



ANNUAL REPORT AND ACCOUNTS 2021-22



Scottish Funding Council
Comhairle Maoinachaidh na h-Alba

COVER PHOTOS:

UNIVERSITY OF ST. ANDREWS

CITY OF GLASGOW COLLEGE

ROBERT GORDON UNIVERSITY

FIFE COLLEGE

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SECTION 1:
THE PERFORMANCE
REPORT



FOREWORD

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

Colleges and universities play a central part in Scotland's social, economic and environmental wellbeing and prosperity. This year, we have worked with a wide range of partners, through a time of great uncertainty, to invest in funded places and support for students to complete their studies; in widening access to tertiary education; in ground-breaking fundamental research and its translation into innovation; in programmes that respond to the skills needs of employers; and in supporting the sector to respond to the effects of the global pandemic.

The year started as Scotland emerged from a second lockdown caused by the COVID-19 pandemic. As we reported in the foreword to last year's publication, 2020-21 was characterised by the pressures of the unknown and the need to respond to new challenges. Its legacy was keenly felt as we focused on addressing the social and economic impact of year two of the pandemic.

Alongside the continuing effects of COVID-19 we were conscious of the need for business as usual, including some 'carry-overs' from the previous year such as REF 2021, the periodic assessment of UK university research which had been put on hold. The subsequent revision of its timetable meant a remarkably busy 2021-22 for everyone involved, both in universities and at SFC where we also conducted consultations on two of our main research grants.

In terms of funding, we responded to the impact of the pandemic, to support deferred students in colleges. Academic years (AYs) 2019-20 and 2020-21 saw many students unable to complete courses due to restricted access to on-campus learning, particularly for those on practical courses. In response; SFC

prioritised funding to support these students, SFC allocating £10 million in AY year 2021-22 to support deferred college students to complete their studies.

Recognising the wider impacts of COVID-19, we continued to give extra funding for student mental health and wellbeing. Following earlier investments, including funding for extra counsellors in colleges and universities, we provided another £4.4 million for colleges to further develop their mental health and wellbeing services. And, in recognition of the financial pressures facing students, we also provided an extra £6 million of student support funding to allow colleges to distribute additional discretionary funds.

In his 2022 annual report, Scotland's Commissioner for Fair Access judged progress on widening access so far to be 'an unambiguous success'. He pointed out that the interim target - by 2021 16% of new entrants to full-time first-degree courses should come from the 20 percent most deprived communities in Scotland - was achieved ahead of its deadline. We are proud of our role in this success and ambitious for the future.

Early in the pandemic there was understandable concern about the financial health of institutions. Our report on the financial sustainability of colleges and universities published in March 2022 found both sectors had managed the impact of the pandemic better than expected. We recognise, however, that special financial uplifts are not a normal feature of the funding environment and that we are now entering a time where we will face hard choices about our investments and institutions will be planning for their future sustainability.

Where hard choices in allocations are concerned, Scotland's hosting of the COP-26 Climate Change Conference in autumn 2021 was a stark reminder that net zero must be amongst our primary considerations. During 2021-22 we strengthened the Climate Change Team at SFC,

and net zero will be a focus for our new strategic plan when it is published later this year.

Space does not allow us to describe full range of initiatives that the SFC and the tertiary education sector collaborated on across the year but it clear that Scotland's colleges and universities remained very attractive to students. UCAS figures in February 2021 showed a record number of Scottish school leavers applying for a place at a Scottish university. Meanwhile, the college sector exceeded its target of 116,269 full-time equivalent places.

We are also greatly encouraged to see the incredible uptake of SFC's Upskilling Fund for Universities. Here and elsewhere - and backed by initiatives such as the National Transition Training Fund, the Young Person's Guarantee, and the Flexible Workforce Development Fund - both universities and colleges made an important early contribution to an education-led recovery from the pandemic.

Equally encouraging was our report on Scotland's Research Contribution to National and International Challenges. It provided firm evidence of Scottish research projects making a global impact on issues such as poverty, health, and climate change.

We would like to conclude by recognising the incredible efforts of our staff and members of the Board who have again demonstrated their determination to do their absolute best for tertiary education and research in Scotland.

MIKE CANTLAY
Chair of SFC

KAREN WATT
Chief Executive of SFC



PHOTO: ARGYLL COLLEGE UHI

HIGHLIGHTS

Figures relate to Academic Year (AY) 2020-21 unless otherwise stated



WORLD CLASS EDUCATION:

We have three universities in the top 200 in the world



£2.0 BILLION

SFC's annual investment in further and higher education.



117,914

FTE* places delivered by Scotland's **COLLEGES**



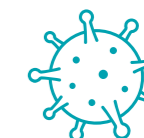
150,000

FTE* places delivered by Scotland's **UNIVERSITIES**

ONGOING COVID FUNDING SUPPORT.

£10 MILLION was allocated to support deferred college students

£4.4 MILLION additional funding for mental health and wellbeing support



COLLEGES AND UNIVERSITIES ARE MORE DIVERSE.

16.3% of Scottish-domiciled entrants to full-time first-degree university students have a **DECLARED DISABILITY** (increase of 12.3% from 2016-17.)

22.5% of learners in the college sector have a **DECLARED DISABILITY** (increase from 17.1% in 2016-17).



INNOVATION & ENGAGEMENT:

Scottish universities have enabled

72 SPIN-OUT COMPANIES,

1,116 START-UPS and

95 SOCIAL ENTERPRISES between 2016-17 and AY 2020-21.



UNIVERSITY RESEARCH AND KNOWLEDGE EXCHANGE:

£294.4 MILLION

allocated through our Research Excellence Grant (REG), Research Postgraduate Grant (RPG) and University Innovation Fund (UIF).



* Full Time Equivalent

PERFORMANCE OVERVIEW

STATUTORY BACKGROUND

The Scottish Funding Council (SFC) is the national strategic body that invests £2.0 billion in tertiary education, research and knowledge exchange through colleges and universities in Scotland. We fund 26 colleges and 19 universities. 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 (OAs) through which colleges and universities set out their ambitions in return for public funding.
- Investing in the people, buildings and equipment that enable 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 shared services and national procurement of essential services.
- Being an active, creative and reliable partner with others where we have shared goals: Scottish Government, Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland, the South of Scotland Enterprise, 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 tertiary education and Scotland’s research base, thereby helping to shape and implement national policy and strategy on post-school education, skills, and research.

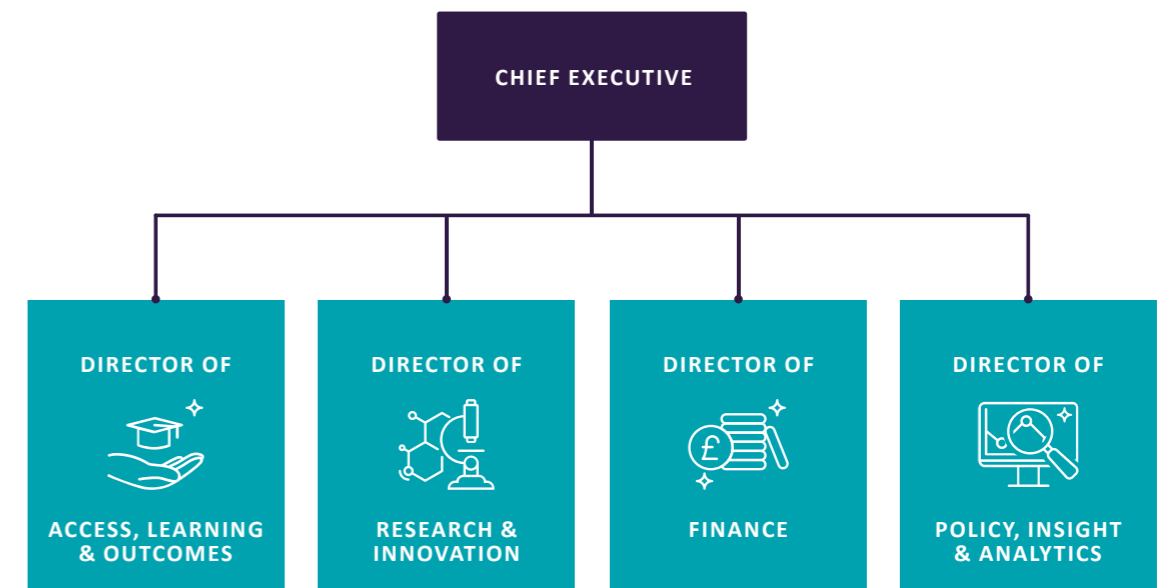
OUR ORGANISATION

SFC is based in a single location in Edinburgh and directly employs 123 people. Throughout the Financial Year (FY) 2021-22, our staff followed Scottish and UK Government guidance to control the spread of COVID-19. This meant that all staff were working remotely between April and September 2021. In October 2021, our office was partially opened to pilot hybrid working and provide space for colleagues who needed it the most. Office capacity was increased in February 2022 and this approach continues to inform and develop future approaches to hybrid working.

SFC continues to implement an organisational strategy that supports the delivery of our Strategic Framework priorities, and by adopting new working practices, that enable us to support Scotland’s economic and social recovery.

SFC has increased our investment in, and given priority to, developing our analytical, operational and research capacity and to improving the resilience and capacity in our finance function. In addition, we have given a greater focus to climate emergency responses and to the development and implementation of carbon neutral policy.

Following the introduction of a successful Voluntary Exit (VE) scheme in March 2021 changes were made to our organisational structure, creating four directorates from 1 April 2021. We continue to implement our organisational strategy in FY 2022-23.



STRATEGIC FRAMEWORK 2019-22

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



OBJECTIVE 1

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



OBJECTIVE 2

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



OBJECTIVE 3

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



OBJECTIVE 4

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

Our Strategic Framework also sets out how we will contribute to the Scottish Government's National Performance Framework and the priorities of the Strategic Board for Enterprise and Skills. The National Strategy for Economic Transformation (NSET), published on 1 March 2022, set out the actions to transform the Scottish economy over the next 10 years. NSET replaces the work of the Enterprise and Skills Strategic Board (ESSB) and SFC continues to align its activities with government priorities and the work of partner agencies.

STRATEGIC PLANNING, 2022-2027

SFC will develop and publish a new strategic plan later in 2022. This will reflect the recommendations from the review ("our Review") that Scottish Ministers commissioned SFC to conduct into how best to fulfil our mission of securing coherent provision by post-16 education bodies, and the undertaking of research and innovation, in these changing times. The strategic plan will describe our core objectives and direction of travel for the next five-year period. As we look to the future, our ambition and strategic priorities will continue to be framed by our statutory mission and shaped by Ministerial priorities and funding environment.

SHARED OUTCOMES FRAMEWORK

As part of our wider mission to drive positive outcomes through the tertiary education, skills and research systems, SFC works closely with Skills Development Scotland (SDS) on the delivery of skills planning.

A Shared Outcomes Framework is the means by which SFC and SDS monitor and report on collaborative projects that contribute to overarching skills outcomes, set within the context of NSET and the missions of the Future Skills Action Plan, including the alignment of economic demand with current and future provision. The actions outlined in this framework contribute to delivery of the outcomes in the National Performance Framework. The Framework aligns provision with economic need, resulting in a more agile, responsive and balanced project portfolio and is used to inform the Shared Outcomes Assurance Group (an oversight group chaired by the Scottish Government).

Audit Scotland published a 'Planning for skills' report in January 2022. The report provided an assessment of the Scottish Government's approach to skills policy, its oversight of joint work between SFC and SDS, and the relationship between SFC and SDS. It made specific recommendations for SFC and the way in which it works with partners in SDS and the Scottish Government. The Shared Outcomes Framework is one of the ways in which SFC is delivering against Audit Scotland's recommendations.

