in AY 2019-20 for full-time students and has remained at 86% for part-time students over the same period. For UK universities as a whole, the equivalent figure for full-time students is 83%, marginally down from 84% last year.

In the college sector, the College Student Satisfaction and Engagement Survey was cancelled in AY 2019-20 due to the timing of the pandemic. The most recent figures for AY 2018-19 show that 93% of full-time further education (FE) students overall were satisfied with their college experience. For full-time higher education (FE) students, the figure was 86.8% in AY 2018-19.

**DELIVERING A FLOW OF QUALIFIED AND SKILLED STUDENTS INTO THE ECONOMY**

We want students to progress successfully into employment or further study with the skills, learning and attributes that will allow them to contribute successfully to our economy and society. The proportion of full-time further education students successfully achieving a recognised qualification in AY 2019-20 was 65.7%. For full-time higher education students, the proportion was 73.4%.

In the university sector, the number of Scottish-domiciled graduates from undergraduate courses with known destinations has remained high. In AY 2018-19 – the latest year for which data is available – 94.2% of students progressed into employment or further study.

From the employer perspective, 74% of employers in 2019 said that college leavers were very well or well-prepared for work, and 78% of employers said that university leavers were very well or well-prepared for work. These figures show a decline from the previous survey of employers in 2016, where the equivalent figures for college leavers and university leavers were 80% and 84% respectively.



**OBJECTIVE 2:** to invest in excellent research and innovation that adds to current knowledge, delivers economic and societal value, enhances Scotland's international reputation and attractiveness, and makes the world around us prosperous, healthier and more sustainable

The pandemic has highlighted the critical role that research, science, innovation and collaboration play in tackling global challenges and developing solutions. Scotland has an international reputation for research excellence and the quality of its science base and it provides a foundation on which we can build our economic and social recovery and develop our global connections and partnerships. Our priority over the FY 2020-21 has been to mitigate the impacts of COVID-19 pandemic on the research base, particularly the financial impacts, working closely with other partners, including UK Research and Innovation and the Scottish Government:

**PROTECTING SCOTLAND'S RESEARCH AND SCIENCE BASE:**

we allocated a one-off £75 million package of support for research for AY 2020-21 made by the Scottish Government, which recognised the importance of Scotland's university research base to the nation's future prosperity and wellbeing, as well as to its international reputation. We also provided increased research capital of £10.2 million in FY 2020-21 through the UK-wide World Class Laboratories Funding Scheme, £35 million in resource funding to help colleges and universities maintain research activity, protect jobs and help students, and £20 million capital funding for research and knowledge exchange.

**WORKING WITH UK PARTNERS:**

our productive relationships with UK partners contributed to two announcements that we have made in FY 2020-21: in October we announced an allocation of £13.2 million to Scottish universities for this year from the UK Government's £1.5 billion Global Challenges Research Fund (GCRF). The fund is designed to create international research collaborations to respond to global issues such as social welfare, environmental sustainability and economic development. In the same month, we also announced a £10.15 million investment into adapting and improving university research laboratories as part of an £88 million UK wide scheme managed by UKRI. The funding was allocated through our Higher Education Research Capital grant.

**MAINTAINING A FOCUS ON RESEARCH EXCELLENCE:**

we continued to work with the other UK funders on the preparations for the 2021 Research Excellence Framework (REF) – the UK-wide exercise for assessing the quality of research in higher education institutions – and agreed to provide universities with some additional flexibility around the final submission date of 31 March 2021, which recognised the impact that the pandemic continued to have on their preparations.

**INNOVATION:**

we have continued to deliver innovation funds to colleges and universities to support the development of industry-academia links aimed at stimulating innovation-driven growth in businesses. In December 2020, we announced a unique partnership with Scottish Water in which the University of Stirling will host and lead a £3.5m initiative to make Scotland a global leader in water research and innovation. Through the creation of a new Scotland Hydro Nation Chair, the University will provide the leadership to forge collaborative partnerships across the sector to deliver innovative solutions for sustainable water management in Scotland. The University of Stirling was chosen following a competitive bid process involving a number of Scottish universities.

HOW HAVE THE SECTORS PERFORMED?

**UNDERTAKING WORLD-LEADING RESEARCH**

Our long-term investment in university research is helping to make a significant contribution to the reputation and profile of our universities, as well as providing a strong foundation for the development of an innovation-driven economy. The proportion of research funding which higher education institutions (HEIs) have attracted from international sources (including EU) has increased over the last five years from 17.9% in AY 2015-16 to 20.8% in AY 2019-20.

The number of international research postgraduate students (EU and Non-EU) has increased over the period AY 2015-16 to AY 2019-20 from 6,325 to 6,655, which suggests that Scotland remains an attractive place to undertake research for young researchers from overseas.

**INCREASING THEIR LINKS WITH BUSINESS AND THEIR CONTRIBUTION TO INNOVATION IN THE ECONOMY**

Colleges and universities are continuing to stimulate greater business innovation through their interactions with businesses. In the university sector, income from knowledge exchange activity, including contract research undertaken for businesses, has continued to increase over the last five years, with an increase from £433 million in AY 2015-16 to £565 million in AY 2019-20. Over the same period, the number of newly registered spin-off and start-up companies from HEIs increased from 182 in AY 2015-16 to 325 in AY 2019-20.



PHOTO: UNIVERSITY OF ABERDEEN





**OBJECTIVE 3:** to ensure colleges, universities and specialist institutions form part of a successful, world-leading, coherent and sustainable system of education that responds effectively to the future needs of learners and the skills needs of the economy and society, enhances our rich cultural life, and strengthens Scotland’s international connections

The focus of this priority is on the role that SFC plays at the national and regional level in the tertiary system of education, particularly working with partners to support a ‘whole-system’ approach, ensuring that we have a world-leading, coherent and sustainable system of education. We have focused on supporting colleges and universities across the tertiary education system and helping them respond to the pandemic, recognising the urgent need for institutions to revise their operating models:

**IMMEDIATE FLEXIBILITY AND FUNDING STABILITY FOR INSTITUTIONS:**

we confirmed that we will not recover funds for shortfalls against Outcome Agreement core targets where these were related to COVID-19 for Academic Year (AY) 2019-20 and AY 2020-21. This provided colleges and universities with flexibility and financial stability.

**COLLABORATION ON HEALTH AND SAFETY GUIDANCE:**

the Scottish Government has taken the lead in developing guidance for colleges and universities to deal with the COVID-19 emergency, working closely with stakeholders, including SFC. We provided advice on funding interventions that could make a difference in dealing with the crisis, and have undertaken financial analyses at an institution and sector-wide basis about the current and longer-term impacts of the crisis.

**FINANCIAL VIABILITY MONITORING AND MITIGATING ACTIONS:**

we provided flexibility in grant payments to several colleges encountering financial liquidity challenges. This included providing cash advances and offering flexibility around student support funding to support short-term cash flow pressures.

**REDUCING BUREAUCRACY TO FOCUS ON THE PUBLIC HEALTH EMERGENCY:**

we have kept our accountability returns and reporting requirements to a minimum, focusing on absolute priorities to ensure continued compliance with legislative requirements. This has helped colleges and universities focus on front-line delivery while balancing the requirements of accountability for public investment.

**CAPITAL FUNDING:**

we allocated additional capital funding from Scottish Government to colleges and universities support the provision of ICT equipment for learners to help tackle digital poverty and to support the economic recovery through construction-related activity.

**SECURING SCOTTISH INTERESTS IN UK-WIDE SCHEMES:**

we have worked with UK partners to promote various UK Government funded schemes of benefit to colleges and universities, including the Coronavirus Job Retention Scheme, and schemes aimed at supporting university research and science, including the Research Stabilisation package, and the World Class Laboratories funding scheme.

In addition, in order to respond effectively and with pace to the central recommendations in the reports of the Advisory Group on Economic Recovery (AGER), established by the Scottish Government, and the sub-group on the labour market emergency, established by the Enterprise and Skills Strategic Board (ESSB), we have taken a range of actions to strengthen the role that the tertiary education system can play in supporting Scotland’s economic and social recovery:

**CREATING MORE PROVISION FOR RETRAINING, UPSKILLING AND RESKILLING:**

we changed our college credit guidance for AY 2020-21 to create headroom for mainstream provision aimed at future skills areas and to enable colleges and universities to provide shorter retraining, upskilling and reskilling courses.

**ENHANCED LABOUR MARKET DATA AND INTELLIGENCE:**

we have supported regional skills alignment, including through jointly running regional workshops, where Skills Development Scotland (SDS) is providing enhanced labour market data and intelligence to help us work collaboratively across agencies, colleges and universities, and other key partners to collectively plan for changes in skills provision.

**APPRENTICESHIPS:**

we have supported apprenticeships by enabling colleges to develop and deliver industry-endorsed pathways to apprenticeships, delivered through SFC’s teaching funding.

**FLEXIBLE WORKFORCE DEVELOPMENT FUND:**

we helped employers access funds to create tailored upskilling and reskilling programmes with their local colleges by extending the timescales for the expenditure of the Flexible Workforce Development Fund (FWDF) allocated by SFC for AY 2019-20, and supporting the Scottish Government to increase this fund to £18 million for AY 2020-21 while extending delivery to include SMEs and prioritise skills for a post-COVID-19 workforce.

**GIVING YOUNG PEOPLE ACCESS TO WORK, TRAINING, EDUCATION OR VOLUNTEERING OPPORTUNITIES:**

we shaped the college contribution to the Scottish Government’s Young Persons Guarantee Programme (YPG) that gives all young people access to work, training, education or formal volunteering. Of the Scottish Government’s budget of £60 million for YPG, colleges were directly allocated £10 million by SFC and may also benefit from indirect funding.

**SUPPORT FOR PEOPLE FACING REDUNDANCY:**

we championed the role of colleges and universities in their contribution to the delivery of the Scottish Government’s £25 million National Transitional Training Fund (NTTF) that is supporting people facing redundancy. We received £7 million from the NTTF, which we allocated to colleges and universities.

**SHORT COURSES AND SKILLS DEVELOPMENT:**

we have continued to provide the University Upskilling Fund through our budget for teaching to support the design of short courses and skills development work. The majority of the courses have been developed in an online format and match well the recommendations from AGER and ESSB in delivering high-quality learning in critical high level skills areas required by employers.

We have also undertaken other work throughout the year aimed at supporting the achievement of our Strategic Framework objective for a world-leading, coherent and sustainable system of education, including giving priority to carbon reduction and the achievement of the Scottish Government’s target of reducing Scotland’s emissions of greenhouse gases to net-zero by 2045:

**CLIMATE EMERGENCY SKILLS ACTION PLAN:**

we worked closely with SDS on the development of a Climate Emergency Skills Action Plan, which was published on 20 December 2020. The plan identifies a series of priority areas focused on employers, education and individuals that will help Scotland capitalise on job opportunities emerging from the net-zero transition.

**COLLEGE AND UNIVERSITY ESTATE PROJECTS:**

we have continued to undertake work to support the development of college and university estate projects. We have worked with the Scottish Futures Trust (SFT) on the development of revenue funding models for the college sector, such as the Mutual Investment Model (MIM). In the university sector, we have taken forward the Financial Transactions Programme and agreed proposals for funding for AY 2020-21, which will support carbon reduction projects.

HOW HAVE THE SECTORS PERFORMED?

**IMPROVING THE LEARNER JOURNEY**

Colleges and universities have continued to give priority to improving the journey through learning for students. There is a continuing uptake of senior phase vocational courses delivered by colleges, rising from 2,100 in AY 2013-14 to 8,845 in AY 2019-20. In the college sector, the number and proportion of Scottish domiciled students articulating from college to degree-level courses in the university sector has increased from 55.4% in AY 2018-19 to 58.1% in AY 2019-20.

