



Scottish Funding Council  
Comhairle Maoineachaidh na h-Alba

# Scottish Funding Council Annual Report and Accounts 2019-20



**SFC Publication**

Cover photo credit: Edinburgh College

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We are delighted to introduce the Scottish Funding Council's (SFC's) Annual Report and Accounts for 2019-20. The publication of our Annual Report and Accounts fulfils a statutory requirement to report on our financial performance, but it does much more than that: it allows us to tell a story about how we have used our funding of £1.9 billion to do our best for the people and businesses of Scotland.

We wrote in last year's foreword that a priority for SFC would be to prepare a new strategy in 2019-20. We were pleased that we were able to publish that strategy last June. Our Strategic Framework demonstrates how we will support students, educators, employers, entrepreneurs and innovators in Scotland over the next 10 to 15 years in a world of increasing economic, social and technological change. The framework describes the ambitious outcomes for Scotland that we want to achieve working with colleges and universities and will guide how we use our investment over the next few years.

Much of our work in 2019-20 has been characterised by increasing partnership with the other enterprise and skills agencies, including with Skills Development Scotland,

where we have been working closely together to create a more agile, dynamic and responsive learning and skills system in Scotland. A tangible outcome of that work was the publication of the Future Skills Action Plan by the Scottish Government in September 2019, which sets out our vision for a skills system that is capable of supporting the jobs of the future.

Alongside our commitment to a more responsive skills system, we have given priority to creating a level playing field for access to further and higher education. Our annual report on widening access published last year showed that colleges and universities are making strong progress, with a record increase in entrants to higher education from our most deprived areas. The report also showed that the proportion of disabled students and black and minority ethnic students entering higher education is similarly increasing, while key university retention rates for both deprived and care experienced students are improving.

We have been active in our own commitment to a more equal and diverse society. We responded to a report from the Equality and Human Rights Commission on racial harassment in higher education by funding a project to support conversations about race, racism and whiteness. Meanwhile, our 2020 National Gender Conference focused on a series of topical issues, including supporting survivors of gender based violence, challenging gender stereotypes in childcare and improving support for transgender students.

Supporting the links between colleges and universities and businesses is central to our strategy for the future. We achieved a major

milestone last year with more than 1,200 awards over a period of seven years from our Innovation Voucher funding programme that is helping businesses collaborate with colleges and universities. During the year, we also announced a further phase of our ground-breaking Innovation Centre programme, with significant new investments in the Digital Care and Health Institute, the Scottish Aquaculture Innovation Centre, and the Precision Medicine Scotland Innovation Centre. We also launched our College Innovation Fund, which is supporting seven college-led innovation projects in key sectors of the economy.

All seven projects have a firm eye on the future and include the emerging skills needs created by precision farming, modern boatbuilding, digital health care and the move to electric vehicles.

2019 was the year in which the First Minister declared a climate emergency. The Scottish Government subsequently asked SFC to administer a new £500,000 fund to assist Scotland's transition to a net-zero emissions economy. From a strong selection of seventeen proposals, the money was awarded to two multi-partner projects led by the universities of Glasgow and Edinburgh.

We said at the beginning of the foreword that our Annual Report and Accounts allows us to tell a story. No one could have predicted at the beginning of the year, how that story would unfold in the final months of 2019-20 with the emergence of an unprecedented global health crisis. We want to pay tribute to the way in which colleges and universities have responded to the crisis, both in maintaining learning for their students in the most challenging of circumstances, but also in their huge contribution to the national effort, which has included providing support to the NHS and other essential services, repurposing of local facilities and equipment and

undertaking internationally-connected research into COVID-19.

We also want to thank the staff of SFC who responded rapidly to the emergency, have kept the show on the road, and have been outstanding in their commitment to supporting our world-class system of learning through this crisis. And finally, we would like to thank our fellow Board members for their insights, knowledge and ambition throughout the year.



**Mike Cantlay OBE**  
Chair



**Karen Watt**  
Chief Executive



# HIGHLIGHTS

## ANNUAL REPORT & ACCOUNTS 2019-20

N.B. Figures in **purple** relate to academic year 2018-19

 **£1.9BN**

SFC's annual investment in further and higher education

**118,242**

FTE\* places delivered by colleges



**138,686**

FTE\* places delivered by universities



**15.9%**

first degree entrants from 20% most deprived areas.



**6406**

DYW\*\* vocational courses delivered (*up from 2,101 in 2013-14*)



**84%**

of university students satisfied overall (86% for part-time)



**93%**

of college students satisfied overall



**75.2%**

successful college qualifiers (*1.1% increase from 2017-18*)



**95.5%**

first degree leavers entered positive destinations (*1.1% increase from 2016-17*)



**90.4%**

of students remained in higher education



**20,620**

international postgraduate students (*5,055 increase from 2014-15*)



**£544M**

University research income (*up £89m from 2014-15*)



**240**

newly registered companies from HEIs (*an increase of 84 from 2014-15*)







# SECTION 1: THE PERFORMANCE REPORT

### Overview

#### Statutory background

The Scottish Funding Council (SFC) is the national, strategic body that funds further and higher education and research 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 Economic 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.

## Strategic Framework 2019-22

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

<p><b>OBJECTIVE 1</b></p> <p>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.</p> 	<p><b>OBJECTIVE 2</b></p> <p>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.</p> 
<p><b>OBJECTIVE 3</b></p> <p>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.</p> 	<p><b>OBJECTIVE 4</b></p> <p>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.</p> 

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

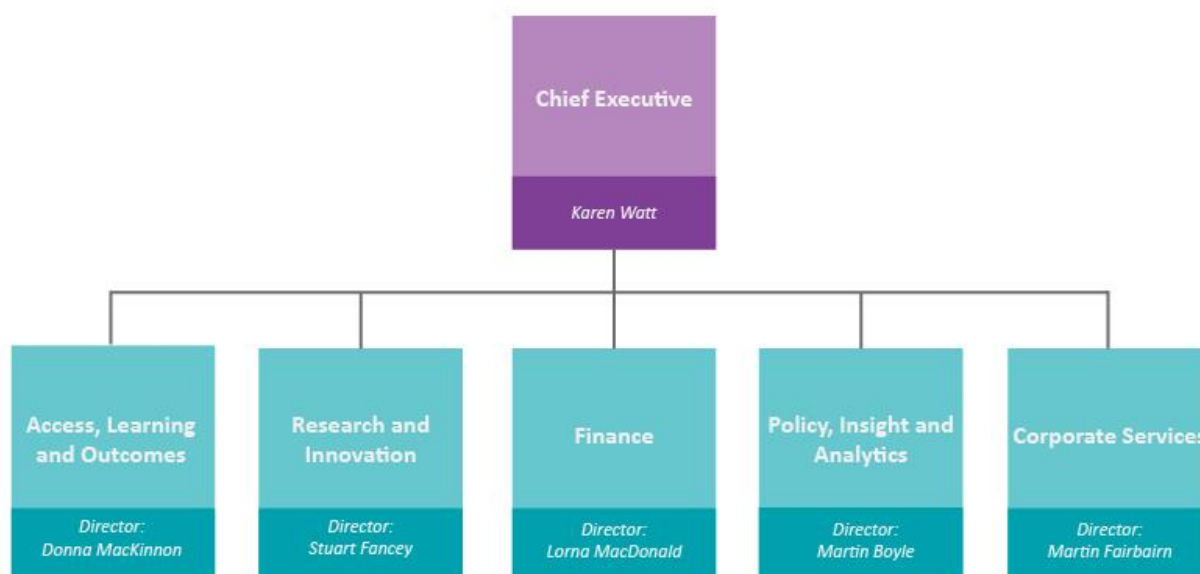
As part of our Strategic Framework, we also published an Operating Plan for Financial Year (FY) 2019-20 with our organisational priorities for the year ahead.



## Building our capacity and capability

We are based in a single location in Edinburgh and employ 111 people.

During the course of the year, we developed and consulted our staff on proposals to develop our capacity and capability so that we are better placed to deliver the ambitious objectives in our Strategic Framework. We agreed a new structure for the organisation with five directorates, including a new Directorate of Policy, Insights and Analytics, which will enhance our analytical capabilities and policy development capacity. The new structure became operational in April 2020.



## COVID-19 pandemic

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. It is now clear that Scotland and the rest of the world are caught up in a global health crisis, which is making us change profoundly the ways in which we work, do business and relate to each other. Although the emergency has not had an impact on SFC’s financial performance for FY 2019-20, it has forced SFC rapidly to re-prioritise activities for the foreseeable future, with an immediate focus on maintaining business continuity and supporting colleges and universities.