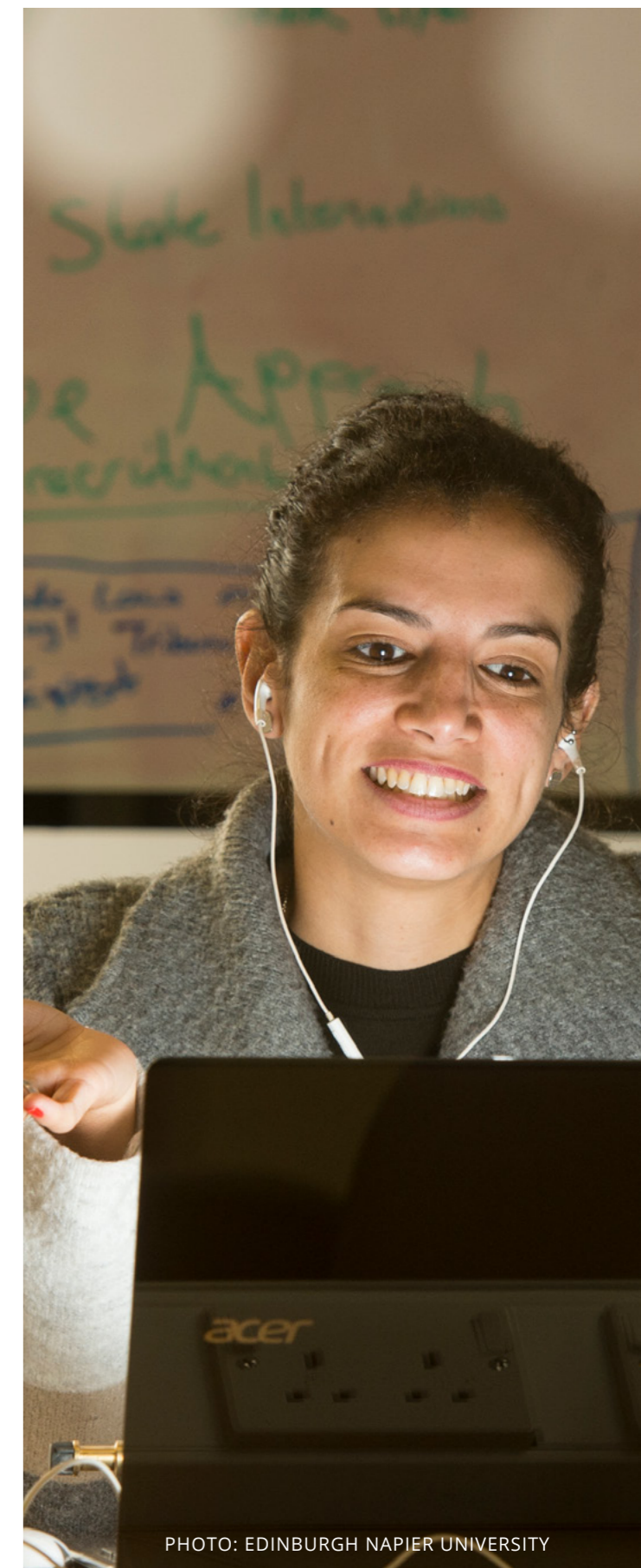


PHOTO: EDINBURGH NAPIER UNIVERSITY

IMPLEMENTING OUR REVIEW PROPOSALS

In June 2020, Scottish Ministers commissioned SFC to review how best we can fulfil our mission of securing coherent provision by post-16 education bodies, and the undertaking of research and innovation, in these changing times.

We undertook the Review in three phases:

- Our Phase 1 Review Report, published in October 2020, distilled over 100 responses to an initial call for evidence, and was informed by round-table discussions, advisory groups and relevant sector-specific and economic recovery reports.
- Our Phase 2 update, published in March 2021, captured the work undertaken in the last four months of FY 2020-21 to respond to the consequences of the pandemic and expanded on feedback received from our call for evidence.
- Our final report from Phase 3 of our Review, with advice to Ministers and options and recommendations for change, was published in summer 2021.

Our Review recommendations build on years of policy direction and wise investments into Scotland's education and research in Scotland, outlining the strengths of the system, the challenges we face, and the actions we can take to enable the system to be more coherent, responsive and effective in the years ahead.

Following Scottish Government's broad approval of our recommendations in October 2021, and subject to spending review and budget considerations, we are currently working to implement the following Review recommendations, which look to deliver:

- a National Impact Framework and renewed approach to accountability;
- more coherent skills planning through Tertiary Provision Pathfinders;
- a single quality assurance and enhancement framework;
- protecting fundamental research and introducing a 'mission' based approach to research; and
- renewing our infrastructure investments in knowledge exchange and innovation

You can find a copy of the final report from our review, Coherent Provision and Sustainability: a Review of Tertiary Education and Research, on our [website](#).

MANAGING RISK AND UNCERTAINTY

We operate in a challenging environment, with significant external risks, complexity and uncertainty that have the potential to impact on the achievement of our operations and Strategic Framework objectives. We have a structured approach to managing risk, which is summarised on page 38.

The following risks are those which were prioritised by our Board as high-level risks during the year.

THE FINANCIAL HEALTH OF COLLEGES AND UNIVERSITIES

The financial health of colleges and universities has been identified as a significant risk with the potential to impact negatively on the achievement of our Strategic Framework objective for a successful, world-leading, coherent and sustainable system of education. Colleges and universities were already facing a series of financial sustainability pressures before the impact of COVID-19 and this challenge continues into 2022.

Although the financial health of institutions remains a major risk, institutions managed the impact of the COVID-19 pandemic more positively than anticipated with the additional Government funding made available to both sectors, along with savings generated, helping to stabilise institutions' finances.

However, the additional funding provided is non-recurring, and operating expenses are expected to increase with a return to pre-COVID levels of activity and full campus operations. Institutions have also highlighted inflationary cost pressures which are particularly impacting on capital projects while the rising cost of living is a factor for pay settlements and running costs, and the ability of students to successfully complete their studies.

It is clear from institutions' financial returns that the future financial position of both sectors remains challenging across all indicators of financial sustainability. Cost pressures include funding staff pay increases, increased employer pension contributions and addressing estates maintenance requirements.



PHOTO: FIFE COLLEGE

The effect of COVID-19 on the longer-term financial sustainability of institutions remains uncertain but is expected to impact for years to come.

We published a detailed report on Financial Sustainability of Colleges and Universities in Scotland in March 2022, based on our analysis of institutions' latest financial forecast returns and including the longer-term risks to financial sustainability.

CYBERSECURITY

The risk associated with cybersecurity and cybercrime continues to increase across the public sector in Scotland. The main risks to SFC are damage to the security and integrity of our data and information; disruption to our operations, including our payments to colleges and universities; and financial and reputational damage.

The risk has the potential to affect negatively the achievement of our Strategic Framework priority to be an excellent, outcome-focused public body.

SFC undertook a range of actions in 2021-22 to reduce this risk, including improving the overall resilience of our IT systems. We have a programme of work in place to further strengthen our information security controls to meet the changing threats of cybercrime. These actions include cyber security awareness and testing software that is able to monitor and measure user awareness and compliance with our security policies and practices. We have also introduced a new approach to network detection and response solutions that includes incident response assistance.

Financial Memoranda with colleges and universities set out the formal accountability relationship between SFC and institutions, and the requirements that institutions are expected to comply with in return for funding. Under the Financial Memoranda, responsibility lies with institutions to maintain effective cyber resilience and to notify SFC's Chief Executive of any serious incidents. SFC reviews institutions' annual reports and accounts and audit reports which should highlight any cyber incidents.

In addition, SFC monitors the effectiveness of action plans put in place by colleges and universities to maintain and strengthen their cyber resilience and continues across the sector to establish good practice. We have worked with those colleges and universities that have experienced an attack to understand the impact on business continuity. Our aim has been to minimise the potential disruption to teaching, learning and research and the achievement of our Strategic Framework objectives.



PHOTO: GLASGOW CALEDONIAN UNIVERSITY

LACK OF RESILIENCE OF IT SYSTEMS

The risks associated with a lack of resilience of SFC’s IT systems, including a full system failure or a disruption to our IT systems, are significant. A lack of business resilience could impact SFC’s ability to maintain core functions and deliver on our Strategic Framework objectives. SFC has implemented several mitigating controls including an ICT Continuity Strategy, with ICT testing schedule, as part of the Business Continuity Plan.

SFC is rolling out a programme of digital enhancements, with increased resilience provided through a combination of virtualisation technology, storage area network and a shared hosting service provided by the Saughton Data Centre.

A “Cloud First” strategy is underway and SFC is moving to a Cloud based service provision, which enables a combination of virtual PCs and servers, reducing the impact of business disruption.

SCOTTISH BUDGET

The increasing pressure on public finances has been identified as a significant risk and could result in an inability of colleges and universities to deliver the Scottish Government and SFC priorities. Pressure on finances could lead to a reduction in investment in facilities and estates, and impact on the sector’s international competitiveness and our ability to meet our Strategic Framework objective for a successful, world-leading, coherent and sustainable system of education.

SFC undertook a range of actions in 2021-22 to reduce the risk, including working closely with institutions to support their ability to prioritise effectively.

SFC has worked closely with the Scottish Government and other stakeholders on the Budgetary Spending Review process and has provided advice to the Scottish Government on the condition of the infrastructure in both sectors.

INDUSTRIAL RELATIONS IN THE COLLEGE AND UNIVERSITY SECTORS

The risks associated with managing complex Industrial Relations with institutions and employers have been identified as significant in both the college and university sectors as a result of disputes on pay and conditions, resulting in disruption to services. An inability to resolve any material issues could damage the learner experience and lead to reputational damage to the sector and a failure of colleges and universities to deliver their Outcome Agreements. The risk could result in a failure to achieve our objective for learning and skills.

SFC has implemented several mitigating controls to reduce the risk, including closely monitoring any planned industrial action and working closely with Universities Scotland and Colleges Scotland. In the college sector, SFC continues to support the national bargaining process by validating the data that will be used in negotiations and giving a view on the implications of any proposals, where required. We have ensured that our role in validating the data is undertaken in a way that maintains the integrity of SFC as an independent source of data, analyses, and advice. Additionally, we have published the sector Financial Sustainability report.

THE IMPACT OF COVID-19

In 2021 and 2022 the impact of COVID-19 continued to test the sector through new variants and local outbreaks continue to be a significant risk. Throughout this uncertainty, institutions remained flexible and vigilant, adapting provision, facilities, business models and arrangements to support staff and students. At the Scottish Government’s COVID-19 Recovery Group and through sector engagement, we heard directly from institutions, student and staff representatives of the challenges COVID-19 presented, allowing us to take action to support the stability and delivery of funding.

Our focus has been to mitigate the effects of the COVID-19 pandemic on the student experience.

We offered a number of interventions in this academic year, including supporting the college sector by providing £10 million of funding to ensure students who had deferred in 2020-21 could complete their courses while enabling colleges to continue to welcome new students in the new academic year.

We also provided additional COVID-19 funding to help colleges minimise deferrals for those who were disproportionately affected by this lost learning. Further details on additional funding provided to colleges and universities can be found on page 29.

As an organisation, we have followed Scottish Government guidance to allow home working where possible, refreshed and updated risk assessments and offered flexibility to staff. Despite challenges, SFC has continued to lead, provide advice, insight and analysis and identify solutions to the sector, particularly through our Review. As we move towards a national recovery, we remain confident that through a collaborative approach to co-finding solutions with the Scottish Government, colleges, universities, students, staff and other partners, we will mitigate the effects of COVID-19 and secure high-quality provision throughout these challenging times.

EMERGING RISKS

We continue to face significant external and internal risks during a period of internal transformation and political and economic uncertainty. We assess risks as part of our strategic planning process to identify any emerging risks. Key emerging risks include the ability to prioritise strategic objectives, whilst continuing to meet multiple stakeholders’ expectations, in a challenging financial context; ability to meet climate change targets, during a period of economic volatility; and managing the safe transition of responsibility for Foundation and Graduate Apprenticeships from SDS.