In the university sector, the retention of students in learning remains high: 90.3% of Scottish domiciled entrants to full-time undergraduate courses at HEIs in AY 2019-20 returned to study in year two; although this represents a slight reduction on the result of 90.4% in AY 2018-19.



**OBJECTIVE 4:** to be an excellent, outcome-focused public body that provides leadership, inspires confidence, models collaborative working, is committed to continuous improvement, and stewards public resources well

The focus of our fourth priority is on SFC itself and our development as a leading public body.

The COVID-19 crisis has underlined the importance of the leadership and convening role that SFC plays in the system of tertiary education in Scotland; we have worked actively on many fronts during the crisis, engaging with a huge range of stakeholders, providing advice, offering information, analyses and insights, and developing options and solutions. And, we have continued to deliver our review of coherent provision and sustainability, keeping an eye on the medium to long-term and mapping out options for the future.

In relation, to our budgets, we worked closely with colleagues in the Scottish Government on the Spending Review for FY 2021-22, including providing extensive advice and developing different options in the context of a very challenging fiscal environment for the public sector.

In our Strategic Framework, we made a commitment to enhance our analytical and policy capability. We have made progress with the establishment of our new Directorate for Policy, Insights, and Analytics, which has been active in providing analyses and support for our review.

We have published a range of data and analyses throughout the year, including a major report in December 2020 on articulation from Scottish colleges to universities, which gives us a clearer and more detailed picture of learning pathways to a university degree.

We have continued to support our staff throughout the pandemic, including by providing flexibility to staff to help manage caring responsibilities and maintain wellbeing during lockdowns, providing training on wellbeing and good mental health, facilitated by MHScot Workplace Wellbeing, Scotland’s first Social Enterprise tackling stress prevention and early mental health intervention in the workplace, and by establishing a Homeworking Hub, with resources for all staff.

HOW HAVE WE PERFORMED?

**INVESTORS IN PEOPLE**

In FY 2020-21, we were assessed and successfully accredited with Investors in People at the Silver Level. Investors in People silver accreditation acknowledges that the SFC has been awarded one of the highest levels of accreditation within the Investors in People framework.

**PAYMENTS TO COLLEGES AND UNIVERSITIES**

Despite the impact of the COVID-19 pandemic on our organisation, we successfully allocated around £2.1 billion in funds accurately and on time to colleges and universities in FY 2020-21.

PHOTO: UNIVERSITY OF ST. ANDREWS





## FINANCIAL POSITION

The SFC's funding grant disbursements and operating costs for the year ended 31 March 2021 are contained in the Financial Statements. The accounts have been prepared under a direction issued by the Scottish Ministers in accordance with paragraph 17 of Schedule 1 to the Further and Higher Education (Scotland) Act 2005.

The accounts comply with the accounting principles and disclosure requirements of the Government Financial Reporting Manual (FRM).

Grants paid to colleges and universities and other bodies are detailed on pages 85 and 86.

## PERFORMANCE AGAINST DEPARTMENTAL EXPENDITURE LIMITS (DEL) IN FY 2020-21

The financial performance against Departmental Expenditure Limits (DEL) is summarised below:

BUDGET	EXPENDITURE £'000	INCOME £'000	OUTTURN £'000	ALLOCATION £'000	VARIANCE £'000
Resource	1,823,725	217,079	1,606,646	1,606,750	(104)
Capital	521,724	43,734	477,990	478,108	(118)
Total Resource (see below)	2,345,449	260,813	<b>2,084,636</b>	2,084,858	(222)
Financial Transactions	62,648	-	62,648	55,000	7,648
Financial Transactions - Repayment of principal on investment (reinvested)	-	7,695	(7,695)	-	(7,695)
<b>TOTAL BUDGET</b>	<b>2,408,097</b>	<b>268,508</b>	<b>2,139,589</b>	<b>2,139,858</b>	<b>(269)</b>

## RECONCILIATION OF STATEMENT OF COMPREHENSIVE NET EXPENDITURE TO RESOURCE OUTTURN

Comprehensive net expenditure	2,118,516
Depreciation charge allocated to non-cash costs	(29)
Amortisation charge allocated to non-cash costs	(67)
Scottish Government Grant income credited to taxpayers equity	(1,685)
UK Government Grant income credited to taxpayers equity	(28,583)
Net expenditure attributed to the capital budget	(41)
Pre-2014 college loans which do not score as resource spend	(3,475)
<b>RESOURCE BUDGET</b>	<b>2,084,636</b>

We underspent our DEL budget by £0.3 million in FY 2020-21 (FY 2019-20: £5.4 million).

SFC received an additional £190 million in FY 2020-21 to deal with the impact of the COVID-19 emergency. These funds provided vital assistance to both institutions and students as detailed in our Performance Summary. Funds were allocated as follows:

- to protect the universities research and science base (£140.2 million)
- mitigate the colleges and universities loss of income (£10 million)
- protect jobs within the college sector (£5 million) and
- additional capital funding to support economic recovery (£10 million).

Students benefitted from:

- increased funding for digital inclusion through the provision of laptops and other IT equipment to those in need (£4.8 million)
- additional mental health support was provided during the pandemic (£2 million)
- additional provision was made for building up skills and retraining for those affected by the economic downturn (£15.1 million) and
- students were able to access more bursary funding (£3 million).

PHOTO: STRATHCLYDE UNIVERSITY





SFC received £55 million in Financial Transaction funding to award loans to HEIs and we received permission from the Scottish Government to reinvest the proceeds from the repayment of loans of £7.6 million giving a total investment of £62.6 million. These loans are only provided to private sector organisations and are for projects which meet the criteria for particular programmes. This form of funding has been awarded to HEIs over the last four years and is the most significant item in our Statement of Financial Position.

We monitor the financial position for further and higher education throughout the year through resource returns to the Scottish Government. We manage our budget through an annual re-profiling exercise to reallocate funds between the further education, higher education and running costs budgets.

SFC is funded on a Financial Year (April to March) basis but distributes funds to institutions on an Academic Year (August to July) basis. The SFC is allowed to re-profile money over the financial/academic year boundary, against Higher Education resource budgets because many aspects of the funding are demand led and re-profiling enables SFC to carry funds forward where institutions are expected to draw them down in the summer term, after the financial year end. The Scottish Government approved total re-profiling of £79.8 million (FY 2019-20: £20.8 million) which equates to 4% (FY 2019-20: 1%) of the total Grant-in-Aid budget from the Scottish Government.

## RUNNING COST EXPENDITURE

Running cost expenditure is a very small proportion of overall expenditure (at around 0.5%). During FY 2020-21, the total running cost expenditure was £8.5 million (FY 2019-20: £8.1 million). In line with our workforce planning, we ran a voluntary exit scheme in FY 2020-21 and 8 members of staff took advantage of this offer.

## PAYMENT OF CREDITORS

We observe the principles of the Government-backed Better Payment Practice Group, [www.payontime.co.uk](http://www.payontime.co.uk). We aim to pay 100% of invoices, including disputed invoices once settled, within ten days.

## BASIS OF PREPARATION AND GOING CONCERN

The Statement of Financial Position at 31 March 2021 shows net assets of £176 million (FY 2019-20: £121 million). Funding for FY 2021-22 has been approved by

the Scottish Parliament and there is no reason to believe that future funding and budget approval will not be forthcoming. Accordingly, it has been considered appropriate to prepare these financial statements on a 'going concern' basis.

## AUDIT

The audit of the accounts of SFC has been undertaken by Audit Scotland, appointed by the Auditor General for Scotland.

No non-audit services were supplied during the year.

*Karen Watt*

**KAREN WATT**  
**Accountable Officer**

**Date: 2 September 2021**







SECTION 2:  
THE ACCOUNTABILITY  
REPORT



## THE CORPORATE GOVERNANCE REPORT

### DIRECTORS' REPORT

The Chair and Board members of the SFC are appointed by the Scottish Ministers in accordance with the *Code of Practice for Ministerial Appointments to Public Bodies in Scotland*, issued by the Commissioner for Ethical Standards in Public Life in Scotland.



More information about the SFC Board members and their interests can be found on our website at [Council Board membership](#).

In FY 2020-21, membership of the SFC Board was as follows:

<b>CHAIR</b>	<b>MEMBERS</b>
Dr Mike Cantlay	David Alexander
	Sheila Duncan
<b>CHIEF EXECUTIVE</b>	Mhairi Harrington
Karen Watt	Lorna Jack
	Professor Ewart Keep
	Andy Kerr
	Dr Paul Little
	Professor Peter Mathieson
	Professor Irene McAra-McWilliam
	Douglas Mundie (Deputy Chair)
	Dr Veena O'Halloran
	Caroline Stuart
	Professor John Wallace
	Professor Lesley Yellowlees

The SFC Board meetings are attended by a representative of the Scottish Government and observers from NUS Scotland and the other UK HE funding bodies: UK Research and Innovation (UKRI), Research England, and the Higher Education Funding Council for Wales (HEFCW). A union-nominated member of staff also normally attends the Board as an observer.

### PERSONAL DATA RELATED INCIDENTS

There have been no incidents of loss of personal data by SFC, which required to be reported to the UK Information Commissioner.

## STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

Under paragraph 17 of Schedule 1 to the Further and Higher Education (Scotland) Act 2005, SFC is required to prepare a statement of accounts in respect of the year ended 31 March 2021 in the form, and on the basis, determined by Scottish Ministers. The accounts are prepared on an accruals basis and must give a true and fair view of SFC's state of affairs at 31 March 2021 and of its net resource outturn, application of resources, changes in taxpayers' equity, and cash flows for the financial year.

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and, in particular, to:

- Observe the accounts direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Make judgements and estimates on a reasonable basis.
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements.
- Prepare the financial statements on a going concern basis.

The Principal Accountable Officer for the Scottish Administration has designated the Chief Executive as the Accountable Officer of SFC. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding the SFC's assets, are set out in the *Memorandum to Accountable Officers of other Public Bodies* issued by the Scottish Government.

The Accountable Officer has taken all steps to make herself aware of any relevant audit information and to establish that Audit Scotland is aware of that information. There is no relevant audit information of which Audit Scotland is not aware. The Annual Report and Accounts as a whole is fair, balanced and understandable.

The Accountable Officer confirms that she takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.