## Business continuity

We closed our office on Tuesday, 24 March 2020 and moved quickly to online and home-working. We provided full guidance to staff on the new work arrangements coupled with ongoing support.

As part of our business continuity plan, we tested successfully the making of BACS and CHAPS payments remotely prior to the COVID-19 emergency. To strengthen our resilience, we increased the number of staff who are able to send or authorise BACS and CHAPS payments electronically, while maintaining the necessary segregation of duties.

### Immediate priorities

We wrote to colleges and universities on 19 March 2020 setting out our immediate priorities:

- **Stability and continuity** – we committed to continuing to make payments on time so that colleges and universities could, in turn, keep paying their staff and support students (particularly vulnerable students).
- **Flexibility and reprioritisation** – we committed to reducing our routine engagements with colleges and universities and scaling back regulatory and data requirements, except where necessary to meet statutory or other significant purposes.
- **Intelligence and communication** – we agreed to communicate regularly with colleges and universities and share intelligence.

We took urgent steps to support colleges and universities:

- We published our main funding allocations for colleges and universities for Academic Year 2020-21 on time on Tuesday, 7 April. This helped to ensure that colleges and universities could continue with their forward financial planning.
- We provided information to colleges and universities on the UK Government's Job Retention and Loan Schemes.
- We liaised with UK Research and Innovation to ensure the continued alignment of Scotland's research policy with the UK response, and on the possibility of enhanced research funding for universities.
- We took steps to address some of the pressing concerns relating to student support in the college sector, particularly for students in hardship. These steps included bringing forward £2m of advance funding to support college students on FE courses. This formed part of a £5 million package of emergency financial support to help students facing hardship announced by the Scottish Government on 8 April 2020.

- We worked with colleges and universities to gather intelligence and understand the potential financial impact of the crisis on individual institutions and sector-wide. These include issues such as immediate cashflow challenges, loss of income from international students, commercial activities and refunds of fees, and credit facilities.
- As a result of this work, the Scottish Government announced on 5 May a one-off £75 million package of support for research for the coming year, which recognises the importance of Scotland's university research base to the nation's future prosperity and wellbeing, as well as to its international reputation.
- We put the planned Research Excellence Framework (REF) exercise for 2021 on hold, in consultation with the other UK funding bodies.
- We established a COVID Hub; a central email address ([covid19@sfc.ac.uk](mailto:covid19@sfc.ac.uk)); and a dedicated [COVID-19 web page](#) on the SFC website to act as a one-stop resource for colleges and universities.

We have also been keen to underline the positive contribution that colleges and universities have been making to support the national effort to respond to COVID-19: colleges and universities have been very active in providing support to the NHS and other essential services. This has included internationally-connected research into COVID-19, repurposing of local facilities and equipment, and the contribution of staff and students to the NHS and social care workforce.

### **The impact on colleges and universities**

By 20 March 2020, all colleges and universities had ceased face-to-face teaching activities and had moved to online delivery of teaching and learning or were putting in place plans to use online materials where possible. The immediate impacts of the crisis were:

- The threat to the financial sustainability of colleges and universities as a result of disruption, increased costs and loss of income. The university sector is particularly affected by its reliance on international fee income. This accounted for just over £684 million (nearly 17% of overall income) in Academic Year 2018-19. Fee income from rest-of-UK and income from residences, catering, and conferences, also generated significant revenue for institutions during the year (£498 million or 12% of total income). In the college sector non-Government fee income totals £17.4 million and some colleges have particular exposures.
- The need to support students, particularly those facing hardship.
- Disruption to teaching delivery and the rapid move to delivery online; and the demands on infrastructure and resources.



- The disruption to student assessments and cancellation of SQA's 2020 exam diet, both the immediate impact for colleges but also the knock-on impact on the 2020-21 admissions programme.
- The need to support students and staff who are overseas, and those international students and staff who are in Scotland.
- The impact on research, particularly on collaborative research projects and the availability of research facilities, but also the ability to draw down research funding and the impact on wider university finances.

The early actions taken by SFC helped to mitigate some of the immediate risks to colleges and universities, although there remain significant medium and long-term challenges and risks which will affect the performance of colleges and universities and of SFC in FY 2020-21.

### **The UK's withdrawal from the European Union**

Throughout the FY 2019-20, we undertook work in preparation for the UK's withdrawal from the European Union (Brexit). This work included undertaking analyses of the potential impact of Brexit on further and higher education and the provision of guidance and advice to colleges and universities. We have worked closely with the Scottish Government, colleges and universities, and with the other enterprise and skills agencies in Scotland on the preparations for Brexit and have provided regular reports to the SFC Board.

Following the UK's withdrawal from the European Union (EU) on 31 January 2020, the UK entered into a transition period which is due to end on 31 December 2020, unless extended by agreement for up to one or two years by 1 July 2020. At the time of drafting the Annual Report and Accounts for FY 2019-20, the nature of the UK's future relationship with the EU after 31 December 2020 is still to be negotiated and agreed. We have continued to monitor developments and the potential implications for further and higher education, including the status of EU students studying in Scotland, 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.

### **Managing risk and uncertainty**

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

### **The impact of COVID-19**

Towards the end of the Financial Year, COVID-19 emerged as a significant risk to colleges, universities and to SFC, with a potential impact on the ability of institutions to deliver high quality learning and research, and their long-term financial sustainability. We took immediate steps to support colleges and universities and wrote to them with our priorities to help mitigate the risks, including providing stability and continuity, reprioritising activity and engagement, and collecting and sharing intelligence. We expect that the COVID-19 pandemic will continue to create major uncertainty and risk in FY 2020-21, which will require us to review our role and strategic priorities to ensure that we can best support colleges and universities and Scotland's economic recovery.

### **Brexit**

Brexit continued to be a major risk throughout the year, with 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. The potential of 'no deal' at the end of the transition period following the UK's withdrawal from the EU continues to create uncertainty for colleges and universities and threatens to compound the impact of COVID-19. We have sought to mitigate the risks by working with colleges and universities to develop solutions and provide advice to Scottish Government.

### **The financial health of colleges and universities**

The financial health of colleges and universities has also continued to be a significant risk with increasing costs from pensions, pay awards and other financial pressures. The risk has increased as a result of 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 understand at an early stage the impact of COVID-19 and by providing guidance on budget setting.

### **Budgets for colleges and universities**

Public funding continues to be a major source of funding for all colleges and universities and therefore the outcome of the Spending Review process is important to maintaining the financial health of institutions and their ability to deliver our strategic priorities. Given the significant pressure on public resources, the potential of a poor Spending Review settlement for colleges and universities is a significant risk. We have sought to mitigate the risk by working closely with colleges, universities and Scottish Government on the budget process, including by developing financial scenarios.

### **Industrial relations in the college and university sectors**

Industrial relations issues have been prominent in both sectors during the year as a result of disputes over pay and conditions, and pensions, with disruption to teaching and other activities. As SFC is not the employer, we have limited scope to mitigate the risk, but have acted where we can; for example, we have supported the national bargaining process in the college sector by validating the data that was used in negotiations and, where appropriate, giving a view on implications for the sector of any proposals.