PHOTO: NEWBATTLE ABBEY COLLEGE

PERFORMANCE SUMMARY

SFC invests £2.0 billion annually in Scotland’s colleges and universities.

SFC published our strategy in a Strategic Framework document in July 2019 setting out our priorities for the period 2019-22. We have four core objectives, as noted on page 12.

We have provided contextual information to note priorities and achievements under each objective. SFC has also utilised a range of statistics and data analytics to measure sector and SFC performance under each objective. We have included areas which illustrate the diversity of sector and SFC activity. This includes funding arrangements; quality of the learner experience; widening access; skills, research and innovation; economic renewal; climate change; and on the SFC itself, as an outcomes focused public body.

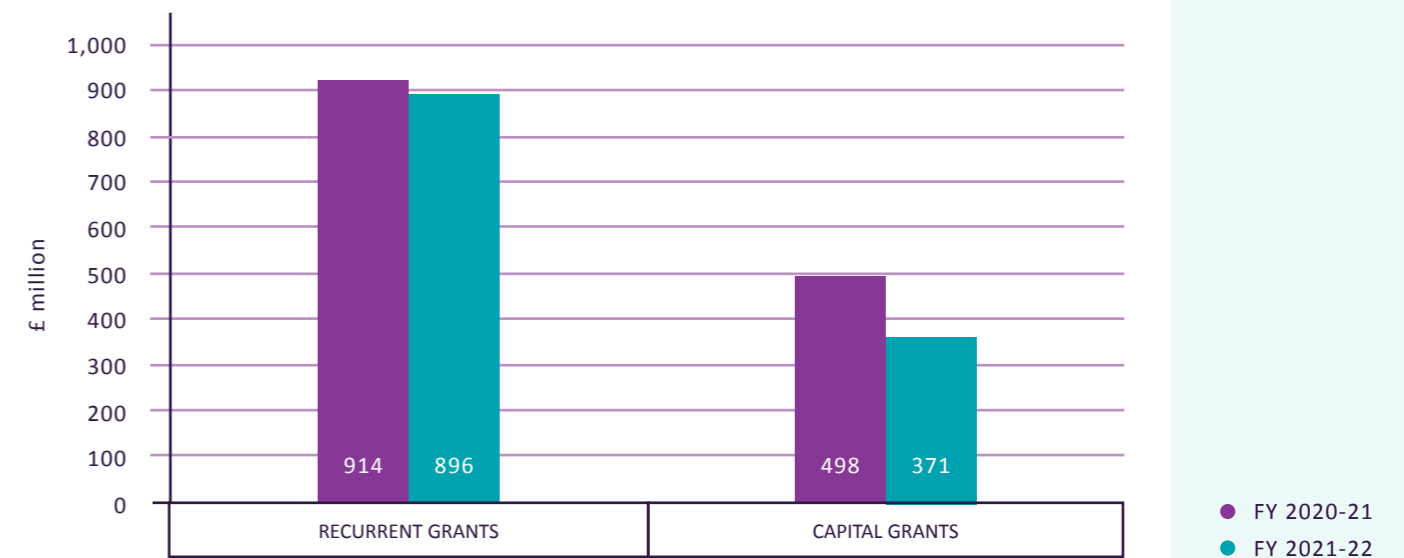
In summary, our performance analysis demonstrates the following:

- SFC invested £2.0 billion in tertiary education, with 267,914 FTE places delivered across the college and university sectors.
- Through ongoing challenges driven by COVID-19, SFC continued to ensure core functions of teaching, learning, research, and knowledge exchange through Scotland’s colleges and universities could mitigate the impact on the student experience. For example, SFC prioritised funding for students who were unable to complete elements of their courses due to COVID-19 restrictions.
- In AY 2021-22 we allocated £294.4 million of core funding for university research and knowledge exchange, introduced a new Saltire Emerging Researcher Scheme and worked with the other UK funding bodies on the 2021 Research Excellence Framework (REF)
- We continued to work in partnership with the Scottish Government, SDS and other key agencies and employers to deliver flexible programmes of education, including work-based learning pathways through the development of Foundation Apprenticeships (FA) and Graduate Apprenticeships (GA), the Young Person’s Guarantee and the Flexible Workforce Development Fund (FWDF).
- We continued to deliver our Review of coherent provision and sustainability and our Strategic Framework. We also worked closely with the Scottish Government on the Budget for FY 2022-23 and the Spending Review to FY 2026-27.

PERFORMANCE ANALYSIS

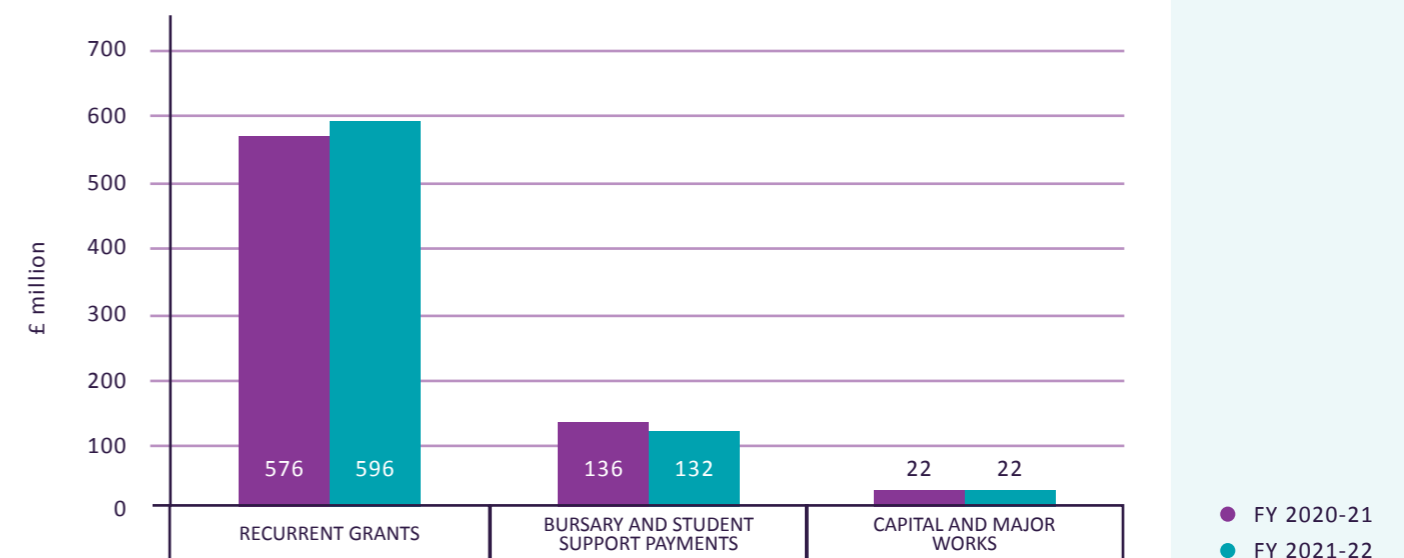
Our investment of £2.0 billion annually in further and higher education is used by colleges and universities to deliver high-quality learning to students, undertake world-leading research, and support innovation in the economy and wider society. During FY 2021-22, we awarded £1.3 billion to universities and other bodies (FY 2020-21: £1.4 billion), and £750 million to colleges and other bodies (FY 2020-21: £734 million).

table 1: Grants paid to HEIs and other bodies*



*Note: “other bodies” include organisations linked to the higher education sector that are not defined as higher education institutions, for example Universities Scotland

Table 2: Grants paid to colleges and other bodies**



** Note: “other bodies” include organisations linked to the college sector that are not defined as colleges, for example Colleges Scotland

DELIVERING OUR STRATEGIC FRAMEWORK OBJECTIVES

At the beginning of April 2021, Scotland was recovering from a second COVID-19 lockdown and addressing the social and economic impacts of year two of this pandemic. Through FY 2021-22, new COVID-19 variants and local outbreaks continued to cause challenges for the sector and SFC. Our key priority was to ensure core functions of teaching, learning, research, and knowledge exchange through Scotland's colleges and universities could mitigate the impact on the student experience.

We focused on supporting colleges and universities to do their best for disadvantaged pupils, students, employers, and communities facing the economic and social impacts of the pandemic. We provided additional financial interventions for institutions and prioritised core activity, to ensure we continued to deliver on our Strategic Framework objectives.

Despite the challenging circumstances, SFC and the sector continued to make significant contributions to Scotland's national outcomes. It is recognised that colleges and universities play an intrinsic part of Scotland's economic and social recovery and transformation strategy.

We collect and publish a range of statistics, data and analysis that allow us and our stakeholders to measure the performance of the college and university sectors and assess the achievement of our objectives and priorities for tertiary education.

At the time of drafting this year's Annual Report and Accounts, most of the available data relates to AY 2020-21, which reflects the early impact of COVID-19 pandemic on the performance of the sectors.

Further information about the performance of the college and university sectors can be found on our [website](#).

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



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

SFC, along with colleges and universities, has made significant contributions to Scotland's national outcomes.

Over the last FY, SFC allocated £2.0 billion of funding for colleges and universities and worked to support those struggling to cope with the impact of COVID-19. A summary of the key activities delivered in 2021-2022 is noted below.

QUALITY LEARNING, TEACHING & SUPPORT: SFC provides 267,914 FTE places across Scotland's colleges (117,914 FTE) and universities (150,000 FTE). We provide £737.7 million of funding for teaching in Scotland's universities, £527 million of funding for teaching in Scotland's colleges, and £144.4 million for Student Support funding in Scotland's colleges. SFC prioritised funding for students who were unable to complete elements of their courses due to COVID-19 restrictions. In AY 2021-22, £10 million was allocated to support deferred college students allowing them to complete their studies and move onto further study or employment.

We allowed colleges extra flexibility in meeting their student activity targets for AY 2021-22. We also provided an additional £4.4 million to colleges to further develop their mental health and wellbeing services.

We allocated an additional £6 million Discretionary Funds, which colleges used to support students throughout 2021-22. Colleges were able to use these COVID Discretionary Funds in a more flexible way, to support those students who are not normally able to access core Discretionary Funds.

We allocated £3.4 million of additional funding to colleges to support students facing digital poverty with access to electronic devices and internet connectivity in February 2022.

EQUALITIES AND SOCIAL INCLUSION: We continued to support a significant number of programmes aimed at promoting widening access and social inclusion and to provide opportunities to support students throughout their studies and transition to future fulfilling endeavours, for example, the National Schools Programme.

SFC uses the Outcome Agreement process to drive forward improvements towards fairer access, securing progress with the challenging targets set out in the report of the Commission on Widening Access (CoWA), alongside institutions' statutory obligations to ensure fair treatment of protected characteristic groups.

HOW HAVE THE SECTORS PERFORMED?

STUDENT NUMBERS: The college sector continues to exceed the Scottish Government's target of 116,269 FTE students by delivering 117,914 FTE in AY 2020-21, i.e. 1,645 FTE above target. The university sector also performed well with 150,000 FTEs reported for AY 2020-21, which is an increase of 7,895 FTEs from AY 2019-2020 and 14.2% above the sector allocation of funded places.

Of key significance is the ongoing transition of responsibility for Foundation Apprenticeships (FA) and Graduate Apprenticeships (GA) from SDS to SFC in AY 2021-22. Colleges and universities have continued to adapt to the transition, however this remains an area of complexity and will be closely monitored. The Scottish Budget for FY 2022-23 did not provide additional funding for apprenticeships, adding to the overall financial pressures for colleges and universities, and SFC is actively working with both sectors to manage risks to financial sustainability.