# THE GOVERNANCE STATEMENT

## INTRODUCTION

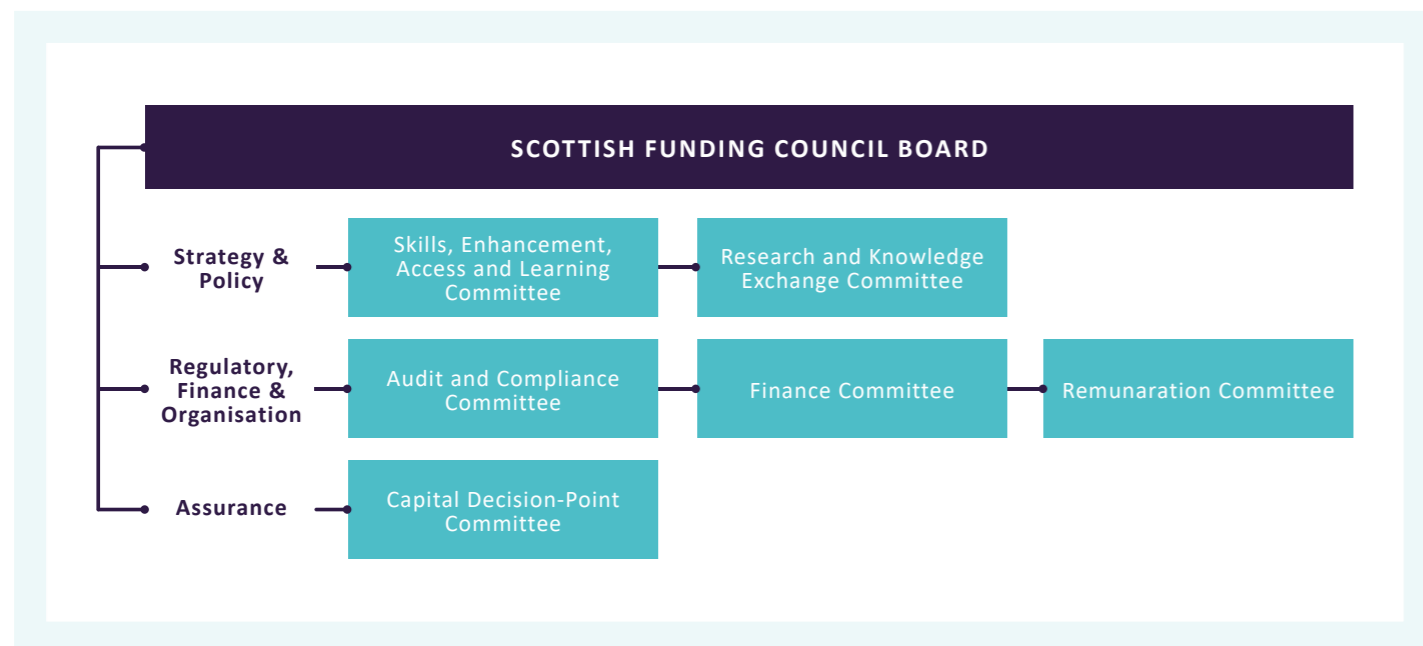
As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievements of SFC’s objectives. The *Memorandum to Accountable Officers of other Public Bodies* sets out these responsibilities.

The purpose of the Governance Statement is to explain the composition and organisation of SFC’s governance structures and how they support the achievement of SFC’s objectives. It sets out the governance structures, risk management and internal control processes that have been operating in SFC during FY 2020-21 and reports my assessment of the effectiveness of these arrangements.

## GOVERNANCE STRUCTURE

SFC’s governance structure is based on the legislative powers of the organisation and its Framework Document with Scottish Government. The following diagram outlines the governance structure in place at the end of FY 2020-21.

SFC reviews and updates its governance framework in the light of developments in good practice, changes in external regulation, and in the light of its own reviews of effectiveness.



## THE BOARD

The SFC Board is responsible for providing strategic leadership, direction, support and guidance, and in ensuring that SFC delivers its functions effectively and efficiently and in accordance with the aims, policies and priorities of the Scottish Ministers.

Members of the SFC Board are appointed by Scottish Ministers and have a collective responsibility for the proper conduct of SFC’s affairs. Members have full and timely access to all relevant information to enable them to perform their roles effectively.

Members’ roles and responsibilities are described in the *Code of Conduct for members of the Scottish Further and Higher Education Funding Council*.

## BOARD EFFECTIVENESS

The SFC Board normally undertakes an annual review of its effectiveness and uses the outcomes to develop and implement a Board improvement plan. The annual review is usually externally facilitated every three years. The planned effectiveness reviews for FY 2019-20 and FY 2020-21 were postponed because of the COVID-19 emergency, which required us to re-prioritise resources, and will now take place in FY 2021-22.

## STANDING COMMITTEES

During FY 2020-21, six standing committees provided the SFC Board with advice or undertook functions on behalf of the Board. Two of the committees have responsibility mainly for policy and strategy in relation to Outcome Agreements with colleges and universities:

- Skills, Enhancement, Access and Learning.
- Research and Knowledge Exchange Committee.

Three committees are responsible mainly for funding, regulatory or organisational matters:

- Audit and Compliance Committee.
- Finance Committee.
- Remuneration Committee.

The sixth committee provides the Board with assurance on capital funding issues:

- Capital Decision-Point Committee.

The main responsibilities the six Committees are set out in the table below.

	<b>SKILLS, ENHANCEMENT, ACCESS AND LEARNING</b>	The Skills, Enhancement, Access and Learning Committee provides advice to the SFC Board on strategies and policies for improving the learning experience and outcomes for students, including widening access to learning, equalities, quality enhancement, and meeting the skills needs of Scotland.
	<b>RESEARCH AND KNOWLEDGE EXCHANGE COMMITTEE</b>	The Research and Knowledge Exchange Committee provides advice to the SFC Board on research and knowledge exchange strategy, and policy and funding issues relevant to the development of Outcome Agreements with Scottish universities and colleges.
	<b>AUDIT AND COMPLIANCE COMMITTEE</b>	The Audit and Compliance Committee provides advice to the SFC Board on risk, internal control and governance matters.
	<b>FINANCE COMMITTEE</b>	The Finance Committee provides advice to the SFC Board on financial strategy, the governance and financial monitoring of institutions, the annual budgets for programme funds, SFC’s financial position, and its Annual Report and Accounts.
	<b>REMUNERATION COMMITTEE</b>	The Remuneration Committee provides advice to the SFC Board on staffing matters, including the remuneration of the SFC Chief Executive, and provides oversight of SFC’s human resource and organisational development strategies.
	<b>CAPITAL DECISION-POINT COMMITTEE</b>	The Capital Decision-Point Committee ensures that there are appropriate governance arrangements, proper scrutiny, and due diligence of major capital projects funded by SFC.

COUNCIL MEMBERS ATTENDING COUNCIL AND COMMITTEE MEETINGS (C = CHAIRPERSON)	COUNCIL 8 meetings	AUDIT AND COMPLIANCE 3 meetings	CAPITAL DECISION POINT 1 meeting	FINANCE 5 meetings	REMUNERATION 3 meetings	RESEARCH AND KNOWLEDGE EXCHANGE 6 meetings	SKILLS, ENHANCEMENT, ACCESS AND LEARNING 3 meetings
Dr Mike Cantlay (Chair)	8 (c)						
Karen Watt (Chief Executive)	8						
David Alexander	6	3 (c)					
Sheila Duncan	8	3			3		3
Mhairi Harrington	7		1	5		6	
Lorna Jack	8			5			
Professor Ewart Keep	8			5			3
Andy Kerr	8	3					3
Dr Paul Little	7						3 (c)
Professor Peter Mathieson	8						
Professor Irene McAra-McWilliam	8					5 of 5	3
Douglas Mundie (Deputy Chair)	8		1 (c)	5 (c)	3 (c)	6	
Dr Veena O'Halloran	7			4	3		
Caroline Stuart	8	3				6	
Professor John Wallace	8		1	5	3		
Professor Lesley Yellowlees	8					6 (c)	

The full remits and membership of all [SFC committees](#) are published on the [SFC's website](#).

The SFC Board members' attendance at Board and committee meetings in FY 2020-21 is shown in the table on page 38.

The table to the left refers only to formal Board and Committee meetings. In addition to the above, SFC Board members chair other forums, serve on other working parties and attend meetings on behalf of SFC. Time spent on travel is also a significant commitment for some Board members.



## ASSESSMENT OF CORPORATE GOVERNANCE

I can confirm that corporate governance has been exercised throughout the year in accordance with the principles for good governance set out in the terms of the Scottish Government's *Scottish Public Finance Manual (SPFM)*, the *Framework Agreement* with Scottish Government, and associated guidance and good practice guidance.

## RISK MANAGEMENT AND CONTROL

### OUR APPROACH TO RISK MANAGEMENT

Our risk management strategy is to:

- Ensure that SFC's strategic priorities and business functions are not adversely affected by significant risks that have not been anticipated.
- Ensure that risk management is a key element of effective corporate governance within the organisation.
- Have in place a risk management framework for identifying, assessing and managing risks at group and corporate levels.
- Ensure that our risk management framework is manageable, proportionate to our business, and integrated with our planning and reporting processes.
- Identify significant risks in a corporate risk register.
- Ensure that appropriate controls and mitigating actions are in place to manage risks.
- Have in place arrangements for ensuring the effectiveness of our approach to risk management, including through the Audit and Compliance Committee, and the programme of internal audit.
- Maintain a Risk Assurance Framework which identifies the assurance that is being relied upon to assess whether risks are being managed effectively.
- Promote an innovative, less risk-averse culture in which the taking of appropriate risks – which might help us better achieve our strategic priorities – is encouraged.

The SFC Board has delegated responsibility for the on-going review of the effectiveness of our risk

management arrangements to its Audit and Compliance Committee. The corporate risk register is reviewed at each meeting of the Audit and Compliance Committee and at most business meetings of the SFC Board.

While, as Accountable Officer, I remain ultimately responsible for managing and implementing SFC's risk management strategy on a day-to-day basis, and for reporting to the Audit and Compliance Committee, delegation of responsibility for managing the key risks in the register is essential if risk management is to be effective. The risk register, therefore, identifies 'owners' for each risk; these are mainly within the senior staff of the SFC executive, chosen for their expertise in the particular areas of risk.

Risk management is embedded in the operations of the organisation. Risks are reviewed by managers regularly and any changes highlighted. The Senior Management Team and Senior Leadership Group also monitor risks regularly and review the corporate Risk Register between six to eight times a year.

The Board agreed a Statement of Risk Appetite for SFC in 2018, which has been incorporated into SFC's formal Risk Management Strategy and which informs our decision-making and our approach to risk. We plan to review the Statement of Risk Appetite in FY 2021-22.

### INFORMATION GOVERNANCE AND SECURITY

During the FY 2020-21, the Chief Operating Officer was the Senior Information Risk Owner (SIRO) for SFC. All information assets have been identified and are recorded in the SFC's Data Asset Register.

We continue to adopt a multi-layered, multi-vendor approach to Cyber Resilience.

We are working on actions identified by our previous Cyber Essentials assessment and plan to undertake a Cyber Resiliency Review (CRR), in line with the Scotland's Cyber Strategic Framework, beginning in September 2021.

There have been no breaches of data security during FY 2020-21.

### INTERNAL AUDIT

Internal audit is a key independent source of assurance. The strategic and annual planning of internal audit reviews is risk based, in which work is targeted to the areas identified as greatest risk and strategic importance. Internal audit carried out nine reviews in FY 2020-21, none of which identified any major control weakness.

Implementation of internal audit recommendations is closely monitored and reported to each meeting of the Audit and Compliance Committee. In addition, our internal auditor carries out an independent review of progress with implementation to validate the executive's monitoring and reporting. The

majority of internal audit recommendations have been implemented.

The provision of internal audit services has been carried out by the in-house audit team at Scottish Enterprise since 1 April 2020.

### SIGNIFICANT ISSUES

Significant issues are those that might have a negative impact on our ability to deliver our strategic priorities, or which might affect our performance or reputation, or have a material impact on our accounts. Significant issues are raised mainly through the assurance framework, audit process and the Certificates of Assurance process. During FY 2020-21, the following issues required significant management attention.



### COVID-19 PANDEMIC

The COVID-19 pandemic has created an unprecedented risk to colleges and universities and to SFC's strategic priorities. We have taken steps throughout the year to support colleges and universities and will continue to work with the sectors, Scottish Government and other partners to mitigate the continuing effects of the pandemic.