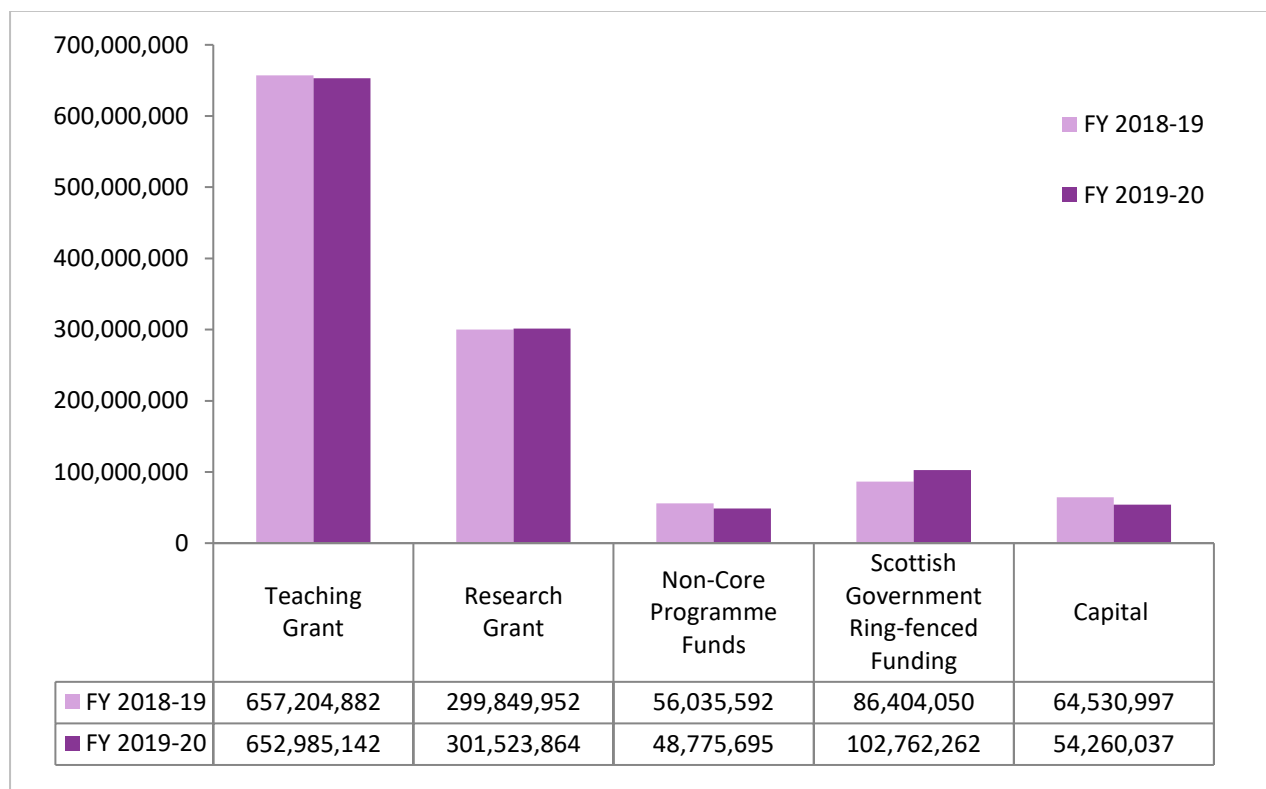
We have a structured approach to managing risk, which is summarised on page 32.



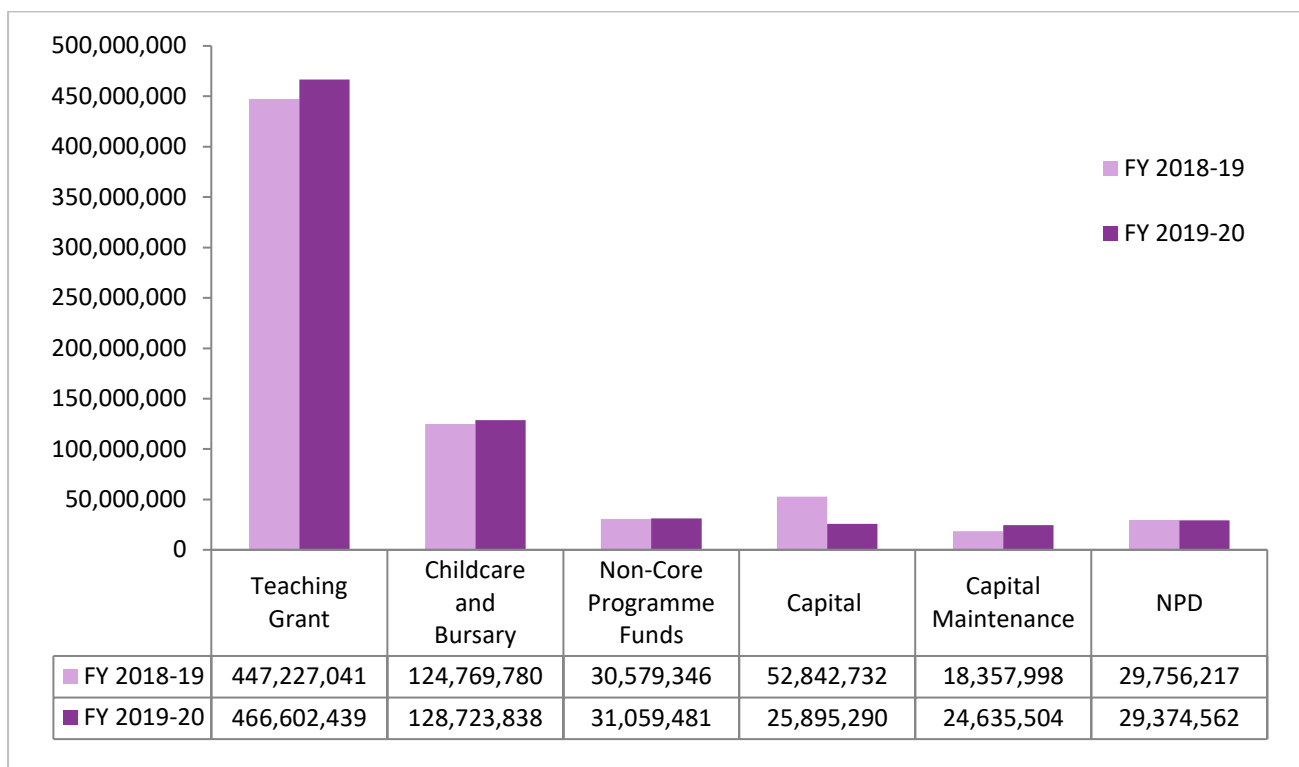
### Performance summary

During FY 2019-20, we awarded £1.2 billion to universities and other bodies (FY 2018-19: £1.2 billion), and £706 million to colleges and other bodies (FY 2018-19: £704 million).

#### Grants paid to HEIs and other bodies



### Grants paid to colleges and other bodies



### How our investment makes a difference

Our investment of about £1.9 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.

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 the outcomes that are achieved from the significant public investment in further and higher education. Drawing on a selection of this information, we summarise below the performance of colleges and universities and their contribution to our Strategic Framework priorities.

### Providing learning opportunities

Colleges and universities have continued to provide a wide-range of learning opportunities for students across Scotland. In Academic Year (AY) 2018-19, colleges delivered 118,242 Full-Time Equivalent (FTE) places, exceeding the Scottish Government’s student activity target by 1,973 places. In the university sector, universities delivered 138,686 FTE places, exceeding the student activity target by 10,038 places.

118,242

FTE places delivered by colleges

138,686

FTE places delivered by universities

## Widening access to learning

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 15.6% in AY 2017-18 to 15.9% in

**15.9%**

first degree entrants from 20% most deprived areas.



AY 2018-19. The result is just 0.1 percentage point off the 2021 target of 16%, which was set following the publication of the 2016 report of the Commission on Widening Access (COWA).

## 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 2,101 in AY 2013-14 to 6,406 in AY 2018-19.

In the university sector, the retention of students in learning remains high: 90.4% of Scottish domiciled entrants to full-time undergraduate courses at HEIs in AY 2018-19 returned to study in year two; although this represents a slight reduction on the result of 91.6% in AY 2017-18.

**6,406**

DYW vocational courses delivered (up from 2,101 in 2013-14)



**90.4%**

of students remained in higher education



## Providing a high-quality learning experience for students

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 from 83% in AY 2017-18 to 84% AY 2018-19 for full-time students and from 83% to 86% for part-time students over the same period.

**84%**

of university students satisfied overall (86% for part-time)



**93%**

of college students satisfied overall



In the college sector, the percentage of students overall satisfied with their college experience increased slightly from 92.1% in AY 2016-17 to 93% in AY 2018-19 for full-time further education (FE) students. There was a slight decrease for full-time higher education (HE) students from 87.4% to 86.8% over the same period.



## 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 enrolled FE students in the college sector successfully achieving a recognised qualification increased from 74.1% in AY 2017-18 to 75.2% in AY 2018-19. For HE students, there was a slight reduction over the same period from 73.8% to 72.3%.

**75.2%**

successful college qualifiers  
(1.1% increase from 2017-18)



**95.5%**

first degree leavers entered  
positive destinations  
(1.1% increase from 2016-17)



In the university sector, the number of UK-domiciled leavers from Scottish HEIs with a first degree progressing into employment or study has remained high over the period AY 2013-14 to AY 2016-17 (the latest year for which data is available) showing an increase from 94.4% to 95.5%.

## 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 19.6% in AY 2014-15 to 21.2% in AY 2018-19.

**21.2%**

HE research funding from  
international sources



The number of international postgraduate students has also increased over the same period from 15,565 in AY 2014-15 to 20,620 in AY 2018-19.

**20,620**

international postgraduate  
students (5,055 increase from 2014-15)



## Increasing their links with business and their contribution to innovation in the economy

**£544M**

University research  
income (up £89m from 2014-15)



**240**

newly registered  
companies from HEIs  
(an increase of 84 from 2014-15)



Colleges and universities are continuing to stimulating 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 £455 million in AY 2014-15 to £544 million in AY 2018-19.