WIDENING ACCESS: The student population is more diverse now than it was in 2015, according to data from the SFC's Report on Widening Access 2020-21. Increasing the diversity of the student profile was an equality outcome SFC set for the period 2017-2021. The university sector has taken steps to improve access to a more diverse population, including protected characteristics of gender, ethnicity, disability and care experience. Figure 1 shows the proportion of Scottish-domiciled full-time, first degree entrants to universities over the eight-year period from 2013-14 to 2020-21. The college sector has also taken steps to improve access to a more diverse population and details are shown in Figure 2, showing changes over an eight-year period.

Whilst recognising the improvements, there is always more that can be achieved and SFC is working with the sector, Scottish Government and Equality Human Rights Commission (EHRC) to set National Equality Outcomes to drive forward activity contained in the National Performance Framework.

Figure 1: Proportion of Scottish-domiciled full-time first degree entrants to Scotland's Universities by characteristics

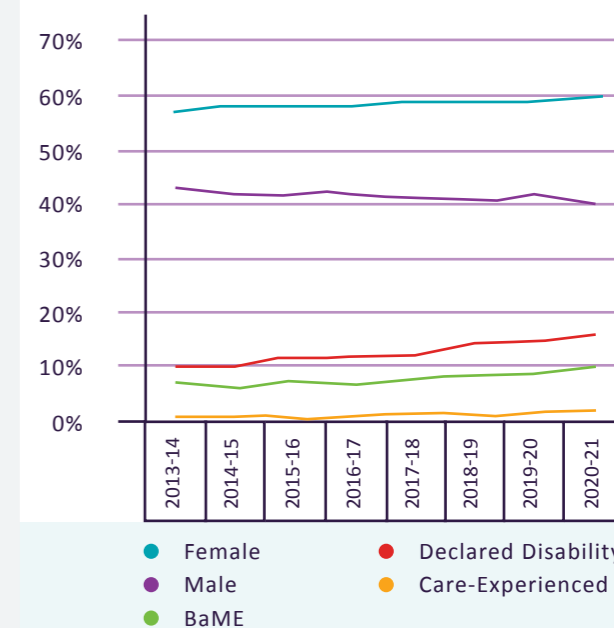
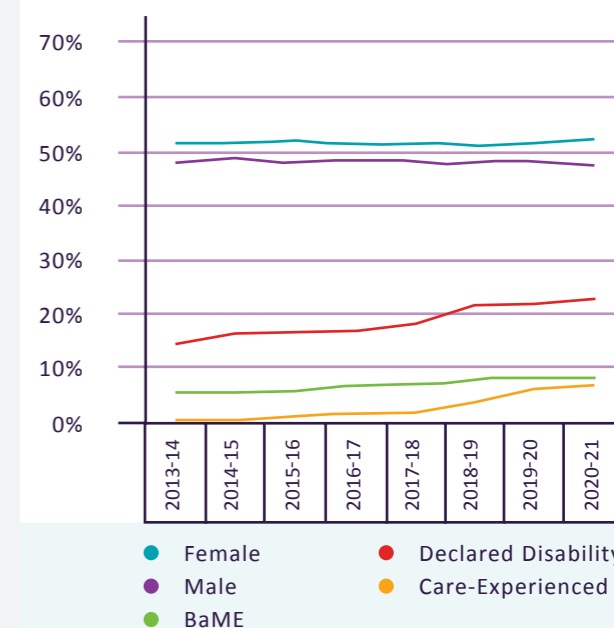
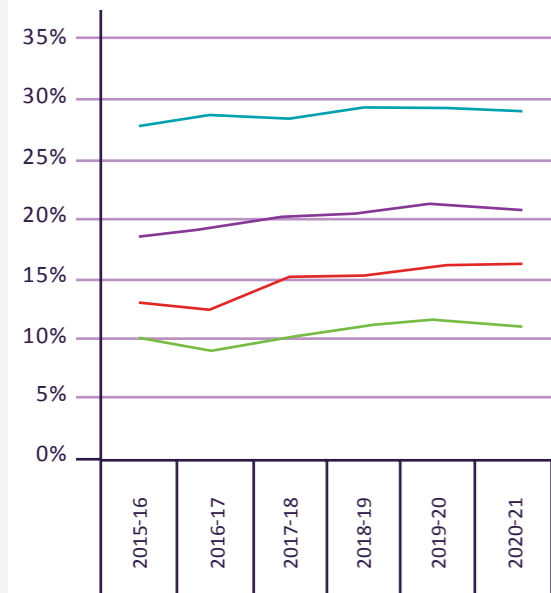


Figure 2: Proportion of learning hours at Scotland's colleges by selected student characteristic



FAIR ACCESS: In Scotland, a 16-year-old now has a 60.2% probability of studying a HE course at a college or university by the age of 30. That compares to a 51.9% likelihood in England of a 17-year-old participating in HE by age 30.

Figure 3: Proportion of Scottish-domiciled full-time entrants by level and sector of study



- University Full-time First Degree (COWA cohort)
- University Full-time Other Undergraduate (non-COWA cohort)
- College Full-time HE
- Tertiary sector full-time HE

Whilst we are still seeing a slight increase in the number of placed applicants from the 20% most deprived areas, there is an even greater increase in those from the 80% least deprived areas due to a combination of two factors: an increase in those with appropriate qualifications for university following COVID-19 enforced changes to the assessment of SQA qualifications in 2020 and an increase in the young population of Scotland.

LEARNER EXPERIENCE: According to the National Student Survey results in 2021, student satisfaction with their learning experience at Scotland's universities was down by 5.5 percentage points on the previous year (79.6%). Within the UK, student satisfaction rates fell even further to 74.9% satisfaction. Satisfaction varies across the sector and the decreases are associated with the pandemic, with most of students' final year of teaching being delivered online.

The college Student Satisfaction and Engagement Survey revealed that in spite of the 2020-21 academic year being impacted by the COVID-19 pandemic, almost 9 out of 10 full-time FE students were satisfied with their college experience (88.6%) and for full-time HE students just over 80% were satisfied with their college experience.

Colleges and universities have successfully capitalised on recent investments in Flexible Workforce Development funding, Upskilling funding along with other national investments including Young Person's Guarantee and National Transition Training Fund. This funding has enhanced our colleges and universities' ability to flex their offer to address the rapidly developing skills needs of different groups of learners and employers.



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

Scotland has a formidable reputation for science and research excellence that attracts talent and investment. Our priorities over FY 2021-22 have been to continue to support the research base as we emerge from the pandemic and to look to future opportunities for Scottish research and knowledge exchange, as we published and began implementing the recommendations within our Review for research & innovation in the midst of a changing UK R&D landscape.

RESEARCH COLLABORATION: We continue to provide funding to support Scotland's research excellence and environment. In AY 2021-22 we allocated £294.4 million of core funding for university research and knowledge exchange through our Research Excellence Grant (REG), Research Postgraduate Grant (RPG) and University Innovation Fund (UIF).

We introduced a new Saltire Emerging Researcher Scheme to promote mobility between Scotland and European research partners to strengthen existing, and seed future, research relationships.

RESEARCH EXCELLENCE: We worked with the other UK funding bodies on the 2021 Research Excellence Framework (REF) and the assessment of over 21,000 research outputs from across Scotland's universities.

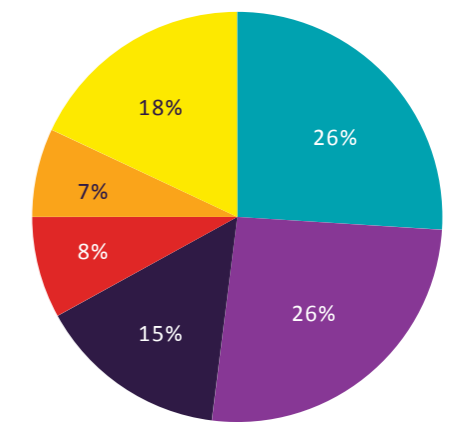
We undertook a consultation on our REG and RPG, embedding our Review recommendations to continue to support excellence wherever it is found and to better support postgraduate research students.

Scottish research is both high in quality and makes a significant contribution towards tackling national and global issues. Scottish research is world leading in terms of performance against the UN Sustainable Development Goals (SDGs). In March 2022 we published a new report, Scotland's Research Contribution to National and International Challenges, which considers Scotland's research contribution to national and international challenges, including statistics and case studies for each of the 17 SDGs.

INTERNATIONAL IMPACT: The export of education, research and commercialisation through Scotland's institutions provides an estimated £1.94 billion contribution to Scotland's economy. We have three universities in the top 200 in the world and seven world-leading Innovation Centres.

HOW HAVE WE PERFORMED?

Figure 4: Scottish University research funding



- SFC
- Research Councils
- Charity
- Industry
- EU
- Other

INVESTING IN RESEARCH AND INNOVATION: Scottish universities continue to face a number of challenges including funding reductions for international research, however, Scottish research is still outperforming other nations in terms of UK Research Council income. As shown in Figure 4, funding from



PHOTO: PERTH COLLEGE UHI

SFC was the single biggest source of research income for Scottish universities. Around 27% of Scotland’s universities’ total research income was from SFC, while 26% was from UK Research & Innovation (UKRI). In terms of other funders, charities (15%), industry (8%) and the EU (7%) are significant sources.

From our most recent figures (2020-21), Scotland’s current percentage share of UK Research Council income (13.2%) remains above both our percentage share of population (8.1% in 2020) and our percentage share of researchers (11%).

DELIVER SOCIETAL VALUE: Analysis that we commissioned from Elsevier (Scotland’s Research Contribution to National and International Challenges) demonstrates that Scotland’s share of published research dedicated to tackling global issues is among the highest of key comparator nations in terms of impact.

The citation impact of Scottish research aligned with the UN SDGs was the second highest of all comparators, highlighting both the contribution and quality of Scotland’s research publications.

The SDGs are closely correlated with Scotland’s National Performance Framework (NPF) and, therefore, Scottish research has been shown to make a significant contribution towards achieving the Scottish Government’s focus on achieving a prosperous, fair, equal, sustainable and healthy society.



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

Our colleges and universities continue to be vital in delivering the education-led recovery. They play a key role locally, nationally and internationally in supporting communities and society, driving Scotland’s economic recovery, working with industry and employers to address labour market needs, create innovative solutions, and fostering entrepreneurship.

The National Strategy for Economic Transformation (NSET) aims to ensure that people have the skills they need at every stage of life to have rewarding careers that meet the demands of an ever-changing economy and society. Colleges and universities are recognised within the strategy as key strengths for Scotland and the important role they will play in supporting the delivery of the strategy.

PARTNERSHIP & PARTICIPATION: SFC remains committed to ensuring tertiary education forms part of a successful and sustainable system of education, and effectively responds to future needs of the economy.

We work in partnership with the Scottish Government, SDS and other key agencies and employers to deliver flexible programmes of education, including work-based learning pathways through the development

of Foundation Apprenticeships (FA) and Graduate Apprenticeships (GA).

We have continued to collaborate with the college and university sectors to support the aims of the Young Person’s Guarantee. This has included the development of two graduate placement programmes targeting young graduates across the country facing barriers to graduate level employment.

ECONOMIC RENEWAL & CLIMATE CHANGE: We are now in the fifth year of delivering the Flexible Workforce Development Fund (FWDF) through Scotland’s colleges and the Open University in Scotland (OUIs) and have extended the reach of the FWDF to include SME’s with an additional 772 SME employers accessing the fund which is supporting economic recovery and growth.

We are leading on establishing the Education Subgroup under the Climate Emergency Skills Action Plan (CESAP) Implementation Steering Group. The CESAP Implementation Steering Group is the main group overseeing implementation of CESAP. It already has a number of subgroups, which have a focus on developing coherent provision and skills alignment to drive forward renewable energy generation, green transport, domestic heat decarbonisation and energy efficiency, and advanced manufacturing. CESAP is delivered by SG, SDS, SFC and others. Delivering CESAP will support a just transition including the ability of people to retrain and upskill in new and emerging industries. The Education Subgroup led by SFC and involving other partners will harness the value of the sector in developing climate literacy to graduates in Scotland moving into all sectors of the economy, including their role as change makers.