### FINANCIAL HEALTH OF COLLEGES AND UNIVERSITIES

The financial health of colleges and universities continues to be a significant issue for the sectors. We have gathered information on the impact of the COVID-19 pandemic on college and university finances throughout the year and worked closely with the sectors, the Scottish Government and others to provide support. We are reviewing our role in monitoring and supporting the financial health of colleges and universities as part of our review of coherent provision and sustainability.



### CYBERSECURITY

Following an increase in cyberattacks on public sector bodies in Scotland, our Audit and Compliance Committee raised this as a significant issue for SFC and the sectors. We have taken a range of actions to maintain and strengthen our organisation's resilience and cybersecurity, and to promote a positive cybersecurity culture. We have also been monitoring the actions being taken by colleges and universities to maintain and strengthen their cyber resilience and working with them to establish good practice across the sectors.



## REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of SFC’s policies, aims and objectives, set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

The *Scottish Public Finance Manual (SPFM)* is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation’s policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of SFC’s policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. My review of internal control is informed by:

- SFC’s Audit and Compliance Committee, which assesses the effectiveness of assurances in relation to the systems of governance, risk management and internal control.
- The executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework.

- The line management process within the organisation.
- Regular meetings between SFC staff and our sponsor directorate at the Scottish Government to review the risk register and our process for risk management.
- The work of the internal auditors, undertaken by the in-house internal audit team at Scottish Enterprise for the year to 31 March 2021, who submit regular reports to SFC’s Audit and Compliance Committee, which include the Head of Internal Audit’s independent and objective opinion on the adequacy and effectiveness of the organisation’s systems of internal control together with recommendations for improvement.
- Findings and recommendations made by external auditors in their reports.
- Certificates of assurance provided to me by the executive managers in accordance with the guidance contained within the SPFM.

For the year to 31 March 2021, the Head of Internal Audit reported completion of all reviews in the Audit Plan. Internal Audit was of the opinion that the SFC’s systems provided a reasonable basis for maintaining control and that the control framework provided reasonable assurance regarding the effective and efficient achievement of SFC’s objectives. This opinion is based on recommendations in the audit reports being satisfactorily implemented. The Head of Internal Audit’s Annual Audit Opinion is that:

“The Internal Audit Plan for 2020/21 was approved by the Audit and Compliance

Committee in March 2020. Overall sufficient assurance work has been carried out, in accordance with the Public Sector Internal Audit Standards, to enable a reasonable conclusion to be formed on the adequacy and effectiveness of SFC’s internal control environment.

For 2020/21 the conclusion of internal audit work carried out, and reported to the SFC Audit and Compliance Committee, identifies an overall good level of assurance on SFC’s framework of governance, risk management and management control.

SFC has an appropriate and effective risk management framework in place, which meets the requirements of the Scottish Public Finance Manual and which contributes to a successful risk culture. During the year, internal audit reports have highlighted the importance of effective risk management and recommendations have been satisfactorily addressed.

The impact of COVID-19 was a key feature throughout internal audit work during 2020/21. A real-time internal audit review reported positive independent assurance in relation to SFC’s response to the crisis, with the identification of appropriate risks and mitigating actions.”

On the basis of the assurances provided from the sources of assurance outlined above, I can confirm that sound systems of governance, risk management and internal control, consistent with the requirements of the SPFM, have operated for the year ended 31 March 2021 and up to the date of approval of the Annual Report and Accounts.



PHOTO: UNIVERSITY OF EDINBURGH





PHOTO: PERTH COLLEGE UHI

## THE REMUNERATION AND STAFF REPORT

### REMUNERATION REPORT

The sections marked ‘\*’ in this Remuneration Report have been audited by Audit Scotland. The other sections of the Remuneration Report were reviewed by Audit Scotland to ensure that they were consistent with the Financial Statements.

### REMUNERATION POLICY

A Remuneration Committee reviews and determines the remuneration of the Chief Executive and directors of the executive on an annual basis and within the context of budgetary constraints and Scottish Government pay policy. The Committee also determines the remuneration and annual increase for the Chair and SFC Board members, in line with Scottish Government pay policy. The pay policy determines that all of the above decisions are subject to Scottish Government approval.

Current membership of the Remuneration Committee consists of four non-executive members of the SFC Board.

### CHAIR AND SFC BOARD MEMBERS

Members of the SFC Board are appointed by Scottish Ministers and have a collective responsibility for the proper conduct of SFC’s affairs. The SFC Board membership during FY 2020-21 is detailed on page 45.

### CHIEF EXECUTIVE

The Chief Executive is an ordinary member of the Civil Service Pension Scheme arrangements. The employer’s contribution to the scheme amounted to 24.5% of the Chief Executive’s pensionable salary.

### SENIOR STAFF

The remuneration of senior staff is reviewed annually in line with Scottish Government policy and may provide for progression and a cost of living increase, subject to not exceeding the salary scale maximum. Apart from the general requirement to perform satisfactorily, there is no performance-related element.

Senior staff are employed on an open-ended contract with a notice period of three months from employee or employer.

*SFC BOARD MEMBERSHIP FOR THE PERIOD 1 APRIL 2020 TO 31 MARCH 2021				
MEMBER	APPOINTMENT START DATE	APPOINTMENT END DATE	REMUNERATION YEAR ENDED 31 MARCH 2021 £’000	REMUNERATION YEAR ENDED 31 MARCH 2020 £’000
Dr Mike Cantlay (Chair)	3 October 2017	2 April 2025	50-55	45-50
Karen Watt (Chief Executive)	14 January 2019		See page 46	See page 46
David Alexander	3 October 2017	2 October 2021	10-15	10-15
Sheila Duncan*	4 November 2019	3 November 2023	10-15	5-10
Mhairi Harrington	3 October 2017	2 October 2021	10-15	10-15
Lorna Jack*	4 November 2019	3 November 2023	10-15	5-10
Professor Ewart Keep*	4 November 2019	3 November 2023	10-15	5-10
Andy Kerr*	4 November 2019	3 November 2023	10-15	5-10
Dr Paul Little	4 October 2015	3 October 2023	10-15	10-15
Professor Peter Mathieson*	4 November 2019	3 November 2023	5-10	5-10
Professor Irene McAra-McWilliam*	4 November 2019	3 November 2023	10-15	5-10
Douglas Mundie (Deputy Chair)	1 September 2014	2 October 2021	15-20	10-15
Dr Veena O’Halloran	4 October 2015	3 October 2023	10-15	10-15
Caroline Stuart	4 October 2015	3 October 2023	10-15	10-15
Professor John Wallace*	4 November 2019	3 November 2023	10-15	5-10
Professor Lesley Yellowlees	3 October 2017	2 October 2021	10-15	10-15

The Chair receives a remuneration of £485 per day for a time commitment of two days per week. All other Board members are entitled to receive a fee of £351 per day (2019-20: £343), up to a maximum total fee of £12,626 (2019-20: £12,338) per financial year. Where a Board member’s membership did not include a full year, but they received a full-year equivalent salary, this is indicated by \* in the above table. The daily fee is not pensionable.

SFC Board members’ attendance at meetings is given on page 38.

Douglas Mundie received an additional payment due to extra responsibilities he had taken on in FY 2018-19 as Deputy Chairman.

Professor Peter Mathieson requested a reduced fee in recognition of the hardship faced by others during the COVID pandemic.

As at 31 March 2021 there were 16 Council members of whom eight were females and eight were males.

*SALARY AND PENSION ENTITLEMENTS FOR SENIOR EMPLOYEES						
SINGLE TOTAL FIGURE OF REMUNERATION	SALARY (£'000)		PENSION BENEFITS (TO NEAREST (£1000 <sup>1</sup> ))		TOTAL (£'000)	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
	Karen Watt (Chief Executive)	125-130	120-125	44,000	196,000	170-175
Martin Boyle (Director of Policy, Insights and Analytics) <sup>2</sup>	80-85	-	161,000	-	240-245	-
James Dunphy (Director of Access, Learning and Outcomes) <sup>3</sup>	35-40	-	15,000	-	50-55	-
Martin Fairbairn <sup>4</sup> (Chief Operating Officer)	210-215	100-105	54,000	36,000	260-265	135-140
Stuart Fancey (Director of Research and Innovation)	100-105	95-100	65,000	55,000	165-170	150-155
Lorna MacDonald (Director of Finance)	100-105	100-105	41,000	41,000	145-150	140-145
Donna McKinnon (Director of Access, Learning and Outcomes) <sup>5</sup>	30-35	-	17,000	-	50-55	-
John Kemp (Director of Access, Learning and Outcomes) <sup>6</sup>	-	45-50	-	45,000	-	90-95
Michael Cross (Interim Director) <sup>7</sup>	-	20-25	-	-	-	20-25

There were no bonus payments or benefits in kind payments made in either FY 2020-21 or FY 2019-20.

**\*Fair Pay Disclosures**

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in SFC in the Financial Year 2020-21 was £125,000-130,000 (FY 2019-20: £120,000-125,000). This was 2.93 times (FY 2019-20: 3.1)

the median remuneration of the workforce, which was £43,407 (FY 2019-20: £39,836).

In FY 2020-21, nil (FY 2019-20: nil) employees received remuneration in excess of the highest paid director. Remuneration ranged from £18,135 to £126,705 (FY 2019-20: £17,385 to £122,862). Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

<sup>1</sup>The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual. The real increases exclude increases due to inflation or any increase or decrease due to a transfer of pension rights.

<sup>2</sup>(Director of Policy, Insights and Analytics from 11 May 2020. FTE salary £90-95k)

<sup>3</sup>(Director of Access, Learning and Outcomes from 1 November 2020. FTE salary £90-95k)

<sup>4</sup>(Left 31 March 2021 and salary includes a payment from the Voluntary Exit Scheme')

<sup>5</sup>(Director of Access, Learning and Outcomes from 20 April to 4 September 2020. FTE salary £90-95k)

<sup>6</sup>(Director of Access, Learning and Outcomes from 14 January 2019: on secondment to the University of the Highlands & Islands from 16 September 2019. FTE salary £100-105k)

<sup>7</sup>(Interim Director from 1 April to 2 July 2019. FTE salary £85-90k)

*PENSION ENTITLEMENTS OF THE MOST SENIOR MEMBERS OF THE EXECUTIVE					
	ACCRUED PENSION AT PENSION AGE AS AT 31/03/21	REAL INCREASE IN PENSION AND RELATED SUM AT PENSION AGE	CETV AT 31/03/21	CETV AT 31/03/20	REAL INCREASE IN CETV
	£'000	£'000	£'000	£'000	£'000
	Karen Watt (Chief Executive)	55-60 plus a lump sum of 140-145	2.5-5 plus a lump sum of 0	1,186	1,119
Martin Boyle (Director of Policy, Insights and Analytics)	20 – 25 plus a lump sum of 55 - 60	5 - 7.5 plus a lump sum of 15 - 17.5	427	282	132
James Dunphy (Director of Access, Learning and Outcomes)	0-5	0-2.5	8	0	5
Martin Fairbairn (Chief Operating Officer)	40-45 plus a lump sum of 110-115	2.5-5 plus a lump sum of 0-2.5	921	851	38
Stuart Fancey (Director of Research and Innovation)	35-40	2.5-5	595	526	46
Lorna MacDonald (Director of Finance)	10-15	0-2.5	178	141	24
Donna McKinnon (Director until 4 September 2020)	25-30	0-2.5	385	373	9

**CIVIL SERVICE PENSIONS**

Pension benefits are provided through the Civil Service pension arrangements for staff employed directly by SFC. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in the service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pension Increase legislation. Existing members of the PCSPS, who were within 10 years of their normal pension age on 1 April 2012, remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1



February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to **alpha** have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his or her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited

with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

## CASH EQUIVALENT TRANSFER VALUES

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## REAL INCREASE IN CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## CIVIL SERVICE PENSION

The Civil Service Pension arrangements are an un-funded multi-employer defined benefits scheme but SFC is unable to identify its share of the underlying assets and liabilities.