Over the same period, the number of newly registered spin-off and start-up companies from HEIs increased from 156 in AY 2014-15 to 240 in AY 2018-19.

Further information about the performance of the college and university sectors can be found on our website and include the following publications:

- **Progress and Ambitions**: an annual report that summarises the performance of colleges and universities in delivering their Outcome Agreements and which measures progress against a range of national measures.
- **College Performance Indicators**: informs stakeholders about the performance of the sector, and helps colleges benchmark their performance against other similar colleges thereby supporting a wider quality improvement agenda.
- **University Performance Indicators**: an annual set of indicators that provide information on the nature and performance of the higher education sector in the UK. The indicators are calculated and published on behalf of the UK HE funding bodies by the Higher Education Statistics Agency (HESA).
- **College Statistics**: provides an overview of the college sector, including full and part-time provision, analysis of subject areas and links to industry and equality groupings.
- **College staffing data**: provides information on the staffing numbers in Scotland's colleges.
- **Articulation from Scottish Colleges to Scottish Universities**: provides information on students progressing from college to university across articulation pathways.
- **College Leaver Destinations**: provides information on the destinations of successful full-time college leavers in Scotland, including further study and employment for all age groups.
- **Higher Education Students and Qualifiers at Scottish Institutions**: provides information on higher education (HE) provision and attainment in higher education institutions and colleges in Scotland. This includes information on student characteristics, access and equalities, and cross-border flows of students.
- **Students eligible for funding**: a bulletin containing information, at sector level, about the numbers of students eligible for funding at the higher education institutions funded by SFC. Students eligible for funding are those students whose places are supported through SFC's main allocations of funding.
- **SFC Report on Widening Access**: provides information on the performance of colleges and universities in widening access to learning for students from disadvantaged backgrounds.
- **Student Satisfaction and Engagement**: provides information on student satisfaction and engagement of college students in Scotland.

## Financial Position

The SFC's funding grant disbursements and operating costs for the year ended 31 March 2020 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 (FReM).

SFC is funded on a Financial Year (April to March) basis but distributes funds to institutions on an Academic Year (August to July) basis.

Grants paid to colleges and universities and other bodies are detailed on pages 80 and 81.

## Performance against Departmental Expenditure Limits (DEL) in FY 2019-20

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

Budget	Expenditure £'000	Income £'000	Outturn £'000	Allocation £'000	Variance £'000
Resource	1,937,229	237,649	1,699,580	1,710,639	(11,059)
Capital	129,286	7,552	121,734	116,198	5,536
Total Resource (see below)	2,066,515	245,201	<b>1,821,314</b>	1,826,837	(5,523)
Financial Transactions	59,963	-	59,963	55,500	4,463
Financial Transactions - Repayment of principal on investment	-	4,307	(4,307)	-	(4,307)
<b>Total Budget</b>	<b>2,126,478</b>	<b>249,508</b>	<b>1,876,970</b>	<b>1,882,337</b>	<b>(5,367)</b>

## Reconciliation of Statement of Comprehensive Net Expenditure to Resource Outturn

	£'000
Comprehensive net expenditure	1,845,354
Depreciation charge allocated to non-cash costs	(48)
Amortisation charge allocated to non-cash costs	(86)
Scottish Government Grant income credited to taxpayers equity	(1,602)
UK Government Grant income credited to taxpayers equity	(16,760)
Net expenditure attributed to the capital budget	(125)
Pre-2014 college loans which do not score as resource spend	(5,419)
<b>Resource Budget</b>	<b><u>1,821,314</u></b>

## SECTION 1: THE PERFORMANCE REPORT

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We underspent our DEL budget by £5.4 million in FY 2019-20 (FY 2018-19: £4.4 million) due to the underspend from colleges repaying loans entered into before April 2014 which do not score as resource expenditure.

SFC received £55.5 million in Financial Transaction funding to award loans to HEIs. 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 three 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.

The Scottish Government approved total re-profiling of £20.8 million (FY 2018-19 £29.8 million) which equates to 1% (FY 2018-19: 1.6%) of the total Grant-in-Aid budget from the Scottish Government.

### Statement of Financial Position

Our net expenditure for the year was £1,845 million (FY 2018-19: £1,847 million). Grants are disbursed and expenditure incurred in relation to our Strategic Framework priorities.

### Running cost expenditure

Running cost expenditure is a very small proportion of overall expenditure (at around 0.5%). During FY 2019-20, the total running cost expenditure was £8.1 million (FY 2018-19: £7.6 million), comprising staff costs £6.4 million (FY 2018-19: £5.9 million) (note 3), other operating charges £1.6 million (FY 2018-19: £1.6 million) (note 6), depreciation £48,000 (FY 2018-19: £49,000) (note 4), amortisation £86,000 (FY 2018-19: £44,000) (note 5).

### 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 2020 shows net assets of £121 million. Funding for FY 2020-21 has been approved by the Scottish Parliament and there is no reason to believe that future funding and budget approval will not be

## SECTION 1: THE PERFORMANCE REPORT

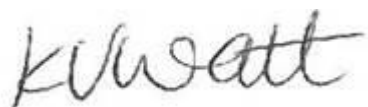
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forthcoming. Accordingly, it has been considered appropriate to prepare these financial statements on a 'going concern' basis.

### **Audit**

The audit of the accounts of SFC has been undertaken by Audit Scotland, appointed by the Auditor General for Scotland. The audit fee from 1 April 2019 to 31 March 2020 was £73,960 (FY 2018-19: £72,980).

No non-audit services were supplied during the year.



**Karen Watt**

Accountable Officer

Date: 20 August 2020





# **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.

In FY 2019-20, membership of the SFC Board was as follows:

<b>Chair</b>	Dr Mike Cantlay
<b>Chief Executive</b>	Karen Watt
<b>Members</b>	David Alexander Sheila Duncan (term of office commenced on 4/11/19) Mhairi Harrington Lorna Jack (term of office commenced on 4/11/19) Professor Ewart Keep (term of office commenced on 4/11/19) Andy Kerr (term of office commenced on 4/11/19) Professor Maggie Kinloch (term of office ended on 3/10/19) Dr Paul Little Professor Peter Mathieson (term of office commenced on 4/11/19) Professor Irene McAra-McWilliam (term of office commenced on 4/11/19) Douglas Mundie (Deputy Chair) Professor Sir Anton Muscatelli (term of office ended on 3/10/19) Dr Keith Nicholson (term of office ended on 3/10/19) Dr Veena O'Halloran Caroline Stuart Professor John Wallace (term of office commenced on 4/11/19) Marlene Wood (Deputy Chair. Term of office ended on 3/10/19) 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).

## SECTION 2: THE ACCOUNTABILITY REPORT

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During the course of FY 2019-20, the Board also agreed that a union-nominated member of staff should join the Board as an observer.  
More information about the SFC Board members and their interests can be found on our website at [Council Board membership](#).

### **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 2020 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 2020 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

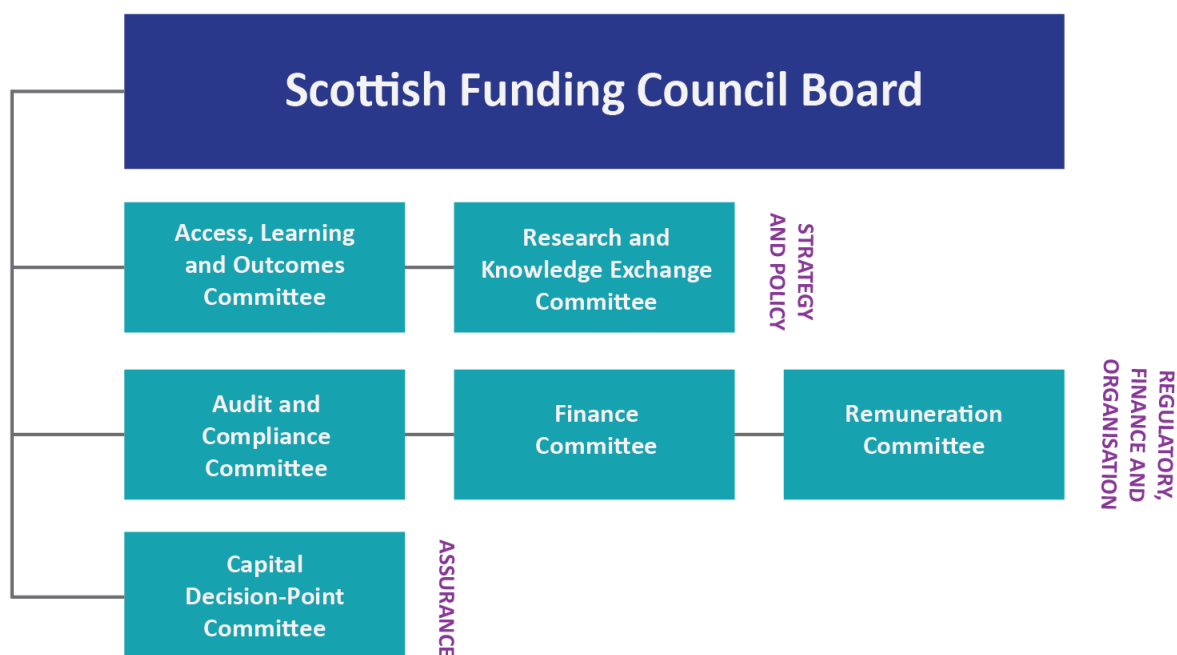
### Introduction

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 2019-20 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 2019-20.