HOW HAVE THE SECTORS PERFORMED?

STUDENT EMPLOYABILITY: Enhancing student employability remains a key focus for Scotland’s colleges and universities. This is evidenced by collaborative qualification development with employers and industry sectors to meet sector needs;

working with key sectors such as Early Learning and Childcare and Health and Social Care to support workforce development; and providing opportunities for work placement to enhance the employability of students and prepare them for the world of work.

Scotland’s 19 universities have created more flexible learning opportunities for employers and learners utilising the SFC’s £7 million Upskilling Fund for universities.

Colleges have utilised National Transition Training Fund and Young Person’s Guarantee funding to address regional economic need and help sectors disproportionately impacted by the pandemic.

‘Skills Boost’ courses, developed in close collaboration with local business and industry, were established to help young adults facing barriers to employment into job opportunities. Provision was tailored so that it was regionally relevant and aligned to local demand, with some courses featuring a guaranteed employer interview.

More than 4 in 5 graduates (86%) from Scottish universities who entered work in the UK went into high skilled jobs¹. This is higher than for all UK providers, at 83%. High skilled refers to the standard occupational classifications ‘Managers, directors and senior officials’, ‘Professional occupations’, and ‘Associate professional occupations’.

INNOVATION & ENGAGEMENT: Scottish universities have enabled 72 spin-out companies, 1,116 start-ups and 95 social enterprises between 2016-17 and AY 2020-21.

Latest data shows that in 2020-2021, institutions undertook over 14,000 consultancy engagements with SMEs with a total income value of £16m through collaboration with industry. Furthermore, that collaboration has been shown to be high impact, with citation scores for Scottish university-industry collaboration sitting above the UK average.

¹ Source: SFC analysis of Higher Education Statistics Agency (HESA) data on graduate outcomes in 2019-20.

PHOTO: STRATHCLYDE UNIVERSITY





PHOTO: GLASGOW SCHOOL OF ART



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

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

OUTCOME FOCUSED PUBLIC BODY: We were assessed and successfully accredited with Investors in People at the Silver Level. Investors in People silver accreditation acknowledges that SFC has been awarded one of the highest levels of accreditation within the Investors in People framework.

We have published a range of data and analyses throughout the year to give a clearer and more detailed picture of learning pathways and continue to work collaboratively with the sector and other bodies.

We continue to deliver our Review of coherent provision and sustainability, keeping an eye on the medium to long-term and mapping out options for the future.

Our Strategic Framework includes a commitment to enhance our analytical and policy capability and to build a single assurance framework and renewed approach to accountability. We have made progress with the development of our new Directorate for Policy, Insights, and Analytics, which has been active in providing analyses and support for our review.

We worked closely with our sponsor team in the Scottish Government on the Budget for FY 2022-23 and the Spending Review to FY 2026-27, including providing extensive advice and developing different options in the context of a very challenging fiscal environment for the public sector.

FUTURE DEVELOPMENTS

There are several future transformational developments to highlight which relate to internal SFC arrangements and the further/higher education sector.

Key activities include: publishing our new SFC Strategic Plan for 2022-27; ongoing Review implementation work including the National Impact Framework and Pathfinders; engaging with Scottish Government as part of the publication of the Spending Review on 31 May; managing the impact of the discontinuation of additional COVID-19 consequential funding; and managing the impact of a challenging funding settlement in FY 2022-23 including no additional funding for FAs and GAs. This has resulted in SFC recalibrating priorities and further consideration of our people strategy.

SFC has made the following internal appointments:

- Richard Maconachie as the permanent Director of Finance, appointed in April 2022;
- Lorraine Malins as the Interim Deputy Director People & Transformation (Chief Executive's Office);
- Ryan Bell as the Deputy Director People & Transformation (Chief Executive's Office);
- Tiffany Ritchie as the Deputy Director Finance & Operations (Finance);
- Gordon Craig as the Deputy Director Tertiary Education Funding (Finance);
- Ursula Lodge as the Deputy Director Institutional Sustainability and Capital (Finance); and
- Jacqui Brasted as the Deputy Director of Assurance and Outcomes (Access, Learning, and Outcomes).

As we further consider our People strategy, priorities, future transformational developments and resourcing requirements, further internal changes will likely result in the future.

CLIMATE CHANGE/NET ZERO

Our investments underpin activity and momentum in Scotland's universities, colleges and specialist institutions towards Scotland's net zero ambition. Our support facilitates the green recovery and the just transition in the following ways:

- Our target is to reduce our own emissions and impact to net zero by 2045 or earlier, with a firm commitment to review progress and our approach annually including interim milestones.
- Our annual investments across all areas of our service delivery with Scotland's colleges, universities, specialist institutions and other key bodies in the higher and further education sectors support Scotland's green recovery and just transition, including climate positive outcomes.
- Our outcome agreements expect colleges, universities and specialist institutions, to demonstrate leadership and a whole-institutional response on environmental sustainability. We support this through our funding of the Alliance for Sustainability Leadership in Education (EAUC Scotland) who provide practical support to colleges and institutions to reduce emissions and increase sustainability.
- Our investments in green skills and Scotland's talent potential including under the Climate Emergency Skills Action Plan answer the call from young people for meaningful involvement in the just transition, underpin delivery of green supply chains set out in the National Strategy for Economic Transformation and complement national investments in a managed infrastructure transition.
- Our capital infrastructure investments in colleges and universities support delivery of climate targets, resilience and adaptation e.g. decarbonisation of heating, as well as improved flood prevention and cooling, and contribute to broader city or region adaptation and resilience planning, including net zero place making and 20 minute neighbourhoods.
- With our Headquarters in Edinburgh we are committed to working locally on net zero, as well as maximising the contribution of our investments across Scotland in the local, national and global net zero context.

PAYMENTS TO COLLEGES AND UNIVERSITIES

Despite the impact of the COVID-19 pandemic on our organisation, we successfully allocated £2.0 billion in funds accurately and on time to colleges and universities in FY 2021-22.

FINANCIAL POSITION

SFC's funding grant disbursements and operating costs for the year ended 31 March 2022 are contained in the Financial Statements. The accounts have been prepared under a direction issued by the Scottish Ministers in accordance with paragraph 17 of Schedule 1 to the Further and Higher Education (Scotland) Act 2005.

The accounts comply with the accounting principles and disclosure requirements of the Government Financial Reporting Manual (FRM). Grants paid to colleges and universities and other bodies are detailed on pages [81-82].

PERFORMANCE AGAINST DEPARTMENTAL EXPENDITURE LIMITS IN FY 2021-22

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

Budget	EXPENDITURE £'000	INCOME £'000	OUTTURN £'000	ALLOCATION £'000	VARIANCE £'000
Resource	1,802,662	213,111	1,589,551	1,592,019	(2,468)
Capital	395,539	16,896	378,643	380,400	(1,757)
Total Resource (see below)	2,198,201	230,007	1,968,194	1,972,419	(4,225)
Financial Transactions	13,938	-	13,938	5,200	8,738
Financial Transactions - Repayment of principal on investment (reinvested)	-	10,753	(10,753)	-	(10,753)
TOTAL BUDGET	2,212,139	240,760	1,971,379	1,977,619	(6,240)

Reconciliation of Statement of Comprehensive Net Expenditure to Resource Outturn (£'000)	
Comprehensive net expenditure	1,991,010
Depreciation charge allocated to non-cash costs	(29)
Amortisation charge allocated to non-cash costs	(117)
Scottish Government Grant income credited to taxpayers equity	(2,299)
UK Government Grant income credited to taxpayers equity	(16,760)
Net expenditure attributed to the capital budget	(111)
Pre-2014 college loans which do not score as resource spend	(3,500)
Resource Outturn	1,968,194

SFC recorded a £6.2 million underspend against budget comprising:

- £4.2 million underspend on Resource and Capital, driven by £3.5 million repayments made by colleges on pre-2014 loans which do not score as resource spend in DEL; and
- £2.0 million underspend on Financial Transactions driven by one university drawing down less loan funding than originally planned in late March.

SFC received £3.1 million in Financial Transaction funding to award loans to universities and we received permission from the Scottish Government to reinvest the proceeds from the repayment of loans of £10.8 million giving a total investment of £13.9 million. These loans are only provided to private sector organisations and are for projects which meet the criteria for particular programmes. This form of funding has been awarded to universities over the last four years and is the most significant item in our Statement of Financial Position.

Included within the total funding above, students benefitted from:

- Additional funding for the development of simulated clinical placements within a university setting (£3.8 million over Ays 2020-21 and 2021-22).
- Additional funding for mental health and wellbeing support (£4.4 million).
- Additional funding to support FE students in hardship (£6.0 million).
- Additional funding for Saltire Scholarships - allowing institutions to cover a proportion of the tuition fees for some of their EU students (£2.3 million).
- Additional university upskilling funding for micro-credentials through the NTTf (£2.0 million).
- Additional funding for colleges to boost Easter study support for senior phase learners (£0.1 million).
- Funding for additional university pre-registration MSc Physiotherapy students recruited in AY 2021-22 (£0.3 million).

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

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

SFC is allowed to re-profile money over the financial/academic year boundary, against higher education resource budgets because many aspects of the funding are demand led and re-profiling enables SFC to carry funds forward where institutions are expected to draw them down in the summer term, after the financial year end. The Scottish Government approved total re-profiling of £93.6 million (FY 2020-21 £79.8 million) which equates to 5% (FY 2020-21: 4%) of the total Grant-in-Aid budget from the Scottish Government.

Beyond the year-end, SFC has continued to engage with the Scottish Government, universities and colleges and sector representatives on a variety of financial matters including:

- Engagement ahead of the publication of the Spending Review on 31 May 2022.
- Managing the impact of the discontinuation of additional COVID-19 consequential funding; and
- Managing the impact of a challenging funding settlement in FY 2022-23 including no additional funding for FAs and GAs.

RUNNING COST EXPENDITURE

Running cost expenditure is a very small proportion of overall expenditure (at around 0.5%). During FY 2021-22, the total running cost expenditure was £8.7 million (FY 2020-21: £8.5 million).

AUDIT

The audit of the accounts of SFC has been undertaken by Audit Scotland, appointed by the Auditor General for Scotland. No non-audit services were supplied during the year.

Karen Watt

KAREN WATT
Accountable Officer
02 September 2022



SECTION 2:
THE ACCOUNTABILITY
REPORT

CORPORATE GOVERNANCE REPORT

DIRECTORS' REPORT

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



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

In FY 2021-22, membership of the SFC Board was as follows:

CHAIR

Dr Mike Cantlay

CHIEF EXECUTIVE

Karen Watt

MEMBERS

David Alexander

Sheila Duncan

Mhairi Harrington

Lorna Jack (Deputy Chair 3/10/21 onwards)

Professor Ewart Keep

Andy Kerr (temporarily stepped back from the Board 8/07/21)

Dr Paul Little

Professor Peter Mathieson

Professor Irene McAra-McWilliam

Douglas Mundie (Deputy Chair) Term ended 2/10/21

Dr Veena O'Halloran

Caroline Stuart

Professor John Wallace

Professor Lesley Yellowlees

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

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 2022 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 2022 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 (FRM) 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.

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 2021-22 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 2021-22.

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 undertakes an annual review of its effectiveness and uses the outcomes to develop and implement a Board Development Plan. Every third year, the annual review is externally validated. A Board Effectiveness Review was completed in FY 2021-22, and actions captured as part of continuous improvement.