The scheme actuary valued the CSPA as at 31 March 2016. You can find details in the resource account of the [Cabinet Office: Civil Superannuation](#).

For 2020-21, employers’ contributions of £1,397,593 were payable to the PCSPS (FY 2019-20: £1,234,633) at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during FY 2020-21 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

STAFF REPORT

*STAFF NUMBERS (INCLUDING CHIEF EXECUTIVE)				
	YEAR ENDED 31 MARCH 2021			2020
	PERMANENT STAFF	SECONDED AND AGENCY STAFF	TOTAL	TOTAL
Average number of FTE employees	105	1	106	103

SALARIES AND RELATED COSTS (EXCLUDING CHIEF EXECUTIVE)				
COST OF EMPLOYING STAFF:	YEAR ENDED 31 MARCH 2021			2020
	PERMANENT STAFF	SECONDED AND AGENCY STAFF	TOTAL	TOTAL
	£'000	£'000	£'000	£'000
Wages and salaries	5,055	78	5,133	4,976
Social security costs	594	8	602	471
Other pension costs	1,368	13	1,381	1,197
Apprenticeship levy	12	-	12	10
Voluntary exit	417	-	417	-
<b>Total</b>	<b>7,446</b>	<b>99</b>	<b>7,545</b>	<b>6,654</b>
Secondment	(246)	-	(246)	(156)
Charge to programme funds	(612)	-	(612)	(63)
Admin payroll costs	6,588	99	6,687	6,435

LOANS

Interest free loans are payable to staff for the purchase of season travel tickets or bicycles for use in travel to work. The loans are repayable through the SFC's payroll over the period of the duration of the tickets. As at 31 March 2021, £nil (as at 31 March 2020: £937) was outstanding. This amount is included in the other debtors figure in note 12.

*SFC BOARD MEMBERS' REMUNERATION (INCLUDING CHAIR AND CHIEF EXECUTIVE)		
	YEAR ENDED 31 MARCH 2021	YEAR ENDED 31 MARCH 2020
	£'000	£'000
Salary and allowances	355	319
Social security costs	31	28
Other pension costs	38	37
<b>Total</b>	<b>424</b>	<b>384</b>

The SFC employed 69 females and 45 males as at 31 March 2021. The Chief Executive is a female employee, and there are one female and four male Directors.

STAFF TURNOVER 2020-21

During the FY 2020-21, 18 staff left SFC. This gives a turnover figure of 16% based on the average number of employees in the year (112.5 headcount).

HEALTH, SAFETY AND WELL-BEING

We have a Health and Safety Committee which assesses the workplace regularly to ensure that our staff work in a safe environment which supports their well-being.

There was a decrease in staff absence sickness rates in FY 2020-21: the 12-month rolling absence figure for the SFC was 2.1% as at 31 March 2021 (as at 31 March 2020: 2.9%). The absence rate for public sector organisations in the same period was 2.7% (ONS Labour Force Survey 2020).

PHOTO: GLASGOW SCHOOL OF ART





## STAFF RELATIONS

We recognise the importance of good industrial relations and effective communication with our staff. We have a Joint Negotiation and Consultation Forum (JNCF), which meets regularly, and involves members of our Senior Management Team (SMT) and representatives from our staff trade union, Unite. Through this we share information, discuss issues of mutual concern, consult and, where appropriate, negotiate on policies, procedures and terms and conditions of employment.

## STAFF POLICIES APPLIED DURING THE FINANCIAL YEAR

We are required to disclose staff policies applied during the financial year for:

- Giving full and fair consideration to applications for employment by SFC made by disabled persons, having regard to their particular aptitudes and abilities.
- Continuing the employment of, and for arranging appropriate training for, employees of the company who have become disabled persons during the period when they were employed by the company.
- Otherwise for the training, career development and promotion of disabled persons employed by the company.

The key policies which the SFC can apply are:

- Equality and Diversity Policy.
- The SFC Dignity at Work Policy which covers any negative action from staff towards staff with disabilities.
- Recruitment and Selection Procedure.
- Disciplinary Procedure.
- Fair Absence Management Guidance.

We offer workstation assessments to assess whether these meet individual needs. We can call upon occupational health support and feedback from Access to Work to assist in making reasonable adjustments for staff with disabilities.

## EQUALITY AND DIVERSITY

We strive actively to improve diversity and equality. We are subject to Internal and External Audit on our equalities procedures and practices and in summer 2019 received a positive Internal Audit on our practices to promote Equality and Diversity within SFC.

We are accredited as a Disability Confident Employer, which means, amongst other things, if candidates meet the minimum criteria for a vacancy and indicate they have a disability, we guarantee an interview.

We are accredited as a Carer Positive Engaged Employer by Carer Scotland.

We undertake Equality Impact Assessments on our proposed policies or funding initiatives.

## COMPENSATION FOR LOSS OF OFFICE

In 2020 SFC obtained Scottish Government approval to operate a limited Voluntary Exit (VE) scheme under the terms of the Civil Service Compensation Scheme. This is a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Under VE terms no additional funding was provided by SFC to top up actuarial reductions where leaver claimed early payment of their pension.

The SFC VE scheme was aimed at releasing a limited number of SFC colleagues to support the organisation's overall approach to enhancing organisational capacity and investing in existing and new skills and capabilities.

Martin Fairbairn, Chief Operating Officer, was one of the eight members of staff who left under Voluntary Exit terms on the 31 March 2021. He received a compensation payment of £50,000-£100,000.

The breakdown of the calculated voluntary exit payments is as follows:

DISCLOSURE OF EXIT PACKAGES	
EXIT PACKAGE COST BAND	TOTAL NUMBER OF EXIT PACKAGES BY COST BAND
£10,000 - £25,000	2
£25,000 - £50,000	2
£50,000 - £100,000	4
Total number of exit packages	8
Total cost /£	416,523

## TRADE UNION FACILITY TIME

SFC recognises that Facility time brings benefits to employees, managers and the wider community from effective joint working between union representatives and employers. It forms a crucial mechanism through which trade unions can represent their members and ensure the effective voice of workers and is a key dimension of Fair Work.

It is an investment in the prevention of workplace disputes, providing savings to both the public sector and the public purse, through a reduction of negative impacts on staff time and the number of working days lost through industrial action. The information provided below to meet the statutory requirements of the Trade Union (Facility Time Publications Requirements) Regulations 2017 should therefore be considered in the context of the benefits both for the workforce and the employer.

In the period 1 April 2020 to 31 March 2021 we provided the following support through paid facility time for union officials

working at SFC. During 2020-21 there were 7 employees (full time equivalent of 6.7) who were union officials (FY 2019-20: 8 employees; full time equivalent of 7.6). These 7 employees spent between 1-50 per cent of their working hours on facility time (FY 2019-20: 1-50 per cent of their time). The total cost of this facility time was £14,366 (FY 2019-20: £15,868), which represents 0.2% (FY 2019-20: 0.2%) of the total staff costs of £6.687 million (FY 2019-20: £6.435 million). 95% (FY 2019-20: 95%) of facility time was spent on trade union activity.

## PARLIAMENTARY ACCOUNTABILITY REPORT

### REGULARITY OF EXPENDITURE

In all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

SFC suffered no losses. No special payments were made during financial year 2020-21 (FY 2019-20: £nil). No gifts were made during financial year 2020-21 (FY 2019-20: £nil).

### FEES AND CHARGES

SFC applied no fees or charges during financial year 2020-21 (FY 2019-20: nil).

### REMOTE CONTINGENT LIABILITIES

SFC has no remote contingent liabilities.

*Karen Watt*

**KAREN WATT**  
**Accountable Officer**  
**Date: 2 September 2021**





SECTION 3:  
INDEPENDENT  
AUDITOR'S REPORT



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SCOTTISH FURTHER AND HIGHER EDUCATION FUNDING COUNCIL, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT

## REPORTING ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION ON FINANCIAL STATEMENTS

I have audited the financial statements in the annual report and accounts of the Scottish Further and Higher Education Funding Council for the year ended 31 March 2021 under the Further and Higher Education (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2020/21 Government Financial Reporting Manual (the 2020/21 FReM).

In my opinion the accompanying financial statements:

- Give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 2005 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2021 and of its net expenditure for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 FReM; and

- Have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 2005 and directions made thereunder by the Scottish Ministers.

### BASIS FOR OPINION

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 26 May 2017. The period of total uninterrupted appointment is five years. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### CONCLUSIONS RELATING TO GOING CONCERN BASIS OF ACCOUNTING

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

### RISKS OF MATERIAL MISSTATEMENT

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my judgements thereon.

### RESPONSIBILITIES OF THE ACCOUNTABLE OFFICER FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- Obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- Identifying which laws and regulations are significant in the context of the body;
- Assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- Considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## REPORTING ON REGULARITY OF EXPENDITURE AND INCOME

### OPINION ON REGULARITY

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

### RESPONSIBILITIES FOR REGULARITY

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities to detect material misstatements in the financial statements in respect of irregularities, I am responsible for expressing an opinion on the

regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

## REPORTING ON OTHER REQUIREMENTS

### OPINION PRESCRIBED BY THE AUDITOR GENERAL FOR SCOTLAND ON AUDITED PART OF THE REMUNERATION AND STAFF REPORT

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 2005 and directions made thereunder by the Scottish Ministers.

### STATUTORY OTHER INFORMATION

The Accountable Officer is responsible for the statutory other information in the annual report and accounts. The statutory other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that

there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

### OPINIONS PRESCRIBED BY THE AUDITOR GENERAL FOR SCOTLAND ON PERFORMANCE REPORT AND GOVERNANCE STATEMENT

In my opinion, based on the work undertaken in the course of the audit:

- The information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 2005 and directions made thereunder by the Scottish Ministers; and
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 2005 and directions made thereunder by the Scottish Ministers.

### MATTERS ON WHICH I AM REQUIRED TO REPORT BY EXCEPTION

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- Adequate accounting records have not been kept; or
- The financial statements and the audited part

of the Remuneration and Staff Report are not in agreement with the accounting records; or

- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

## CONCLUSIONS ON WIDER SCOPE RESPONSIBILITIES

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

## USE OF MY REPORT

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

*Gordon Smail*

**GORDON SMAIL**  
**Audit Director**  
**Date: 2 September 2021**

Audit Scotland  
 4th Floor - 102 West Port  
 Edinburgh - EH3 9DN





SECTION 4:  
THE FINANCIAL  
STATEMENTS



## THE FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2021			
EXPENDITURE	NOTES	YEAR ENDED 31 MARCH 2021	YEAR ENDED 31 MARCH 2020
		£'000	£'000
Grants paid to HEIs and other bodies	2	1,412,481	1,160,307
Grants paid to colleges and other bodies	2	734,138	706,291
Staff costs		6,687	6,435
Depreciation	3	29	48
Amortisation	4	67	86
Other operating charges	5	1,658	1,931
<b>TOTAL</b>		<b>2,155,060</b>	<b>1,875,098</b>
<b>INCOME</b>			
European Social Fund income	7	(2,337)	(8,397)
Income from HEIs and colleges	8	(11,749)	(5,722)
Other grants	9	(22,215)	(15,528)
Other income	10	(243)	(97)
<b>TOTAL</b>		<b>(36,544)</b>	<b>(29,744)</b>
<b>NET EXPENDITURE</b>		<b>2,118,516</b>	<b>1,845,354</b>
<b>COMPREHENSIVE NET EXPENDITURE</b>	SoCTE	<b>2,118,516</b>	<b>1,845,354</b>

There are no recognised gains and losses other than those recorded above.