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 review for FY 2019-20 was postponed because of the COVID-19 emergency and will now take place in FY 2020-21.

### Standing Committees

During FY 2019-20, seven standing committees provided the SFC Board with advice or undertook functions on behalf of the Board. Three of the committees have responsibility mainly for policy and strategy in relation to Outcome Agreements with colleges and universities:

- Access and Inclusion Committee.
- Learning and Skills Committee.
- 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 seventh committee provides the Board with assurance on capital funding issues:

- Capital Decision-Point Committee.

## SECTION 2: THE ACCOUNTABILITY REPORT

At its meeting in December 2019, the SFC Board agreed to reduce the number of standing committees from seven to six by merging the Access and Inclusion Committee and the Learning and Skills Committee to create a new Access, Learning and Outcomes Committee. The purpose of the merger was to create a committee that would be able to take a coherent view of the system of learning as a whole from access to learning, progression through learning, and progression into employment or further study.

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

<b>Access, learning and Outcomes Committee</b>	The new Access, Learning and Outcomes 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.

## SECTION 2: THE ACCOUNTABILITY REPORT

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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 2019-20 is shown in the table on page 31.

## SECTION 2: THE ACCOUNTABILITY REPORT

### SFC Board members' attendance at meetings

Council members attending Council and Committee meetings (c = Chairperson)	Council	Access and Inclusion	Audit and Compliance	Capital Decision Point	Finance	Remuneration	Research and Knowledge Exchange	Learning and skills
	<i>6 meetings</i>	<i>1 meeting</i>	<i>4 meetings</i>	<i>4 meetings</i>	<i>6 meetings</i>	<i>4 meetings</i>	<i>5 meetings</i>	<i>2 meetings</i>
Dr Mike Cantlay (Chair)	6 (c)							
Karen Watt (Chief Executive)	6							
David Alexander	6		4 (c)					
Mhairi Harrington	6			2/2	3/3		5	
Professor Maggie Kinloch	2/3	1 (c)						
Dr Paul Little	5/6		0/2					2 (c)
Professor Sir Anton Muscatelli	1/3				1/3		0/1	
Douglas Mundie (Deputy Chair)	6			4 (c)	6/6 (3c)	4 (c)	5	
Dr Keith Nicholson	1/3		0/2					
Dr Veena O'Halloran	6	0				3/4		
Caroline Stuart	5/6		4				0/1	
Marlene Wood (Deputy Chair)	3/3			2/2	3/3 (3c)	1/1		
Professor Lesley Yellowlees	6						5 (c)	
Sheila Duncan	1/3					0/1		
Lorna Jack	3/3				3/3			
Professor Ewart Keep	2/3				2/2			
Andy Kerr	3/3		1/1					
Professor Peter Mathieson	1/3							
Professor Irene McAra-McWilliam	3/3						1/1	
Professor John Wallace	2/3			2/2	2/2	1/1		

The table above 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.
- 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 also monitors risks regularly and reviews 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.

### **Developing our approach to risk management**

During the course of FY 2019-20, we developed our approach to risk management by establishing a Risk Assurance Framework. The framework identifies and assesses the assurance in place for managing major risks to the organisation. In particular, the Risk Assurance Framework is intended to strengthen our internal control framework and support our internal audit function.

### **Information governance and security**

The Chief Operating Officer is the Senior Information Risk Owner (SIRO) for SFC. Day-to-day management of information risks is the responsibility of the Assistant Director, Strategy. All information assets have been identified and are recorded in the SFC's Data Asset Register.

We are Cyber Essentials Plus accredited and continue to adopt a multi-layered, multi-vendor approach for our Cyber Resilience.

There have been no breaches of data security during FY 2019-20.

### **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 seven reviews in FY 2019-20, 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.

SFC’s contract with the accountancy firm Scott-Moncrieff expired on 31 March 2020 and SFC entered into an agreement with the in-house audit team at Scottish Enterprise for the provision of internal audit services with effect from 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 2019-20, the following significant issues were brought to my attention.

Significant issue	Action
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 urgent steps to support colleges and universities and will continue to work with the sectors, Scottish Government and other partners to mitigate the 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 are gathering information on the impact of the COVID-19 pandemic on college and university finances and the actions that are being taken to address the financial risks. We are working closely with the sectors, Scottish Government and others to provide support.
Achievement of Scottish Government targets for student numbers in the college sector.	Meeting the Scottish Government student number targets is challenging. However, we continually monitor the targets closely, identifying potential risks, and take action at an early stage to reallocate activity across Scotland so that the sector overall meets the national target.
Brexit	We will continue to monitor developments during the transition phase and the potential implications for further and higher education, and provide guidance and support to colleges and universities.

City of Glasgow College	<p>In FY 2019-20, Audit Scotland issued one Section 22 report under the Public Finance and Accountability (Scotland) Act 2000. The purpose of the report was to draw the Scottish Parliament's attention to an alleged fraud perpetrated against the City of Glasgow College. The report outlined the nature of the alleged fraud and the action which took place following its discovery.</p> <p>An internal audit into IT and finance functions has been undertaken by the College and recommendations have been implemented and reported to the Glasgow Colleges' Regional Board (GCRB) including its Audit Committee in line with governance arrangements. In addition, GCRB Audit Committee has been provided with a chronology of events and an initial lessons-learned document.</p>
University of Aberdeen	<p>We wrote to the University of Aberdeen on 18 February 2020 to confirm that the institution had not fully considered or met the requirements of our Financial Memorandum in relation to the severance payments made to the former Principal upon his retirement. We published a detailed report on the subject at the same time with recommendations for improving governance.</p>

### 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, contracted to Scott-Moncrieff for the year to 31 March 2020, 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 2020, 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.

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 2020 and up to the date of approval of the Annual Report and Accounts.

## 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 2019-20 is detailed on page 38.

### Chief Executive

The Chief Executive is an ordinary member of the Principal Civil Service Pension Scheme (PCSPS). 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 2019 to 31 March 2020

Member	Appointment start date	Appointment end date	Remuneration year ended 31 March 2020 £'000	Remuneration year ended 31 March 2019 £'000
Dr Mike Cantlay (Chair)	3 October 2017	2 April 2021	45-50	45-50
Karen Watt (Chief Executive)	14 January 2019		See page 39	-
David Alexander	3 October 2017	2 October 2021	10-15	10-15
Sheila Duncan*	4 November 2019	3 November 2023	5-10	-
Mhairi Harrington	3 October 2017	2 October 2021	10-15	10-15
Lorna Jack*	4 November 2019	3 November 2023	5-10	-
Professor Maggie Kinloch*	16 March 2012	3 October 2019	5-10	10-15
Professor Ewart Keep*	4 November 2019	3 November 2023	5-10	-
Andy Kerr*	4 November 2019	3 November 2023	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	-
Professor Irene McAra-McWilliam*	4 November 2019	3 November 2023	5-10	-
Douglas Mundie (Deputy Chair)	1 September 2014	2 October 2021	10-15	10-15
Professor Sir Anton Muscatelli*	16 March 2012	3 October 2019	5-10	10-15
Dr Keith Nicholson*	16 March 2012	3 October 2019	5-10	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	5-10	-
Marlene Wood* (Deputy Chair)	16 March 2012	3 October 2019	5-10	10-15
Professor Lesley Yellowlees	3 October 2017	2 October 2021	10-15	10-15

The Chair receives a remuneration of £477 per day for a time commitment of two days per week. All other Board members are entitled to receive a fee of £343 per day (2018-19: £337), up to a maximum total fee of £12,338 (2018-19: £12,122) 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 31.