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

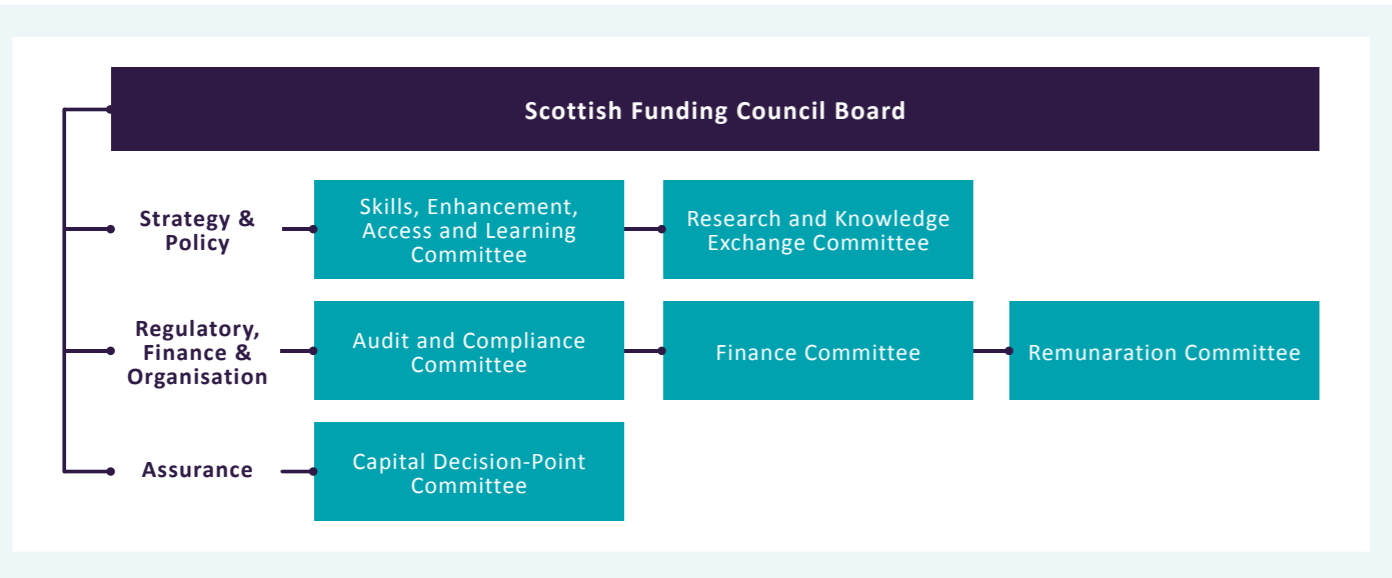
- Audit and Compliance Committee.
- Finance Committee.
- Remuneration Committee.

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

- Capital Decision-Point Committee.

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

	SKILLS, ENHANCEMENT, ACCESS AND LEARNING	The Skills, Enhancement, Access and Learning Committee provides advice to the SFC Board on strategies and policies for improving the learning experience and outcomes for students, including widening access to learning, equalities, quality enhancement, and meeting the skills needs of Scotland.
	RESEARCH AND KNOWLEDGE EXCHANGE COMMITTEE	The Research and Knowledge Exchange Committee has a role to respond to, recommend and advise the Council on research and knowledge exchange strategy, policy and funding issues relevant to Scottish HE institutions and colleges, with broad areas of advice.
	AUDIT AND COMPLIANCE COMMITTEE	The Committee will consider the SFC annual accounts and matters relating to the internal operations of the executive, in particular those relating to risk management, corporate governance, internal audit, external audit and compliance with legislation and regulation.
	FINANCE COMMITTEE	The Finance Committee will review the medium-term financial plans, scrutinise the annual budgets and the financial position of the Council to ensure that it can meet its commitments and strategic objectives and review the financial aspects of the annual report and accounts.
	REMUNERATION COMMITTEE	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.
	CAPITAL DECISION-POINT COMMITTEE	The Committee has oversight of the SFC capital programmes, and in particular the governance arrangements, for both colleges and universities. The Committee will provide assurance to the SFC board that the Council executive has undertaken the necessary scrutiny and due diligence for its capital programmes; traditional capital, revenue-funded and Financial Transaction loan finance



STANDING COMMITTEES

During FY 2021-22, six standing committees provided the SFC Board with advice or undertook functions on behalf of the Board. Two committees have responsibility for policy and strategy in relation to Outcome Agreements with colleges and universities:

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

SFC BOARD MEMBERS' ATTENDANCE AT MEETINGS

The full Standing Orders 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 2021-22 is shown in the table below.

The table to the right 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.

Council members attending Council and Committee meetings (C = Chairperson)	BOARD 7 meetings	AUDIT AND COMPLIANCE 3 meetings	CAPITAL DECISION POINT 2 meeting	FINANCE 7 meetings	REMUNERATION 3 meetings	RESEARCH AND KNOWLEDGE EXCHANGE 5 meetings	SKILLS, ENHANCEMENT, ACCESS AND LEARNING 2 meetings
Dr Mike Cantlay (Chair)	7	-	-	-	-	-	-
Karen Watt (Chief Executive)	7	*	-	*	*	*	-
David Alexander	7	3C	-	-	-	-	-
Sheila Duncan	7	3	-	-	3 (2C)	-	2
Mhairi Harrington	7	-	2 (1C)	7	-	5	-
Lorna Jack	7	-	-	6 (5C)	-	-	-
Professor Ewart Keep	7	-	-	7	-	-	2
Andy Kerr ²	2	0	-	-	-	-	0
Dr Paul Little	6	-	-	-	-	-	2C
Professor Peter Mathieson	5	-	-	-	-	-	-
Professor Irene McAra-McWilliam	6	-	-	-	-	5	2
Douglas Mundie (Deputy Chair)	3/3	-	1/1C	2/2C	1/1C	2/3	-
Dr Veena O'Halloran	5	-	-	5	1	-	-
Caroline Stuart	7	3	-	-	-	5	-
Professor John Wallace	7	-	2	7	2	-	-
Professor Lesley Yellowlees	7	-	-	-	-	5C	-

*While not a formal member of these committees, the CEO has attended one or more of these committee meetings.

²Andy Kerr temporarily stepped back from the Board in July 2021; please refer to page 39 for further information.



PHOTO: CITY OF GLASGOW COLLEGE

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 risk management strategy is to:

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

Aligned with industry best practice, 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 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 identifies ‘owners’ for each risk within the senior staff of the SFC executive, chosen for their expertise in the particular areas of risk.

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

The Board agreed a Statement of Risk Appetite for SFC in 2022, which has been incorporated into SFC’s formal Risk Management Strategy and which informs our decision-making and our approach to risk.

INFORMATION GOVERNANCE AND SECURITY

During the FY 2021-22, a new role of Chief Information Officer was appointed with responsibility to manage key risks in relation to Information Security, Business Resilience, Cyber Security and to oversee a programme of digitalisation.

We continue to adopt a multi-layered, multi-vendor approach to Cyber Resilience and have introduced an additional layer of cyber security detection and response.

We are Cyber Essentials Plus accredited and plan to undertake annual Cyber Resiliency Reviews (CRR), in line with the Scottish Public Sector Cyber Resilience Framework.

There have been no breaches of data security during FY 2021-22.

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 six reviews in FY 2021-22, none of which identified any major control weakness. Implementation of internal audit recommendations is closely monitored and reported to each meeting of the Audit and Compliance Committee.

In addition, our internal auditor carries out an independent review of progress with implementation to validate the executive’s monitoring and reporting. The majority of internal audit recommendations have been implemented. The provision of internal audit services has been carried out by the in-house audit team at Scottish Enterprise since 1 April 2020.

SIGNIFICANT ISSUES

Significant issues are those that might have a negative impact on our ability to deliver our strategic priorities, or which might affect our performance or reputation, or have a material impact on our accounts. Significant issues are raised mainly through the assurance framework, audit process and the Certificates of Assurance process. During FY 2021-22, the following issues required significant management attention.



FINANCIAL HEALTH OF COLLEGES AND UNIVERSITIES

The financial health of colleges and universities continues to be a significant issue for SFC. Colleges and universities were already facing financial sustainability pressures before the impact of COVID-19 and we have continued to monitor the impact of the pandemic and worked closely with the sectors, the Scottish Government and others to provide support. Institutions managed the impact of the COVID-19 pandemic more positively than anticipated as a result of additional funding from Government and SFC, and their own mitigating actions, but longer-term financial sustainability remains challenging for many institutions. We also reviewed our role in monitoring and supporting the financial health of colleges and universities as part of our review of coherent provision and sustainability.



SOUTH LANARKSHIRE COLLEGE

Audit Scotland issued a Section 22 report under the Public Finance and Accountability (Scotland) Act 2000 during 2020-21 on South Lanarkshire College with a view to drawing Scottish Parliament’s attention to governance issues at the College. Since July 2021, whilst related reviews are ongoing, it was considered appropriate for the Chair of SLC, Andy Kerr, to step back from the SFC Board for the same period. He received no SFC Board material, he did not take part in SFC Board or Committee meetings or other related engagements, and has not been involved in SFC strategy-setting or decision-making. Whilst responsibility for governance remains with South Lanarkshire College, the issue is noted here as it may represent a reputational risk to the SFC.



CYBERSECURITY

Following an increase in cyberattacks on public sector bodies in Scotland, our Audit and Compliance Committee raised this as a significant issue for SFC and the sectors. We have taken a range of actions to maintain and strengthen our organisation’s resilience and cybersecurity, and to promote a positive cybersecurity culture.

We have also been monitoring the actions being taken by colleges and universities to maintain and strengthen their cyber resilience and working with them to establish good practice across the sectors.

REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL

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

The 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 and line management processes within the organisation.
- Regular meetings between SFC staff and our sponsor directorate at the Scottish Government to review the risk register and our process for risk management.
- The work of the internal auditors, undertaken by the in-house internal audit team at Scottish Enterprise for the year to 31 March 2022, 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 2022, the Head of Internal

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

“The Internal Audit Plan for 2021/22 was discussed by the Audit and Compliance Committee in March 2021 and formally approved by the Committee in August 2021. Overall sufficient assurance work has been carried out, in accordance with the Public Sector Internal Audit Standards, to enable a reasonable conclusion to be formed on the adequacy and effectiveness of SFC’s internal control environment.”

“For 2021/22 the conclusion of internal audit work carried out, and reported to the SFC Audit and Compliance Committee, identifies an overall good level of assurance on SFC’s framework of governance, risk management and management control.”

“SFC has an appropriate and effective risk management framework in place, which meets the requirements of the Scottish Public Finance Manual and which contributes to a successful risk culture.”

The impact of COVID-19 was a key feature throughout internal audit work during 2021/22. A real-time internal audit review reported positive independent assurance in relation to SFC’s response to the crisis, with the identification of appropriate risks and mitigating actions.”

On the basis of the assurances provided from the sources of assurance outlined above, I can confirm that sound systems of governance, risk management and internal control, consistent with the requirements of the SPFM, have operated for the year ended 31 March 2022 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 three 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 2021-22 is detailed below.

CHIEF EXECUTIVE

The Chief Executive is an ordinary member of the Civil Service Pension Scheme arrangements. The employer’s contribution to the scheme amounted to 30.3% 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, after completion of probation, of three months from employee or employer. The notice period for the Chief Executive is six months.