The notes on pages 66 to 83 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021			
NON-CURRENT ASSETS	NOTES	31 MARCH 2021	31 MARCH 2020
		£'000	£'000
Property, plant and equipment	3	29	58
Intangible assets	4	50	76
Loans	11	158,466	106,581
<b>TOTAL NON-CURRENT ASSETS</b>		<b>158,545</b>	<b>106,715</b>
<b>CURRENT ASSETS</b>			
Loans	11	10,763	7,853
Trade and other receivables	12	3,209	3,201
Cash and cash equivalents	13	5,534	4,983
<b>TOTAL CURRENT ASSETS</b>		<b>19,506</b>	<b>16,037</b>
<b>TOTAL ASSETS</b>		<b>178,051</b>	<b>122,752</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	70	36
Other liabilities	14	1,583	1,403
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,653</b>	<b>1,439</b>
<b>ASSETS LESS LIABILITIES</b>		<b>176,398</b>	<b>121,313</b>
<b>TAXPAYERS' EQUITY</b>		<b>176,398</b>	<b>121,313</b>

The Accountable Officer authorised these Financial Statements for issue on 2 September 2021. The notes on pages 66 to 83 form part of these accounts.

The financial statements on pages 62 to 65 were approved by the SFC on September 2021 and signed on its behalf by:

*Karen Watt*  
**KAREN WATT**  
 Accountable Officer  
 Date: 2 September 2021



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021			
CASH FLOWS FROM OPERATING ACTIVITIES	NOTES	YEAR ENDED 31 MARCH 2021	YEAR ENDED 31 MARCH 2020
		£'000	£'000
Net operating costs		(2,118,516)	(1,845,354)
Adjustments for non-cash transactions			
Depreciation and amortisation charges	3&4	96	135
Increase in long term debtors	11	(54,795)	(55,934)
Movements in working capital			
(Increase)/decrease in trade and other receivables	12	(7)	304
Increase/(decrease) in trade and other payables	14	214	(1,868)
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>		<b>(2,173,008)</b>	<b>(1,902,717)</b>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets	4	(41)	(125)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(41)</b>	<b>(125)</b>
CASH FLOWS FROM FINANCING ACTIVITIES			
Grant-in-aid	6	2,143,838	1,883,276
Other Scottish Government grants	6	1,180	1,180
Other Government grants	6	28,583	16,760
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<b>2,173,601</b>	<b>1,901,216</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>552</b>	<b>(1,626)</b>
Cash and cash equivalents at 1 April 2020	13	4,983	6,609
Cash and cash equivalents at 31 March 2021	13	5,535	4,983
<b>NET INCREASE/(DECREASE) IN CASH</b>		<b>552</b>	<b>(1,626)</b>

The notes on pages 66 to 83 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2021		
CHANGES IN TAXPAYERS' EQUITY 2020-21	NOTES	YEAR ENDED 31 MARCH 2021
		£'000
Balance as at 1 April 2020		121,313
Scottish Government grant-in-aid funding	6	2,143,838
Other Scottish Government grants	6	1,180
Other Government grants	6	28,583
Comprehensive net expenditure for the year		(2,118,516)
<b>BALANCE AT 31 MARCH 2021</b>		<b>176,398</b>
CHANGES IN TAXPAYERS' EQUITY 2019-20		
Balance as at 1 April 2019		65,450
Scottish Government grant-in-aid funding	6	1,883,277
Other Scottish Government grants	6	1,180
Other Government grants	6	16,760
Net expenditure		(1,845,354)
<b>BALANCE AT 31 MARCH 2020</b>		<b>121,313</b>

The Taxpayers' Equity balance includes £169,229,000 (2019-20: £114,434,000) in respect of loans advanced to institutions (note 11).

The notes on pages 66 to 83 form part of these accounts.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021

### 1. ACCOUNTING POLICIES

#### BASIS OF ACCOUNTING

The accounts have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as adapted and interpreted by the Government Financial Reporting Manual (FReM) adopting the Addendum to Government Financial Reporting Manual 2020-21: minimum reporting requirements and no performance analysis has been provided for 2020-21. The accounts have been prepared under a direction issued by Scottish Ministers in accordance with paragraph 17 of Schedule 1 to the Further and Higher Education (Scotland) Act 2005. The Accounts Direction given by Scottish Ministers is produced as an appendix to these accounts.

The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the SFC for the purpose of giving a true and fair view has been selected. The particular policies adopted by the SFC are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### ADOPTION OF FReM AMENDMENTS

There have been only a few changes in FReM requirements in 2020-21, mostly in respect of the Performance Report and SFC has adopted all relevant ones. SFC has applied the addendum to the 2020/21 FReM which permits organisations to omit the performance analysis section from the Performance Report.

#### GOING CONCERN

The Scottish Government's estimates and forward plans include provision for the SFC continuation and it is therefore appropriate to prepare these accounts on a going concern basis.

### SIGNIFICANT JUDGEMENTS AND ESTIMATES

In preparing these accounts the SFC makes certain judgements on key areas of income, expenditure and assets.

#### RECOVERY OF GRANTS

The SFC's policy is to recognise funding adjustments as recoverable grants only when there is sufficient certainty of recovery. Recovery is made through adjustments to institutions' future grant funding.

The SFC has powers under the Further and Higher Education (Scotland) Act 2005 to determine amounts of grant to recover from institutions where the terms and conditions of grant have not been met. In exercising these powers the SFC Executive may in some cases decide not to seek recoveries from institutions for periods prior to a certain year. In such cases the decision is taken on an individual basis with due regard to the overall financial position of the institution and the circumstances giving rise to a potential recovery.

#### FINANCIAL TRANSACTIONS

SFC accounts for financial transaction loans to HEIs at cost rather than amortised cost. The impact of the recognition of the loan values at 31 March 2021 correctly (if accounted for at amortised cost in line with International Reporting Standard (IFRS) 9) would be to reduce the value of the loans by approximately £9 million. This is not a material amount for the SFC annual accounts. However, we anticipate continuing to receive this form of funding from the Scottish Government and so we will keep this decision under review to determine whether adjustment would be appropriate at some future date.

#### EUROPEAN SOCIAL FUND INCOME

SFC Policy is to recognise income from the European Social Fund on a cash basis rather than accrued income. Further details are given in note 7. Due to the continued risk and uncertainty associated with these funds and the audit of claims that support them, it is decided that the current accounting policy should be that European Social Fund (ESF) income is recognised on a cash basis, i.e. when the monies are received.



## PROPERTY, PLANT AND EQUIPMENT

Additions to assets over £5,000 are capitalised. Using the straight-line method, depreciation is provided on all tangible non-current assets at rates calculated to write-off the cost, less estimated residual value, of each asset over its useful life. Given their low value, depreciated historic cost is used as a proxy for fair value.

The useful lives are as follows:

<b>FURNITURE AND FITTINGS</b>	5 years
<b>INFORMATION TECHNOLOGY AND OTHER EQUIPMENT</b>	3 years

## INTANGIBLE ASSETS

Intangible assets are carried at fair value. They are amortised on a straight-line basis over estimated useful lives of three years.

## TAXATION

HM Revenue and Customs does not consider the activities of the SFC to be a trade and the grant income received is not therefore liable to corporation tax.

The SFC is currently registered for VAT and, although most of the SFC's activities are outside the scope of VAT, tax is levied on consultancy income including staff secondments. VAT payable is included as an expense to the extent that it is not recoverable from HMRC and non-recoverable VAT is included in the capitalised purchase cost of non-current assets.

## GRANTS AND LOANS

### GRANTS RECEIVABLE

Grant-in-aid received for revenue, capital and running costs purposes and other Government grants are regarded as financing and are credited to taxpayers equity. Grant-in-aid received is treated on a cash basis.

European Social Fund (ESF) and European Regional Development Fund (ERDF) income are treated on a cash basis in view of the uncertainty over the level of income the SFC will receive.

Recoverable grants are recognised at the dates agreed with the organisations concerned.

### GRANTS PAYABLE

The SFC pays grants on the basis of: monthly instalments which take into account the pattern of the institution's receipts and payments; or on agreed profiles; or on receipt of claims from institutions. This largely reflects the pattern of need at institutions. Funds to institutions are distributed on an academic year basis as a result of which there may be prepayments at the end of the financial year.

Clawback and penalties are recognised when the amount of the funding adjustment has been established and approved by Council.

Recoverable grants are recognised at the dates agreed with the organisations concerned.

### FINANCIAL INSTRUMENTS

IFRS 7, IFRS 9 and International Accounting Standards (IAS) 32 require an organisation to present and disclose information on the possible impact of financial instruments on its financial position and performance, and on the extent of its risk exposure. As a non-departmental body (NDPB) funded by the government, the SFC is not exposed to any liquidity or interest rate risks. The SFC has no overseas operations and does not operate any foreign currency bank accounts. It is not subject to any foreign currency, credit or market risks.

Loans to institutions are charged at nominal interest rates over a period of 10 to 20 years and are repayable by deduction from future grant in aid. As a result, SFC considers there to be no impairment risk from these transactions. In accordance with IFRS 9 the loans will be initially recognised at fair value and thereafter at amortised cost. The loan cost has been used as a reasonable estimate of the carrying value of loans as the amortised cost would not be materially different. These are disclosed in note 11.

### LOANS

Interest free loans are payable to staff for the purchase of season travel tickets or bicycles for use in travel to work.

Any other loans are payable under the terms set out in the Further and Higher Education (Scotland) Act 2005.

### STATEMENT OF COMPREHENSIVE NET EXPENDITURE

All operating costs relate to the SFC's continuing activities. There have been no acquisitions or discontinued activities during the period.

### OPERATING LEASE CHARGES

Rentals payable under operating leases are charged to the Statement of Comprehensive Net Expenditure in the year to which they relate.

#### PENSION COSTS AND OTHER POST-RETIREMENT BENEFITS

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded multi-employer defined benefit scheme, but the SFC is unable to identify its share of the underlying liabilities. The scheme is accounted for as a defined contribution scheme under the multi-employer exemption permitted in IAS 19 'Employee Benefits'. The expected costs are accounted for on a systematic and rational basis over the period during which the SFC benefits from employees' services by payment to the PCSPS of an amount calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

Payments to the defined contribution schemes are expensed as they become payable. Early severance payment obligations are expensed in the year in which the employee leaves.

#### SHORT-TERM EMPLOYEE BENEFITS

A liability and an expense is recognised for holiday days, holiday pay, bonuses and other short-term benefits when the employees render service that increases their entitlement to these benefits.

#### FINANCIAL GUARANTEES

In accordance with IFRS 9, financial guarantees are considered for recognition as liabilities. The likelihood of a liability occurring is considered to be remote therefore the financial guarantees have been treated as a contingent liability in line with IAS 37 and are not recorded on the balance sheet.

#### IFRS ISSUED BUT NOT EFFECTIVE

International Accounting Standard (IAS) 8 on Accounting Policies requires organisations to disclose details of any IFRS that has been issued but is not yet effective. At 31 March 2021 the following IFRS has been issued but is not effective as it has not yet been applied in the Government Financial Reporting Manual (FRM):

IFRS 16 – Leases. This requires lessees to recognise nearly all leases in the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payment. SFC has two property leases, one for its main office and a pepper corn lease with Scottish Enterprise for the right to use meeting room space. The estimated costs of recognising these lease liability at present value is £3.9 million. IFRS 16 will be adopted on 1 April 2022.