As at 31 March 2020 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)	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Karen Watt (appointed Chief Executive on 14 January 2019, FYE £120k-125k)	120-125	25-30	196,000	52,000	315-320	75-80
Martin Fairbairn (Chief Operating Officer, Protected salary ended 30 September 2018, FYE £100k-105k)	100-105	105-110	36,000	12,000	135-140	115-120
Stuart Fancey (Director of Research and Innovation)	95-100	90-95	55,000	53,000	150-155	140-145
Lorna MacDonald (Director of Finance)	100-105	100-105	41,000	40,000	140-145	140-145
John Kemp <sup>2</sup>	45-50	115-120	45,000	16,000	90-95	135-140
Michael Cross (Interim Director until 2 July 2019, FYE £85-90k)	20-25	85-90	-	14,000	20-25	100-105

There were no bonus payments or benefits in kind payments made in either FY 2019-20 or FY 2018-19.

**\*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 2019-20 was £120,000-125,000 (FY 2018-19: £120,000-125,000). This was 3.1 times (FY 2018-19: 3.1) the median remuneration of the workforce, which was £39,836 (FY 2018-19: £39,372).

In FY 2019-20, nil (FY 2018-19: nil) employees received remuneration in excess of the highest paid director. Remuneration ranged from £17,385 to £122,862 (FY 2018-19: £16,900 to £124,857). 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 Access, Skills and Outcome Agreements; on secondment to the University of Highlands & Islands from 16 September 2019. Interim Director of Policy and Strategic Development on 14 January 2019, FYE £100k-105k; Interim Chief Executive until 13 January 2019, FYE £120k-125k).

## SECTION 2: THE ACCOUNTABILITY REPORT

### \*Pension entitlements of the most senior members of the executive

The pension entitlements of the most senior members of the executive were as follows:

	Accrued pension at pension age as at 31/03/20	Real increase in pension and related sum at pension age	CETV at 31/03/20	CETV at 31/03/19	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Karen Watt Chief Executive	50-55 plus a lump sum of 140-145	7.5-10 plus a lump sum of 17.5-20	1,119	903	169
Martin Fairbairn Chief Operating Officer	35-40 plus a lump sum of 110-115	0-2.5	851	790	21
Stuart Fancey Director of Research and Innovation	30-35	2.5-5	526	463	36
Lorna MacDonald Director of Finance	10-15	0-2.5	141	106	23
John Kemp	45-50	2.5-5	919	843	34
Michael Cross (Interim Director until 2 July 2019)	45-50 plus a lump sum of 135-140	0-2.5	1,079	1,072	-

### 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. 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 1/80<sup>th</sup> 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 1/60<sup>th</sup> 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 a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from the appointed provider - Legal & General. 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.

### Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is 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 PCSPS as at 31 March 2016. You can find details in the resource account of the [Cabinet Office: Civil Superannuation](#).

For 2019-20, employers' contributions of £1,234,633 were payable to the PCSPS (FY 2018-19: £955,279) at one of four rates in the range 20.0% to 24.5% 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 2019-20 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

### Staff report

\*Staff numbers (excluding Chief Executive)

	Year ended 31 March 2020			2019
	Directly employed staff	Seconded and agency staff	Total	Total
<b>Average number of FTE employees</b>	102	1	103	102



\*SFC Board members' remuneration (including Chair and Chief Executive)

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Salary and allowances	319	308
Social security costs	28	27
Other pension costs	37	30
<b>Total</b>	<b>384</b>	<b>365</b>

The SFC employed 68 females and 43 males as at 31 March 2020. The Chief Executive is a female employee, and there are one female and two male Directors. An analysis of staff costs is given in note 3 to the financial statements.

### 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 2019-20: the 12-month rolling absence figure for the SFC was 2.9% as at 31 March 2020 (as at 31 March 2019: 4.3%). The absence rate for public sector organisations in the same period was 3.5% (CIPD 2020 Health and wellbeing at work report).

### 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.

### **Disclosure of exit packages**

SFC had no exit packages during the year 2019-20.

### **Trade union facility time**

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017 we provided the following support through paid facility time for union officials working at SFC in the period 1 April 2019 to 31 March 2020. During 2019-20 there were 8 employees (full time equivalent of 7.6) who were union officials (FY 2018-19: 8 employees (full time equivalent of 7.7)). These 8 employees spent between 1-50 per cent of their working hours on facility time (FY 2018-19: 8 employees, 1-50 per cent of their time). The total cost of this facility time was £15,868 (FY 2018-19: £15,507), which represents 0.3% (FY 2018-19: 0.3%) of the total staff costs of £6.435 million (FY 2018-19: £5.883 million). 95% (FY 2018-19: 100%) 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 2019-20 (FY 2018-19: £nil). No gifts were made during financial year 2019-20 (FY 2018-19: £nil).

### Fees and charges

SFC applied no fees or charges during financial year 2019-20 (FY 2018-19: nil).

### Remote contingent liabilities

SFC has no remote contingent liabilities.



**Karen Watt**

Accountable Officer

Date: 20 August 2020





**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

## Report 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 2020 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 accounts, 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 2019-20 Government Financial Reporting Manual (the 2019-20 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 2020 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 2019-20 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 three 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 nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- The use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Risks of material misstatement**

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions 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.



The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the [Financial Reporting Council's website](#). This description forms part of my auditor's report.

### **Other information in the annual report and accounts**

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my independent auditor's report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Report 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. 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.

### Report on other requirements

#### Opinions on matters prescribed by the Auditor General for Scotland

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.

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.

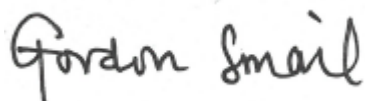
I have nothing to report in respect of these matters.

#### 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**  
Audit Director

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

Date: 20 August 2020



# **SECTION 4: THE FINANCIAL STATEMENTS**

## The financial statements

### Statement of Comprehensive Net Expenditure for the year ended 31 March 2020

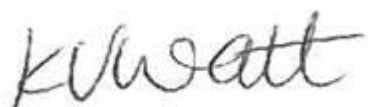
	Notes	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
<b>Expenditure</b>			
Grants paid to HEIs and other bodies	2	1,160,307	1,164,026
Grants paid to colleges and other bodies	2	706,291	703,533
Staff costs	3	6,435	5,887
Depreciation	4	48	49
Amortisation	5	86	44
Other operating charges	6	1,931	1,773
		<b>1,875,098</b>	<b>1,875,312</b>
<b>Income</b>			
European Social Fund income	8	(8,397)	(8,941)
Income from HEIs and colleges	9	(5,722)	(6,740)
Other grants	10	(15,528)	(13,032)
Other income	11	(97)	(10)
		<b>(29,744)</b>	<b>(28,723)</b>
<b>Net expenditure</b>		<b>1,845,354</b>	<b>1,846,589</b>
<b>Comprehensive net expenditure</b>	SoCTE	<b>1,845,354</b>	<b>1,846,589</b>

There are no recognised gains and losses other than those recorded above.  
The notes on pages 58 to 78 form part of these accounts.

## Statement of Financial Position as at 31 March 2020

	Notes	31 March 2020 £'000	31 March 2019 £'000
<b>Non-current assets</b>			
Property, plant and equipment	4	58	107
Intangible assets	5	76	36
Loans	12	106,581	53,618
Total non-current assets		<b>106,715</b>	<b>53,761</b>
<b>Current assets</b>			
Loans	12	7,853	4,882
Trade and other receivables	13	3,201	3,505
Cash and cash equivalents	14	4,983	6,609
Total current assets		<b>16,037</b>	<b>14,996</b>
<b>Total assets</b>		<b>122,752</b>	<b>68,757</b>
<b>Current liabilities</b>			
Trade and other payables	15	36	57
Other liabilities	15	1,403	3,250
<b>Total current liabilities</b>		<b>1,439</b>	<b>3,307</b>
<b>Assets less liabilities</b>		<b>121,313</b>	<b>65,450</b>
<b>Taxpayers' equity</b>		<b>121,313</b>	<b>65,450</b>

The financial statements on pages 54 to 57 were approved by the SFC on 20 August 2020 and signed on its behalf by:



**Karen Watt**

Accountable Officer

Date: 20 August 2020

The Accountable Officer authorised these Financial Statements for issue on 20 August 2020. The notes on pages 58 to 78 form part of these accounts.