PHOTO: UNIVERSITY OF STRATHCLYDE



SFC Board Membership for the Period 1 April 2021 to 31 March 2022*				
MEMBER	APPOINTMENT START DATE	APPOINTMENT END DATE	REMUNERATION 2021-22 £'000	REMUNERATION 2020-21 £'000
Dr Mike Cantlay (Chair)	3 Oct 2017	2 Apr 2025	50-55	50-55
Karen Watt (Chief Executive)	14 Jan 2019	-	See page 43	See page 43
David Alexander	3 Oct 2017	2 Oct 2025	10-15	10-15
Sheila Duncan	4 Nov 2019	3 Nov 2023	10-15	10-15
Mhairi Harrington	3 Oct 2017	2 Oct 2025	10-15	10-15
Lorna Jack ¹	4 Nov 2019	3 Nov 2023	10-15	10-15
Professor Ewart Keep	4 Nov 2019	3 Nov 2023	10-15	10-15
Andy Kerr ²	4 Nov 2019	3 Nov 2023	10-15	10-15
Dr Paul Little	4 Oct 2015	3 Oct 2023	10-15	10-15
Professor Peter Mathieson	4 Nov 2019	3 Nov 2023	0-5	5-10
Professor Irene McAra-McWilliam	4 Nov 2019	3 Nov 2023	10-15	10-15
Douglas Mundie (Deputy Chair ¹)	1 Sep 2014	2 Oct 2021	5-10	15-20
Dr Veena O'Halloran	4 Oct 2015	3 Oct 2023	10-15	10-15
Caroline Stuart	4 Oct 2015	3 Oct 2023	10-15	10-15
Professor John Wallace	4 Nov 2019	3 Nov 2023	10-15	10-15
Professor Lesley Yellowlees	3 Oct 2017	2 Oct 2025	10-15	10-15

¹ Lorna Jack took on role as Deputy Chair from Douglas Mundie from October 2021. See SFC Board Membership for the period 1 April 2021 to 31 March 2022
² Andy Kerr temporarily stepped back from the Board in July 2021; please refer to page 39 for further information.

The Chair receives a remuneration of £488.17 per day for a time commitment of two days per week. SFC Board members' attendance at meetings is given on page [36-37].
 As at 31 March 2022 there were 15 Board members of whom eight are females and seven are males.

*Salary and pension entitlements for senior employees						
SINGLE TOTAL FIGURE OF REMUNERATION	SALARY (£'000)		PENSION BENEFITS (TO NEAREST (£1000 ¹))		TOTAL (£'000)	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Karen Watt (Chief Executive)	125-130	125-130	64,000	44,000	190-195	170-175
Martin Boyle (Director of Policy, Insight & Analytics)	90-95	80-85	65,000	161,000	160-165	240-245
James Dunphy (Director of Access Learning & Outcome)	90-95	35-40	36,000	15,000	130-135	50-55
Stuart Fancey (Director of Research & Innovation)	105-110	100-105	37,000	65,000	145-150	165-170
John Kemp (Director of Access Learning & Outcome - on secondment until 1 Jan 2022, left SFC on the 31 Mar 2022) (Note 1)	120-125	- (on secondment all year)	-	-	105-110	-
Lorna McDonald (Director of Finance, left SFC on 9 Nov 2021) (Note 2)	70-75	100-105	25,000	41,000	100-105	145-150
Chris Brown (Interim Director of Finance, Oct21-Apr22) (Note 3)	55-60	-	-	-	-	-

Note 1 – Full Year Equivalent £105k - £110k; 2021/22 includes Voluntary Exit costs (£95k).
 Note 2 – Full Year Equivalent £100k - £105k.
 Note 3 – Full Year Equivalent £130k - £135k (including VAT).

There were no bonus payments or benefits in kind payments made in either FY 2021-22 or FY 2020-21.

Pension information for Senior Employees for the Period 1 April 2021 to 31 March 2022*					
	ACCRUED PENSION AT PENSION AGE AS AT 31/03/21	REAL INCREASE IN PENSION AND RELATED SUM AT PENSION AGE	CETV AT 31/03/21	CETV AT 31/03/20	REAL INCREASE IN CETV
	£'000	£'000	£'000	£'000	£'000
Karen Watt (Chief Executive)	60 - 65 plus a lump sum of 145 - 150	2.5 - 5 plus a lump sum of 0 - 2.5	1,303	1,186	47
Martin Boyle (Director of Policy, Insight & Analytics)	25 - 30 plus a lump sum of 65 - 70	2.5 - 5 plus a lump sum of 2.5 - 5	504	427	47
James Dunphy (Director of Access Learning & Outcome)	0 - 5	0 - 2.5	27	8	12
Stuart Fancey (Director of Research & Innovation)	40 - 45	0 - 2.5	659	595	20
John Kemp (Director of Access Learning & Outcome - on secondment until 1 Jan 2022, left SFC on the 31 Mar 2022)	50 - 55	0	1,014	985	-33
Lorna McDonald (Director of Finance, left SFC on 9 Nov 2021)	15 - 20	0 - 2.5	204	178	15

CIVIL SERVICE PENSIONS

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pension Increase legislation. Existing members of the PCSPS, who were within 10 years of their normal pension age on 1 April 2012, remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to **alpha** have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (**partnership** pension account). Employee contributions are salary-related and range between 4.6% and 8.05% of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for

each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his or her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

CASH EQUIVALENT TRANSFER VALUES

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

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

REAL INCREASE IN CETV

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

CIVIL SERVICE PENSION

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

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

For 2021-22, employers’ contributions of £1,452,172 were payable to the PCSPS (FY 2020-21: £1,397,593) at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands.

The Scheme Actuary reviews employer contributions

usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during FY 2021-22 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

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 and the same ratio for the 25th and 75th percentiles of the organisation’s workforce.

The banded remuneration of the highest-paid director in SFC in the Financial Year 2020-21 was £125,000-130,000 (FY 2019-20: £120,000-125,000). This was 2.92 times (FY 2020-21: 2.93) the median remuneration of the workforce, which was £43,595 (FY 2020-21: £43,407).

The ratio of the highest paid director and the 25th percentile in FY 2021-22 (£36,165) was 3.53. The ratio of the highest paid director and the 75th percentile in FY 2021-22 (£53,123) was 2.40.

The SFC believes the median pay ratio for FY 2021-22 is consistent with the pay, reward and progression policies for the entity’s employees taken as a whole, reflecting the limited range between the 25th and 75th percentiles noted above.

In FY 2021-22, nil (FY 2020-21: nil) employees received remuneration in excess of the highest paid director. Remuneration ranged from £18,936 to £129,406 (FY 2020-21: £18,135 to £126,705). 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.

Remuneration change from prior year

During FY 2021-22, the highest paid director received a 2.1% pay increase (base pay and progression). This compares to the average pay increase for eligible staff of 2.4%. Over 50% of SFC staff are on the pay range maximum which limits the amount of increase that can be made to their pay under SG pay policy.

STAFF REPORT

Staff numbers (including Chief Executive)*				
	YEAR ENDED 31 MARCH 2022			2021
	PERMANENT STAFF	SECONDED AND AGENCY STAFF	TOTAL	TOTAL
Average number of FTE employees	110	3	113	106

Salaries and related costs (excluding Chief Executive)*				
COST OF EMPLOYING STAFF:	YEAR ENDED 31 MARCH 2022			2021
	PERMANENT STAFF	SECONDED AND AGENCY STAFF	TOTAL	TOTAL
	£'000	£'000	£'000	£'000
Wages and salaries	4,894	274	5,169	5,133
Social security costs	563	6	568	602
Other pension costs	1,413	11	1,424	1,381
Apprenticeship levy	12	-	12	12
Voluntary exit	95	-	95	417
Total	6,977	291	7,268	7,545
Secondment	(171)	-	(171)	(246)
Charge to programme funds	(604)	-	(604)	(612)
Admin payroll costs	6,202	291	6,493	6,687

SFC Board Members' Remuneration (including Chair and Chief Executive)*		
	YEAR ENDED 31 MARCH 2022	YEAR ENDED 31 MARCH 2021
	£'000	£'000
Salary and allowances	344	355
Social security costs	29	31
Other pension costs	39	38
Total	412	424

The SFC directly employed 78 females and 45 males as at 31 March 2022. The Chief Executive is a female employee, and there were 4 Directors all of whom were male as at 31 March 2022.

LOANS

Interest free loans are payable to staff for the purchase of season travel tickets or bicycles for use in travel to work. Due to home working being in place during the pandemic no loans were outstanding as at 31 March 2022.

STAFF TURNOVER 2021-22

During the FY 2021-22, 11 staff left SFC. This gives a turnover figure of 9.7% based on the average number of employees in the year (113.5 headcount).

Turnover is calculated on the basis of voluntary resignations, including staff who choose to retire, at whatever age. It does not include the expiry of fixed-term contracts or dismissals.

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.

The 12-month rolling absence figure for the SFC was 2.5% as at 31 March 2022 (as at 31 March 2021: 2.1%). The absence rate for public sector organisations in the same period was 3.0% (ONS Labour Force Survey 2021).

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 and homeworking risk assessments to assess whether further action is needed to 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.

PHOTO: UNIVERSITY OF STIRLING



COMPENSATION FOR LOSS OF OFFICE*

In early 2022 SFC obtained Scottish Government approval to agree the exit of one member of senior staff under the terms of Voluntary Exit under the Civil Service Compensation Scheme. This is a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Under VE terms no additional funding was provided by SFC to top up actuarial reductions where a leaver claimed early payment of their pension.

John Kemp, Director, left under Voluntary Exit terms on the 31 March 2022. He received a compensation payment of £50,000-£100,000.

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

Disclosure of Exit Packages*		
1	EXIT PACKAGE COST BAND	TOTAL NUMBER OF EXIT PACKAGES BY COST BAND
3	£10,000 - £25,000	0
4	£25,000 - £50,000	0
5	£50,000 - £100,000	1
8	Total number of exit packages	1
9	Total cost	£95,000

TRADE UNION FACILITY TIME

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

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

In the period 1 April 2021 to 31 March 2022 we provided the following support through paid facility time for union officials working at SFC. During 2021-22 there were eight employees (full time equivalent of 7.8) who were union officials (FY 2020-21: seven employees; full time equivalent of 6.7). These eight employees spent between 1-50 per cent of their working hours on facility time (FY 2020-21: 1-50 per cent of their time). The total cost of this facility time was £15,215 (FY 2020-21: £14,366), which represents 0.2% (FY 2020-21: 0.2%) of the total staff costs of £6.493 million (FY 2020-21: £6.687 million). 95% (FY 2020-21: 95%) of facility time was spent on trade union activity.

PARLIAMENTARY ACCOUNTABILITY REPORT

REGULARITY OF EXPENDITURE

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

SFC suffered no losses. No special payments were made during financial year 2021-22 (FY 2020-21: £nil). No gifts were made during financial year 2021-22 (FY 2020-21: £nil).

FEES AND CHARGES

SFC applied no fees or charges during financial year 2021-22 (FY 2020-21: nil).

REMOTE CONTINGENT LIABILITIES

SFC has no remote contingent liabilities.

Karen Watt

KAREN WATT
Accountable Officer

02 September 2022



SECTION 3:
INDEPENDENT
AUDITOR'S REPORT

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

REPORTING ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION ON FINANCIAL STATEMENTS

I have audited the financial statements in the annual report and accounts of Scottish Further and Higher Education Funding Council for the year ended 31 March 2022 under the Further and Higher Education (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Government Financial Reporting Manual (the 2021/22 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 2022 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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 18 March 2022. The period of total uninterrupted appointment is one year. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

CONCLUSIONS RELATING TO GOING CONCERN BASIS OF ACCOUNTING

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

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

These conclusions are not intended to, nor do they, provide assurance on the body's current or future

financial sustainability. However, I report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

RISKS OF MATERIAL MISSTATEMENT

I report in my separate Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

RESPONSIBILITIES OF THE ACCOUNTABLE OFFICER FOR THE FINANCIAL STATEMENTS

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

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

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 decisions of users taken on the basis of these financial statements.