## 2. GRANTS PAID TO INSTITUTIONS AND OTHER BODIES

a) The Framework Document between the Scottish Government and the SFC requires the SFC and its Chief Executive to ensure that grant-in-aid receipts were used for their intended purpose. In turn, the Financial Memorandum between the SFC and the institutions that it funds requires the governing bodies of those institutions to ensure that grant-in-aid has been used for its intended purpose. Institutions' external auditors are required to verify that grant-in-aid has been properly applied and to incorporate their opinion on this matter into their audit reports.

The most recently available accounts for institutions are to 31 July 2020. Grants to institutions for the period up to 31 March 2021 are yet to be verified by institutions and their auditors to ensure that grant-in-aid receipts from the SFC have been used for their intended purpose. Any material differences arising, which are related to the regularity of grant-in-aid for the period covered by these accounts, will be subject to adjustment in subsequent financial years. Subject to the above, grant-in-aid receipts received from the sponsor department have been applied for their intended purpose.

b) Grants to institutions to finance capital expenditure may be subject to repayment in full, or in part, if the assets purchased are disposed of at a later date.

c) Distribution of funds

GRANTS PAID TO HEIS AND OTHER BODIES	YEAR ENDED 31 MARCH 2021	YEAR ENDED 31 MARCH 2020
	£'000	£'000
Recurrent grants	914,365	1,106,047
Capital grants	498,116	54,260
<b>TOTAL</b>	<b>1,412,481</b>	<b>1,160,307</b>

GRANTS PAID TO COLLEGES AND OTHER BODIES	YEAR ENDED 31 MARCH 2021	YEAR ENDED 31 MARCH 2020
	£'000	£'000
Recurrent grants	575,756	522,297
Bursary and student support payments	136,149	128,724
Capital and major works	22,233	55,270
<b>TOTAL</b>	<b>734,138</b>	<b>706,291</b>



### 3. PROPERTY, PLANT AND EQUIPMENT

	FURNITURE AND FITTINGS	ICT	OTHER EQUIPMENT	TOTAL
	£'000	£'000	£'000	£'000
<b>HISTORIC COST</b>				
At 1 April 2020	144	310	27	481
Additions	-	-	-	-
Disposals	-	-	-	-
<b>AT 31 MARCH 2021</b>	<b>144</b>	<b>310</b>	<b>27</b>	<b>481</b>
<b>DEPRECIATION</b>				
At 1 April 2020	87	310	27	424
Provided during the year	29	-	-	29
Disposals	-	-	-	-
<b>AT 31 MARCH 2021</b>	<b>116</b>	<b>310</b>	<b>27</b>	<b>453</b>
<b>NET BOOK VALUE</b>				
<b>AT 31 MARCH 2021</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>28</b>
At 1 April 2020	57	-	-	57
<b>HISTORIC COST</b>				
At 1 April 2019	144	310	27	481
Additions	-	-	-	-
Disposals	-	-	-	-
<b>AT 31 MARCH 2020</b>	<b>144</b>	<b>310</b>	<b>27</b>	<b>481</b>
<b>DEPRECIATION</b>				
At 1 April 2019	58	291	27	376
Provided during the year	29	19	-	48
Disposals	-	-	-	-
<b>AT 31 MARCH 2020</b>	<b>87</b>	<b>310</b>	<b>27</b>	<b>424</b>
<b>NET BOOK VALUE</b>				
<b>AT 31 MARCH 2020</b>	<b>57</b>	<b>-</b>	<b>-</b>	<b>57</b>
At 1 April 2019	87	20	-	107

### 4. INTANGIBLE ASSETS

Intangible assets comprise IT software and software licences.

	IT	SOFTWARE LICENCES	TOTAL
	£'000	£'000	£'000
<b>HISTORIC COST</b>			
At 1 April 2020	1,199	120	1,319
Additions	41	-	41
Disposals	-	-	-
<b>AT 31 MARCH 2021</b>	<b>1,240</b>	<b>41</b>	<b>1,360</b>
<b>AMORTISATION</b>			
At 1 April 2020	1,124	120	1,244
Provided during the year	67	-	67
Disposals	-	-	-
<b>AT 31 MARCH 2021</b>	<b>1,191</b>	<b>120</b>	<b>1,311</b>
<b>NET BOOK VALUE</b>			
<b>AT 31 MARCH 2021</b>	<b>49</b>	<b>-</b>	<b>49</b>
At 1 April 2020	75	-	75
<b>COST</b>			
At 1 April 2019	1,074	120	1,194
Additions	125	-	125
Disposals	-	-	-
<b>AT 31 MARCH 2020</b>	<b>1,199</b>	<b>120</b>	<b>1,319</b>
<b>AMORTISATION</b>			
At 1 April 2019	1,038	120	1,158
Provided during the year	86	-	86
Disposals	-	-	-
<b>AT 31 MARCH 2020</b>	<b>1,124</b>	<b>120</b>	<b>1,244</b>
<b>NET BOOK VALUE</b>			
<b>AT 31 MARCH 2020</b>	<b>75</b>	<b>-</b>	<b>75</b>
At 1 April 2019	36	-	36

## 5. OTHER OPERATING CHARGES

	YEAR ENDED 31 MARCH 2021			2020
	RUNNING COST	SECTORAL EXPENDITURE	TOTAL	TOTAL
	£'000	£'000	£'000	£'000
Operating leases – property rental	259	-	259	259
Accommodation costs	214	-	214	271
Council members' remuneration	424	-	424	384
Other support costs	475	-	475	446
Professional services	11	102	113	257
Staff recruitment and training	45	-	45	62
Legal costs	26	-	26	18
Travel and subsistence				
– Council members	-	-	-	12
– Staff	-	-	-	72
External Audit fee	30	45	75	74
Equipment and consumables	16	-	16	37
Hospitality costs				
– Council members	-	-	-	2
– Staff	-	-	-	4
Publication costs	11	-	11	25
Conference costs	-	-	-	5
Committee costs	-	-	-	2
<b>TOTAL</b>	<b>1,511</b>	<b>147</b>	<b>1,658</b>	<b>1,931</b>

Sectoral expenditure has been used to meet operating charges where the benefit is to institutions within the Scottish further and higher education sectors. £102,000 (FY 2019-20: £257,000) of this expenditure relates to professional services and their associated costs. These professional services are commissioned in accordance with the conditions of an agreement between the SFC and Scottish Government that covers the use of funds for distribution to acquire consultancy and professional services.

## 6. GOVERNMENT GRANT-IN-AID RECEIVED

FUNDS FROM SCOTTISH GOVERNMENT FOR	YEAR ENDED 31 MARCH 2021	YEAR ENDED 31 MARCH 2020
	£'000	£'000
HEI and other bodies	888,356	1,059,012
HEI capital	451,199	67,553
Financial transactions	55,000	55,935
Colleges and other bodies	714,561	644,632
Colleges Capital	26,909	48,645
Council running costs	7,813	7,500
<b>TOTAL</b>	<b>2,143,838</b>	<b>1,883,276</b>
<b>OTHER SCOTTISH GOVERNMENT GRANTS</b>		
Sabhal Mòr Ostaig	1,180	1,180
<b>OTHER GOVERNMENT GRANTS</b>		
Funds from Department for Business, Energy and Industrial Strategy (DBEIS) for Research Capital	28,583	16,760

## 7. INCOME FROM EUROPEAN SOCIAL FUND (ESF)

	YEAR ENDED 31 MARCH 2021	YEAR ENDED 31 MARCH 2020
	£'000	£'000
ESF income received – colleges programme	2,337	8,029
ESF income received – HEIs programme	-	238
ESF income received – SFC running costs	-	130
<b>TOTAL</b>	<b>2,337</b>	<b>8,397</b>

There are outstanding claims for the ESF programme. However, in view of uncertainty over the level of income the SFC will receive we have elected to account for it on a cash basis.



## 8. INCOME FROM HIGHER EDUCATION INSTITUTIONS AND COLLEGES

	YEAR ENDED 31 MARCH 2021	YEAR ENDED 31 MARCH 2020
	£'000	£'000
Clawback from colleges	7,793	4,043
Clawback from higher education institutions	3,956	1,679
<b>TOTAL</b>	<b>11,749</b>	<b>5,722</b>

Generally, a clawback of funds arises where institutions have under-enrolled beyond threshold against funded places, with the grant paid out in one financial year and taken back in another. In addition, a clawback arises in student support where there is a variance between payment based on estimated and actual numbers.

A financial penalty may be imposed on an institution if it exceeds its indicative student number for non-controlled full-time and sandwich undergraduates by more than 10% or if it exceeds its indicative number for a controlled subject area by more than 10% or 10 FTE whichever is the larger. The penalty for a breach of consolidation is the withdrawal of part of the Main Teaching Grant based on the student numbers above the indicative number in excess of the tolerance threshold.

## 9. OTHER GRANTS

OTHER GRANTS	YEAR ENDED 31 MARCH 2021	YEAR ENDED 31 MARCH 2020
	£'000	£'000
Department for Business, Energy and Industrial Strategy (DBEIS)	13,216	11,826
Other grant income	8,999	3,702
<b>TOTAL</b>	<b>22,215</b>	<b>15,528</b>

## 10. OTHER INCOME

OTHER INCOME	YEAR ENDED 31 MARCH 2021	YEAR ENDED 31 MARCH 2020
	£'000	£'000
Finance income	243	97
<b>TOTAL</b>	<b>243</b>	<b>97</b>

## 11. LOANS

BALANCES DUE WITHIN ONE YEAR	YEAR ENDED 31 MARCH 2021	YEAR ENDED 31 MARCH 2020
	£'000	£'000
West Lothian College	-	158
University of Aberdeen	286	286
University of Abertay	716	287
University of Dundee	1,082	42
University of Edinburgh	1,655	1,655
Edinburgh Napier University	21	21
University of Glasgow	1,000	1,000
Glasgow School of Art	500	-
Heriot-Watt University	629	525
Queen Margaret University, Edinburgh	168	19
The Robert Gordon University	408	345
University of St Andrews	950	710
University of Stirling	390	54
University of Strathclyde	1,567	1,567
SRUC	827	617
University of the Highlands & Islands	491	491
University of the West of Scotland	73	76
<b>TOTAL</b>	<b>10,763</b>	<b>7,853</b>

BALANCES DUE AFTER ONE YEAR		
West Lothian College	2,211	2,211
University of Aberdeen	3,428	3,714
University of Abertay	10,258	10,974
University of Dundee	15,018	200
University of Edinburgh	9,604	11,258
Edinburgh Napier University	21	41
University of Glasgow	8,000	9,000
Glasgow School of Art	9,500	-
Heriot-Watt University	4,537	4,427
Queen Margaret University, Edinburgh	2,739	74
The Robert Gordon University	4,844	4,001
University of St Andrews	5,621	6,571
University of Stirling	13,537	5,322
University of Strathclyde	51,116	33,564
SRUC	9,371	5,998
University of the Highlands & Islands	8,355	8,847
University of the West of Scotland	306	379
<b>TOTAL</b>	<b>158,466</b>	<b>106,581</b>
<b>TOTAL</b>	<b>169,229</b>	<b>114,434</b>

University loans are funds provided to institutions on an individual basis to support the costs of specific projects, which are recovered through an adjustment to their future funding. The SFC Board has agreed the principles for providing university loans. Loans are treated as financial instruments and some are interest not bearing and some have interest charged at 0.25%. The loan cost has been used as a reasonable estimate of the amortised cost of recoverable grants as the discounted cashflows would not be materially different. Amounts provided are within the total funding for the programme approved by the Board. University

loans are normally for five to ten years, but can be up to 20 years.