## Statement of Cash Flows for the year ended 31 March 2020

	Notes	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
<b>Cash flows from operating activities</b>			
Net operating costs		(1,845,354)	(1,846,589)
Adjustments for non-cash transactions			
Depreciation and amortisation charges	4&5	135	92
Loss on disposal of fixed assets	6	-	3
Increase in long term debtors	12	(52,962)	(35,118)
Movements in working capital			
Increase in trade and other receivables	13	(2,668)	(4,525)
(Decrease)/increase in trade and other payables	15	(1,868)	224
<b>Net cash outflow from operating activities</b>		<b>(1,902,717)</b>	<b>(1,885,913)</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	5	(125)	(35)
<b>Net cash outflow from investing activities</b>		<b>(125)</b>	<b>(35)</b>
<b>Cash flows from financing activities</b>			
Grant-in-aid	7	1,883,276	1,870,187
Other Scottish Government grants	7	1,180	1,180
Other Government grants	7	16,760	16,760
<b>Net cash inflow from financing activities</b>		<b>1,901,216</b>	<b>1,888,127</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,626)</b>	<b>2,179</b>
<b>Cash and cash equivalents at 1 April 2019</b>	14	<b>6,609</b>	<b>4,430</b>
<b>Cash and cash equivalents at 31 March 2020</b>	14	<b>4,983</b>	<b>6,609</b>
<b>Net (decrease)/increase in cash</b>		<b>(1,626)</b>	<b>2,179</b>

The notes on pages 58 to 78 form part of these accounts.

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2020

	Note	Year ended 31 March 2020 £'000
<b>Changes in Taxpayers' Equity 2019-20</b>		
Balance as at 1 April 2019		65,450
Scottish Government grant-in-aid funding	7	1,883,277
Other Scottish Government grants	7	1,180
Other Government grants	7	16,760
Comprehensive net expenditure for the year		(1,845,354)
<b>Balance at 31 March 2020</b>		<b>121,313</b>
<b>Changes in Taxpayers' Equity 2018-19</b>		
Balance as at 1 April 2018		23,912
Scottish Government grant-in-aid funding	7	1,870,187
Other Scottish Government grants	7	1,180
Other Government grants	7	16,760
Net expenditure		(1,846,589)
<b>Balance at 31 March 2019</b>		<b>65,450</b>

The Taxpayers' Equity balance includes £114,434,000 (2018-19: £58,500,000) in respect of loans advanced to institutions (note 12).

The notes on pages 58 to 78 form part of these accounts

## Notes to the Accounts for the year ended 31 March 2020

### 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 2019-20: minimum reporting requirements and no performance analysis has been provided for 2019-20. 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 no significant FReM changes in 2019-20

#### 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

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

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.

### 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:

Furniture and fittings	5 years
Information technology and other equipment	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.

## SECTION 4: THE FINANCIAL STATEMENTS

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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 12.

### 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 2020 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 2021.

## 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 2019. Grants to institutions for the period up to 31 March 2020 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

<b>Grants paid to HEIs and other bodies</b>	<b>Year ended 31 March 2020</b>	<b>Year ended 31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
Recurrent grants	1,106,047	1,099,496
Capital grants	54,260	64,530
	<b><u>1,160,307</u></b>	<b><u>1,164,026</u></b>

<b>Grants paid to colleges and other bodies</b>	<b>Year ended 31 March 2020</b>	<b>Year ended 31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
Recurrent grants	522,297	525,920
Bursary and student support payments	128,724	124,770
Capital and major works	55,270	52,843
	<b><u>706,291</u></b>	<b><u>703,533</u></b>

### 3. Staff costs (excluding Chief Executive)

#### a) Salaries and related costs

	Year ended 31 March 2020			2019
	Directly employed staff	Seconded and agency staff	Total	Total
	£'000	£'000	£'000	£'000
<b>Cost of employing staff:</b>				
Wages and salaries	4,692	65	4,757	4,532
Social security costs	464	7	471	454
Other pension costs	1,183	14	1,197	892
Apprenticeship levy	10	-	10	9
	<b>6,349</b>	<b>86</b>	<b>6,435</b>	<b>5,887</b>

Staff numbers are analysed in the Remuneration and staff report on page 43.

#### b) 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 2020, £937 (as at 31 March 2019: £10,785) was outstanding and this related to 3 members of staff. This amount is included in the other debtors figure in note 13.

## 4. Property, plant and equipment

	Furniture and fittings £'000	ICT £'000	Other equipment £'000	Total £'000
<b>Historic cost</b>				
At 1 April 2019	144	310	27	481
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 March 2020	144	310	27	481
<b>Depreciation</b>				
At 1 April 2019	58	291	27	376
Provided during the year	29	19	-	48
Disposals	-	-	-	-
At 31 March 2020	87	310	27	424
<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
<b>Historic cost</b>				
At 1 April 2018	144	446	61	651
Additions	-	-	-	-
Disposals	-	136	34	170
At 31 March 2019	144	310	27	481
<b>Depreciation</b>				
At 1 April 2018	29	406	61	496
Provided during the year	29	20	-	49
Disposals	-	136	34	170
At 31 March 2019	58	291	27	376
<b>Net Book Value</b>				
At 31 March 2019	86	19	-	105
At 1 April 2018	115	40	-	155

## 5. Intangible assets

Intangible assets comprise IT software and software licences.

	IT £'000	Software licences £'000	Total £'000
<b>Cost</b>			
At 1 April 2019	1,074	120	1,194
Additions	125	-	125
Disposals	-	-	-
At 31 March 2020	1,199	120	1,319
<b>Amortisation</b>			
At 1 April 2019	1,038	120	1,158
Provided during the year	86	-	86
Disposals	-	-	-
At 31 March 2020	1,124	120	1,244
<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
<b>Cost</b>			
At 1 April 2018	1,115	149	1,264
Reclassified in year	29	-29	-
Additions	35	-	35
Disposals	105	-	105
At 31 March 2019	1,074	120	1,194
<b>Amortisation</b>			
At 1 April 2018	1,067	149	1,216
Reclassified in year	29	-29	-
Provided during the year	44	-	44
Disposals	102	-	102
At 31 March 2019	1,038	120	1,158
<b>Net Book Value</b>			
At 31 March 2019	36	-	36
At 1 April 2018	48	-	48

## 6. Other operating charges

	Year ended 31 March 2020			2019
	Running	Sectoral	Total	Total
	cost	expenditure		
	£'000	£'000	£'000	£'000
Operating leases – property rental	259	-	259	259
Accommodation costs	271	-	271	203
Council members' remuneration	384	-	384	365
Other support costs	446	-	446	502
Professional services	-	257	257	115
Refurbishment	-	-	-	9
Staff recruitment and training	62	--	62	73
Legal costs	18		18	17
Travel and subsistence				
– Council members	12	-	12	3
– Staff	72	-	72	90
External Audit fee	30	44	74	73
Equipment and consumables	37	-	37	27
Hospitality costs				
– Council members	2	-	2	4
– Staff	4	-	4	6
Publication costs	25	-	25	16
Conference costs	5	-	5	-
Committee costs	2	-	2	8
Loss on disposal of assets	-	-	-	3
	<b>1,630</b>	<b>301</b>	<b>1,931</b>	<b>1,773</b>

Sectoral expenditure has been used to meet operating charges where the benefit is to institutions within the Scottish further and higher education sectors. £301,000 (FY 2018-19: £115,000) 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.



**7. Government grant-in-aid received**

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
a) Funds from Scottish Government for:		
HEI and other bodies	1,059,012	1,088,015
Financial transactions	55,935	40,000
Colleges and other bodies	644,632	618,179
Capital	116,197	116,456
Council running costs	7,500	7,537
	<b><u>1,883,276</u></b>	<b><u>1,870,187</u></b>
b) Other Scottish Government Grants Sabhal Mòr Ostaig	<b><u>1,180</u></b>	<b><u>1,180</u></b>
c) Other Government Grants Funds from Department for Business, Energy and Industrial Strategy (DBEIS) for Research Capital	<b><u>16,760</u></b>	<b><u>16,760</u></b>

**8. Income from European Social Fund (ESF)**

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
ESF income received – colleges programme	8,029	7,692
ESF income received – HEIs programme	238	1,157
	<b><u>8,267</u></b>	<b><u>8,849</u></b>
ESF income received – SFC running costs	130	92
	<b><u>8,397</u></b>	<b><u>8,941</u></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.

## 9. Income from higher education institutions and colleges

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Clawback from colleges	4,043	6,078
Clawback from higher education institutions	<u>1,679</u>	<u>662</u>
	<u><b>5,722</b></u>	<u><b>6,740</b></u>

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.