Arrangements for the repayment of the college advances have been agreed, with the repayment period over sixteen years for West Lothian College £5,540,000, repayment commenced March 2011. The repayment was renegotiated in March 2014 with the college repaying an additional £650,000 and the loan repayment term being extended to July 2034 and renegotiated again in 2020 with the college taking a five year re-payment holiday.

## 12. TRADE AND OTHER RECEIVABLES

TRADE AND OTHER RECEIVABLES	YEAR ENDED 31 MARCH 2021	YEAR ENDED 31 MARCH 2020
	£'000	£'000
Prepayments and accrued income	269	3,150
Institutions clawback	2,712	-
Other HEI balances	45	10
Other college balances	24	7
Other debtors	159	35
<b>TOTAL</b>	<b>3,209</b>	<b>3,202</b>

## 13. CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS	YEAR ENDED 31 MARCH 2021	YEAR ENDED 31 MARCH 2020
	£'000	£'000
Funds held at Government Banking Service accounts	5,519	4,969
Funds held at commercial banks	15	13
<b>TOTAL</b>	<b>5,534</b>	<b>4,982</b>

## 14. TRADE AND OTHER PAYABLES

TRADE AND OTHER PAYABLES	YEAR ENDED 31 MARCH 2021	YEAR ENDED 31 MARCH 2020
	£'000	£'000
Trade payables	70	36
Other liabilities	1,583	1,403
Total other liabilities	<b>1,583</b>	<b>1,403</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,653</b>	<b>1,439</b>



## 15. CAPITAL AND NON-CAPITAL COMMITMENTS

The level of funding for academic institutions is determined on the basis of the Academic Year; 1 August to 31 July each year. The SFC's Financial Year runs from 1 April to 31 March each year. Grant commitments that fall outwith the SFC's current Financial Year, but within the remaining period of the current Academic Year, are disclosed as contracted grant.

GRANTS COMMITTED TO BE PAID TO HEIS AND OTHER BODIES		
GRANT FOR DISTRIBUTION	31 MARCH 2021	31 MARCH 2020
	£'000	£'000
Recurrent grant	265,619	307,884
Capital grants	135,553	143,801
<b>TOTAL</b>	<b>401,172</b>	<b>451,685</b>

GRANTS COMMITTED TO BE PAID TO COLLEGES AND OTHER BODIES		
GRANT FOR DISTRIBUTION	31 MARCH 2021	31 MARCH 2020
	£'000	£'000
Recurrent grant	195,849	204,828
Student support payments	54,199	43,158
Capital grants	16,136	11,900
Unitary charge	9,767	9,906
<b>TOTAL</b>	<b>275,951</b>	<b>269,792</b>

Capital works grants are claims based and the amount to be paid out by the end of the Academic Year cannot be determined exactly. The figures shown are best estimates based on claim profiles submitted by the various institutions.

In setting its profile of grant payments each academic year, the SFC takes into account Government guidance on when sums receivable by institutions for student tuition fees should be paid. The aim is to ensure that the total income stream received by institutions is in line with their expenditure requirements.

## 16. COMMITMENTS UNDER LEASES

### OPERATING LEASES

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

OBLIGATIONS UNDER OPERATING LEASES COMPRISE		
EQUIPMENT	31 MARCH 2021	31 MARCH 2020
	£'000	£'000
Not later than one year	3	4
Later than one year and not later than five years	-	-
<b>TOTAL</b>	<b>3</b>	<b>4</b>
BUILDINGS		
Not later than one year	259	259
Later than one year and not later than five years	1,035	1,035
Later than five years	1,315	1,574
<b>TOTAL</b>	<b>2,609</b>	<b>2,868</b>

SFC does not own any land or buildings. Its premises in Edinburgh are leased. A lease for the ground floor of 97 Haymarket Terrace began in September 2017 and ends in April 2031.

## 17. RELATED PARTY TRANSACTIONS

The SFC is a Non-Departmental Public Body (NDPB) sponsored by the Scottish Government.

The Scottish Government Advanced Learning and Science Directorate, as the sponsor directorate, is regarded as a related party. The SFC was financed by grant-in-aid from its sponsor directorate's parliamentary account. During the year the SFC had a number of material transactions with the Directorate.

The universities and colleges funded by the SFC are regarded as related parties. Details of the major transactions between the SFC and the funded institutions are set out in Appendix 2 to the Report and Accounts. Amounts due to and from related parties are shown in notes 11, 12 and 14.

In addition, the SFC had various material transactions with other publicly funded bodies during the period, including Education Scotland (ES), Quality Assurance Agency (QAA) and the Higher Education (HE) Academy.

The transactions with ES and QAA relate to a Service Level Agreement which requires them to perform specific functions with regard to quality assurance and quality improvement of learning and teaching. Payment to the HE Academy is to support the Academy’s work which is undertaken on behalf of the university sector.

The following SFC Board members who served during the year were (or have been) related parties to institutions that the SFC funds:

- David Alexander is Vice Principal Operations at West College Scotland.
- Mhairi Harrington was previously Principal and Chief Executive of West Lothian College.
- Professor Ewart Keep is an Associate Fellow of the Scottish Centre for Employment Research, Strathclyde University.
- Andy Kerr is Chair of South Lanarkshire College and on the Board of New College Lanarkshire.
- Dr Paul Little is Principal and Chief Executive of the City of Glasgow College.
- Professor Peter Mathieson is Principal and Vice-Chancellor of the University of Edinburgh.
- Professor Irene McAra-McWilliam is Deputy Director Research & Innovation at the Glasgow School of Art.
- Douglas Mundie undertakes occasional consultancy work with universities and colleges.
- Dr Veena O’Halloran is University Secretary and Compliance Officer at the University of Strathclyde.
- Caroline Stewart is a member of the Education Board of The Data Lab.
- Professor John Wallace was previously Principal of The Royal Conservatoire of Scotland and undertakes occasional teaching with University of St Andrews Laidlaw Music Centre.
- Professor Lesley Yellowlees was previously Vice Principal and Head of the College of Science and Engineering at the University of Edinburgh is a lay Member of the Court of Edinburgh Napier University.

The [Register of Interests for the SFC Board Members](#) is available on the SFC website.

During the year, other than through their employment, none of the other SFC Board members has undertaken any material transactions with the SFC.

There have been no material transactions during the year between the SFC and members of key management staff or other related parties other than as detailed above.

## 18. INTRA-GOVERNMENT BALANCES

INTRA-GOVERNMENT BALANCES				
	TRADE RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR	TRADE RECEIVABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	TRADE PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR	TRADE PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR
	£'000	£'000	£'000	£'000
<b>2020-21</b>				
Balances with other Central Government bodies	314	-	254	-
Balances with bodies external to Government	2,895	-	1,399	-
<b>AT 31 MARCH 2021</b>	<b>3,209</b>	<b>-</b>	<b>1,653</b>	<b>-</b>
<b>2019-20</b>				
Balances with other Central Government bodies	3,087	-	22	-
Balances with bodies external to Government	115	-	1,417	-
<b>AT 31 MARCH 2020</b>	<b>3,202</b>	<b>-</b>	<b>1,439</b>	<b>-</b>

## 19. FINANCIAL INSTRUMENTS

As the cash requirements of the SFC are met through grant-in-aid provided by the Scottish Government, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to loans made to HEIs. These are disclosed in Note 11. The SFC does not consider these to be a risk as repayments are deducted from future funding at source. The SFC also has contracts to buy non-financial items in line with the SFC’s expected purchase and usage requirements and the SFC is, therefore, exposed to little credit, liquidity or market risk.



## APPENDIX 1: DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of paragraph 17 of Schedule 1 to The Further and Higher Education (Scotland) Act 2005, hereby give the following direction.
2. The statement of accounts for the period to 31 March 2006, and for subsequent financial years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 30 September 2005 is hereby revoked.

**AILEEN MCKECHNIE**  
*Signed by the authority of the Scottish Ministers*  
 Date: 14 December 2005

## APPENDIX 2: ANALYSIS OF FUNDS PAID TO INSTITUTIONS AND OTHER BODIES

### DISTRIBUTION OF GRANT-IN-AID FROM THE SCOTTISH GOVERNMENT

GRANTS PAID TO COLLEGES, REGIONS AND OTHER BODIES		
COLLEGE/REGIONS	YEAR ENDED 31 MARCH 2021	YEAR ENDED 31 MARCH 2020
	£'000	£'000
Forth Valley	27,880	46,801
West Lothian	17,072	16,624
Dumfries and Galloway	13,952	16,399
Borders	12,440	13,241
Edinburgh	66,716	60,642
Highlands and Islands	68,225	61,591
Ayrshire	55,904	50,645
West College Scotland	63,318	60,837
Glasgow Colleges' Regional Board	158,606	147,363
Fife	53,234	49,098
New College Lanarkshire Regional Board	73,573	73,216
Dundee and Angus	44,487	40,143
North East College Scotland	49,721	44,589
SRUC	13,072	12,200
Newbattle	2,607	1,800
Sabhal Mòr Ostaig	2,757	2,448
Open University in Scotland <sup>8</sup>	1,000	-
<b>Total grant distributed to colleges</b>	<b>724,564</b>	<b>697,639</b>
<b>Total grant distributed to other organisations</b>	<b>9,574</b>	<b>8,652</b>
<b>TOTAL GRANT DISTRIBUTED</b>	<b>734,138</b>	<b>706,291</b>

<sup>8</sup> Flexible Workforce Development Fund

GRANTS PAID TO HEIS AND OTHER BODIES		
UNIVERSITY OR COLLEGE	YEAR ENDED 31 MARCH 2021	YEAR ENDED 31 MARCH 2020
	£'000	£'000
Aberdeen	93,297	76,196
Abertay Dundee	24,046	20,210
Dundee	97,648	81,320
Edinburgh	239,243	187,751
Glasgow	204,619	162,829
Glasgow Caledonian	81,141	69,562
Glasgow School of Art	15,757	13,234
Heriot-Watt	56,830	48,311
Edinburgh Napier	68,565	59,280
Open University in Scotland	28,137	24,045
Queen Margaret Edinburgh	20,152	15,811
Robert Gordon	53,112	44,932
Royal Conservatoire of Scotland	13,953	12,144
St Andrews	52,696	39,574
Stirling	57,907	46,688
Strathclyde	127,712	103,486
Highlands and Islands	56,128	51,471
West of Scotland	81,727	70,763
SRUC	23,495	16,593
Borders College <sup>9</sup>	-	50
Dumfries and Galloway College <sup>10</sup>	8	24
Dundee and Angus College <sup>9</sup>	-	100
Edinburgh College <sup>9</sup>	-	55
Fife College <sup>9</sup>	-	5
Forth Valley College <sup>9</sup>	-	65
Glasgow Colleges' Regional Board <sup>9</sup>	9	95
Sabhal Mòr Ostaig <sup>11</sup>	467	-
West College Scotland <sup>9</sup>	-	130
<b>Total grant distributed to institutions</b>	<b>1,396,649</b>	<b>1,144,724</b>
<b>Total grant distributed to other organisations</b>	<b>15,832</b>	<b>15,583</b>
<b>TOTAL GRANT DISTRIBUTED</b>	<b>1,412,481</b>	<b>1,160,307</b>

<sup>9</sup>College Innovation Fund

<sup>10</sup>Crichton Campus

<sup>11</sup>Gaelic Dictionary





Scottish Funding Council  
Comhairle Maoinachaidh na h-Alba

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