**10. Other grants**

	<b>Year ended 31 March 2020 £'000</b>	Year ended 31 March 2019 £'000
Department for Business, Energy and Industrial Strategy (DBEIS)	11,826	10,279
Other grant income	<u>3,702</u>	<u>2,753</u>
	<b><u>15,528</u></b>	<b><u>13,032</u></b>

**11. Other income**

	<b>Year ended 31 March 2020 £'000</b>	Year ended 31 March 2019 £'000
Finance income	97	-
Miscellaneous income	<u>-</u>	<u>10</u>
	<b><u>97</u></b>	<b><u>10</u></b>

## 12. Loans

	<b>31 March 2020 £'000</b>	31 March 2019 £'000
<b>(a) Balances due within one year:</b>		
West Lothian College	158	158
University of Aberdeen	286	-
University of Abertay	287	102
University of Dundee	42	42
University of Edinburgh	1,655	1,407
Edinburgh Napier University	21	464
University of Glasgow	1,000	-
Heriot-Watt University	525	497
Queen Margaret University, Edinburgh	19	17
The Robert Gordon University	345	108
University of St Andrews	710	710
University of Stirling	54	54
University of Strathclyde	1,567	250
SRUC	617	520
University of the Highlands & Islands	491	492
University of the West of Scotland	76	61
	<b>7,853</b>	<b>4,882</b>
<b>(b) Balances due after one year:</b>		
West Lothian College	2,211	2,369
University of Aberdeen	3,714	-
University of Abertay	10,974	973
University of Dundee	200	242
University of Edinburgh	11,258	12,912
Edinburgh Napier University	41	62
University of Glasgow	9,000	-
Heriot-Watt University	4,427	3,475
Queen Margaret University, Edinburgh	74	89
The Robert Gordon University	4,001	736
University of St Andrews	6,571	6,571
University of Stirling	5,322	264
University of Strathclyde	33,564	11,679
SRUC	5,998	4,680
University of the Highlands & Islands	8,847	9,339
University of the West of Scotland	379	227
	<b>106,581</b>	<b>53,618</b>
<b>Total</b>	<b>114,434</b>	<b>58,500</b>

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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.

### 13. Trade and other receivables

	<b>31 March 2020 £'000</b>	31 March 2019 £'000
Prepayments and accrued income	3,150	662
Institutions clawback	-	2,603
Other HEI balances	10	112
Other college balances	7	-
Other debtors	35	128
	<hr/> <b>3,202</b>	<hr/> 3,505
Balances due within one year (from note 12a)	7,853	4,882
Total balances due within one year	<hr/> <b>11,055</b> <hr/>	<hr/> 8,387 <hr/>

### 14. Cash and cash equivalents

	<b>31 March 2020 £'000</b>	31 March 2019 £'000
Funds held at Government Banking Service accounts	4,969	6,598
Funds held at commercial banks	13	11
	<hr/> <b>4,982</b> <hr/>	<hr/> 6,609 <hr/>

## 15. Trade and other payables

	<b>31 March 2020 £'000</b>	31 March 2019 £'000
Trade payables	36	57
Other HEI balances	-	215
Other liabilities	1,403	3,035
Total other liabilities	<u>1,403</u>	<u>3,250</u>
Total current liabilities	<u><b>1,439</b></u>	<u><b>3,307</b></u>

## 16. 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.

<b>Grants committed to be paid to HEIs and other bodies</b>	<b>31 March 2020 £'000</b>	31 March 2019 £'000
Grant for distribution		
Recurrent grant	307,884	433,671
Capital grants	143,801	-
	<u><b>451,685</b></u>	<u><b>433,671</b></u>

<b>Grants committed to be paid to colleges and other bodies</b>	<b>31 March 2020 £'000</b>	31 March 2019 £'000
Grant for distribution		
Recurrent grant	204,828	195,743
Student support payments	43,158	41,799
Capital grants	11,900	15,625
Unitary charge	9,906	9,794
	<u><b>269,792</b></u>	<u><b>262,961</b></u>

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.

## 17. 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:

	<b>31 March 2020 £'000</b>	31 March 2019 £'000
<b>Equipment</b>		
Not later than one year	4	7
Later than one year and not later than five years	-	4
	<u><b>4</b></u>	<u>11</u>
 <b>Buildings</b>		
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	1,574	1,833
	<u><b>2,868</b></u>	<u>3,127</u>

The 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.

### 18. 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 12, 13 and 15.

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.
- Lorna Jack was a member of the Court of the University of Aberdeen until October 2019.
- Professor Maggie Kinloch was previously Vice-Principal of the Royal Conservatoire of Scotland.
- Dr Paul Little is Principal and Chief Executive of the City of Glasgow College.
- Douglas Mundie undertakes occasional consultancy work with universities and colleges. A company of which he is a Director worked with the University of St Andrews in the year 2018-19.
- Professor Sir Anton Muscatelli is Principal and Vice-Chancellor of the University of Glasgow.
- 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.

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- Marlene Wood was previously Independent Chair of the Audit Committee and the Strategy Working Group of the University of the Highlands and Islands.
- 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.
- Andy Kerr is Chair of South Lanarkshire College and on the Board of New College Lanarkshire
- Professor Peter Mathieson is Principal and Vice-Chancellor of the University of Edinburgh
- Professor Irene McAra-McWilliam is Director of the Glasgow School of Art

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.

## 19. 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>2019-20</b>				
Balances with other Central Government bodies	3,087	2,211	22	-
Balances with bodies external to Government	7,968	104,370	1,417	-
<b>At 31 March 2020</b>	<b>11,055</b>	<b>106,581</b>	<b>1,439</b>	<b>-</b>
<b>2018-19</b>				
Balances with other Central Government bodies	342	2,369	2,155	-
Balances with bodies external to Government	8,045	51,249	1,152	-
<b>At 31 March 2019</b>	<b>8,387</b>	<b>53,618</b>	<b>3,307</b>	<b>-</b>

### 20. 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 12. 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.

The SFC has no financial guarantees. Previously, we provided a guarantee for an amount up to £8,900,000 to underwrite the loan support liability for New College Lanarkshire to Lloyds Banking Group. This loan was fully repaid during 2019-20 (as at 31 March 2019: £970,000). The SFC received agreement from the Scottish Government to issue the guarantee.

### **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

Dated: 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	Total year ended 31.3.20 £'000	Total year ended 31.3.19 £'000
Forth Valley	46,801	59,626
West Lothian	16,624	15,199
Dumfries and Galloway	16,399	13,292
Borders	13,241	11,089
Edinburgh	60,642	61,507
Highlands and Islands	61,591	61,456
Ayrshire	50,645	56,592
West College Scotland	60,837	55,792
Glasgow Colleges' Regional Board	147,363	143,864
Fife	49,098	50,215
New College Lanarkshire Regional Board	73,216	68,352
Dundee and Angus	40,143	38,896
North East College Scotland	44,589	44,382
SRUC	12,200	12,042
Newbattle	1,800	1,083
Sabhal Mòr Ostaig	2,448	2,000
<b>Total grant distributed to colleges</b>	<b>697,639</b>	695,387
<b>Total grant distributed to other organisations</b>	<b>8,652</b>	8,146
<b>Total grant distributed</b>	<b>706,291</b>	703,533

## Grants paid to HEIs and other bodies

University or college	Total year ended 31.3.20 £'000	Total year ended 31.3.19 £'000
Aberdeen	76,196	76,931
Abertay Dundee	20,210	20,329
Dundee	81,320	82,044
Edinburgh	187,751	186,982
Glasgow	162,829	161,379
Glasgow Caledonian	69,562	69,393
Glasgow School of Art	13,234	17,118
Heriot-Watt	48,311	49,830
Edinburgh Napier	59,280	57,506
Open University in Scotland	24,045	24,548
Queen Margaret Edinburgh	15,811	15,432
Robert Gordon	44,932	44,940
Royal Conservatoire of Scotland	12,144	11,975
St Andrews	39,574	39,519
Stirling	46,688	46,857
Strathclyde	103,486	105,031
Highlands and Islands	51,471	48,828
West of Scotland	70,763	69,883
SRUC	16,593	18,984
Borders College <sup>3</sup>	50	-
Dumfries and Galloway College <sup>3</sup>	24	24
Dundee and Angus College <sup>3</sup>	100	-
Edinburgh College <sup>3</sup>	55	-
Fife College <sup>3</sup>	5	-
Forth Valley College <sup>3</sup>	65	-
Glasgow Colleges' Regional Board <sup>3</sup>	95	20
New College Lanarkshire <sup>3</sup>	-	5
West College Scotland <sup>3</sup>	130	-
<b>Total grant distributed to institutions</b>	<b>1,144,724</b>	<b>1,147,558</b>
<b>Total grant distributed to other organisations</b>	<b>15,583</b>	<b>16,467</b>
<b>Total grant distributed</b>	<b>1,160,307</b>	<b>1,164,026</b>

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<sup>3</sup> College Innovation Fund