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

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

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

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

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

REPORTING ON REGULARITY OF EXPENDITURE AND INCOME

OPINION ON REGULARITY

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

RESPONSIBILITIES FOR REGULARITY

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

REPORTING ON OTHER REQUIREMENTS

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

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

OTHER INFORMATION

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

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

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

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

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

MATTERS ON WHICH I AM REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

CONCLUSIONS ON WIDER SCOPE RESPONSIBILITIES

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

USE OF MY REPORT

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

Pauline Gillen

PAULINE GILLEN
Audit Director

Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

02 September 2022



SECTION 4:
THE FINANCIAL
STATEMENTS

Statement of Comprehensive Net Expenditure for the year ended 31 March 2022			
EXPENDITURE	NOTES	YEAR ENDED 31 MARCH 2022	YEAR ENDED 31 MARCH 2021
		£'000	£'000
Grants paid to HEIs and other bodies	2	1,266,733	1,412,481
Grants paid to colleges and other bodies	2	750,126	734,138
Staff costs	-	6,493	6,687
Depreciation	3	29	29
Amortisation	4	117	67
Other operating charges	5	2,105	1,658
TOTAL		2,025,603	2,155,060
INCOME			
European Social Fund income	7	(11,743)	(2,337)
Income from HEIs and colleges	8	(14,778)	(11,749)
Other grants	9	(7,689)	(22,215)
Other income	10	(382)	(243)
TOTAL		(34,593)	(36,544)
NET EXPENDITURE		1,991,010	2,118,516
COMPREHENSIVE NET EXPENDITURE	SoCTE	1,991,010	2,118,516

There are no recognised gains and losses other than those recorded above.
The notes on pages 62 to 79 form part of these accounts.

Statement of Financial Position as at 31 March 2022			
NON-CURRENT ASSETS	NOTES	31 MARCH 2022	31 MARCH 2021
		£'000	£'000
Property, plant and equipment	3	-	29
Intangible assets	4	43	50
Loans	11	160,473	158,466
TOTAL NON-CURRENT ASSETS		160,516	158,545
CURRENT ASSETS			
Loans	11	11,931	10,763
Trade and other receivables	12	1,942	3,209
Cash and cash equivalents	13	8,135	5,534
TOTAL CURRENT ASSETS		22,008	19,506
TOTAL ASSETS		182,524	178,051
CURRENT LIABILITIES			
Trade and other payables	14	17	70
Other liabilities	14	2,504	1,583
TOTAL CURRENT LIABILITIES		2,521	1,653
ASSETS LESS LIABILITIES		180,003	176,398
TAXPAYERS' EQUITY		180,003	176,398

The financial statements on pages 58 to 61 were approved by the SFC on
and signed on its behalf by:

Karen Watt

KAREN WATT
Accountable Officer

02 September 2022

The Accountable Officer authorised these Financial
Statements for issue on 02 September 2022
The notes on pages 62 to 79 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2022			
CASH FLOWS FROM OPERATING ACTIVITIES	NOTES	YEAR ENDED 31 MARCH 2022	YEAR ENDED 31 MARCH 2021
		£'000	£'000
Net operating costs		(1,991,010)	(2,118,516)
Adjustments for non-cash transactions			
Depreciation and amortisation charges	3&4	147	96
Increase in long term debtors	11	(3,175)	(54,795)
Movements in working capital			
(Increase)/decrease in trade and other receivables	12	1,266	(7)
Increase/(decrease) in trade and other payables	14	868	214
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(1,991,904)	(2,173,008)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets	4	(111)	(41)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(111)	(41)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grant-in-aid	6	1,976,676	2,143,838
Other Scottish Government grants	6	1,180	1,180
Other Government grants	6	16,760	28,583
NET CASH INFLOW FROM FINANCING ACTIVITIES		1,994,616	2,173,601
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,600	551
Cash and cash equivalents at 1 April 2021	13	5,534	4,983
Cash and cash equivalents at 31 March 2022	13	8,135	5,534
NET INCREASE/(DECREASE) IN CASH		2,601	551

The notes on pages 62 to 79 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2022		
CHANGES IN TAXPAYERS' EQUITY 2021-22	NOTES	YEAR ENDED 31 MARCH 2022
		£'000
Balance as at 1 April 2021		176,398
Scottish Government grant-in-aid funding	6	1,976,676
Other Scottish Government grants	6	1,180
Other Government grants	6	16,760
Comprehensive net expenditure for the year		(1,991,010)
BALANCE AT 31 MARCH 2022		180,003
CHANGES IN TAXPAYERS' EQUITY 2020-21		
Balance as at 1 April 2020		121,313
Scottish Government grant-in-aid funding	6	2,143,838
Other Scottish Government grants	6	1,180
Other Government grants	6	28,583
Net expenditure		(2,118,516)
BALANCE AT 31 MARCH 2021		176,398

The Taxpayers' Equity balance includes £172,404,000 (2020-21: £169,229,000) in respect of loans advanced to institutions (note 11).

The notes on pages 62 to 79 form part of these accounts.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022

1. ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accounts have been prepared under the historical cost convention and in accordance with UK adopted International Accounting Standards as adapted and interpreted by the Government Financial Reporting Manual (FRm). 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 FRm apply UK adopted International Accounting Standards as adapted or interpreted for the public sector context. Where the FRm 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 FRm AMENDMENTS

There have been only a few changes in FRm requirements in 2021-22, mostly in respect of the Remuneration Report. For Financial Year 2020-21, SFC applied the addendum to the 2020-21 FRm which permitted organisations to omit the performance analysis section from the Performance Report. This addendum does not apply for Financial Year 2021-22 therefore SFC will produce a full Performance Report.

GOING CONCERN

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

SIGNIFICANT JUDGEMENTS AND ESTIMATES

In preparing these accounts the SFC makes certain judgements on key areas of income, expenditure and assets which are detailed in the Accounting Policies stated below. Where estimates have been made, for example in the useful life of an asset, the SFC considers that none have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

RECOVERY OF GRANTS

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

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

FINANCIAL TRANSACTIONS

SFC accounts for financial transaction loans to HEIs at cost rather than amortised cost. The impact of the recognition of the loan values at 31 March 2022 correctly (if accounted for at amortised cost in line with International Reporting Standard (IFRS) 9) would be to reduce the value of the loans. This is not a material amount for the SFC annual accounts. However, we anticipate continuing to receive this form of funding from the Scottish Government and so we will keep this decision under review to determine whether adjustment would be appropriate at some future date.

EUROPEAN SOCIAL FUND INCOME

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

PROPERTY, PLANT AND EQUIPMENT

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

The useful lives are as follows:

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.

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.

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 should be initially recognised at fair value and thereafter at amortised cost. However, the loan cost has been used as a reasonable estimate of the carrying value of loans as the amortised cost would not be materially different. These are disclosed in note 11.

LOANS

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

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

STATEMENT OF COMPREHENSIVE NET EXPENDITURE

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

OPERATING LEASE CHARGES

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

PENSION COSTS AND OTHER POST-RETIREMENT BENEFITS

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

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

SHORT-TERM EMPLOYEE BENEFITS

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

FINANCIAL GUARANTEES

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

IFRS ISSUED BUT NOT EFFECTIVE

International Accounting Standard (IAS) 8 on Accounting Policies requires organisations to disclose details of any IFRS that has been issued but is not yet effective. At 31 March 2022 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 this lease liability at present value is £3.1m. IFRS 16 will be adopted on 1 April 2022.

2. GRANTS PAID TO INSTITUTIONS AND OTHER BODIES

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

The most recently available accounts for institutions are to 31 July 2021. Grants to institutions for the period up to 31 March 2022 are yet to be verified by institutions and their auditors to ensure that grant-in-aid receipts from the SFC

have been used for their intended purpose. Any material differences arising, which are related to the regularity of grant-in-aid for the period covered by these accounts, will be subject to adjustment in subsequent financial years. Subject to the above, grant-in-aid receipts received from the sponsor department have been applied for their intended purpose.

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

c) Distribution of funds

GRANTS PAID TO HEIS AND OTHER BODIES	YEAR ENDED 31 MARCH 2022	YEAR ENDED 31 MARCH 2021
	£'000	£'000
Recurrent grants	895,938	914,365
Capital grants	370,795	498,116
TOTAL	1,266,733	1,412,481

GRANTS PAID TO COLLEGES AND OTHER BODIES	YEAR ENDED 31 MARCH 2022	YEAR ENDED 31 MARCH 2021
	£'000	£'000
Recurrent grants	595,783	575,756
Bursary and student support payments	132,026	136,149
Capital and major works	22,317	22,233
TOTAL	750,126	734,138

3. PROPERTY, PLANT AND EQUIPMENT

HISTORIC COST	FURNITURE AND FITTINGS	ICT	OTHER EQUIPMENT	TOTAL
	£'000	£'000	£'000	£'000
At 1 April 2021	144	310	27	481
Additions	-	-	-	-
Disposals	-	-	-	-
AT 31 MARCH 2022	144	310	27	481
DEPRECIATION				
At 1 April 2021	115	310	27	452
Provided during the year	29	-	-	29
Disposals	-	-	-	-
AT 31 MARCH 2022	144	310	27	481
NET BOOK VALUE				
AT 31 MARCH 2022	-	-	-	-
At 1 April 2021	28	-	-	28
HISTORIC COST				
At 1 April 2020	144	310	27	481
Additions	-	-	-	-
Disposals	-	-	-	-
AT 31 MARCH 2021	144	310	27	481
DEPRECIATION				
At 1 April 2020	87	310	27	424
Provided during the year	29	-	-	29
Disposals	-	-	-	-
AT 31 MARCH 2021	116	310	27	453
NET BOOK VALUE				
AT 31 MARCH 2021	28	-	-	28
At 1 April 2020	57	-	-	57

4. INTANGIBLE ASSETS

Intangible assets comprise IT software and software licences.

HISTORIC COST	IT	SOFTWARE LICENCES	TOTAL
	£'000	£'000	£'000
At 1 April 2021	1,240	120	1,360
Additions	112	-	112
Disposals	-	-	-
AT 31 MARCH 2022	1,352	120	1,472
AMORTISATION			
At 1 April 2021	1,191	120	1,311
Provided during the year	118	-	118
Disposals	-	-	-
AT 31 MARCH 2022	1,309	120	1,429
NET BOOK VALUE			
AT 31 MARCH 2022	43	-	43
At 1 April 2021	50	-	50
COST			
At 1 April 2020	1,199	120	1,319
Additions	41	-	41
Disposals	-	-	-
AT 31 MARCH 2021	1,240	120	1,360
AMORTISATION			
At 1 April 2020	1,124	120	1,244
Provided during the year	67	-	67
Disposals	-	-	-
AT 31 MARCH 2021	1,191	120	1,311
NET BOOK VALUE			
AT 31 MARCH 2021	49	-	49
At 1 April 2020	75	-	75

5. OTHER OPERATING CHARGES

	YEAR ENDED 31 MARCH 2022	YEAR ENDED 31 MARCH 2021
	£'000	£'000
Operating leases – property rental	259	259
Accommodation costs	230	214
Council members' remuneration	412	424
Other support costs	631	475
Professional services	16	113
Staff recruitment and training	151	45
Legal costs	67	26
Travel and subsistence		
– Council members	1	-
– Staff	2	-
Internal Audit Fee	35	
External Audit fee	77	75
Equipment and consumables	201	16
Hospitality costs		
– Council members	-	-
– Staff	-	-
Publication costs	21	11
Conference costs	2	-
Committee costs	-	-
TOTAL	2,105	1,658

6. GOVERNMENT GRANT-IN-AID RECEIVED

FUNDS FROM SCOTTISH GOVERNMENT FOR	YEAR ENDED 31 MARCH 2022	YEAR ENDED 31 MARCH 2021
	£'000	£'000
HEI and other bodies	871,205	888,356
HEI capital	346,700	451,199
Financial transactions	3,138	55,000
Colleges and other bodies	713,419	714,561
Colleges Capital	33,700	26,909
Council running costs	8,514	7,813
TOTAL	1,976,676	2,143,838
OTHER SCOTTISH GOVERNMENT GRANTS		
Sabhal Mòr Ostaig	1,180	1,180
OTHER GOVERNMENT GRANTS		
Funds from Department for Business, Energy and Industrial Strategy (DBEIS) for Research Capital	16,760	28,583

7. INCOME FROM EUROPEAN SOCIAL FUND (ESF)

	YEAR ENDED 31 MARCH 2022	YEAR ENDED 31 MARCH 2021
	£'000	£'000
ESF income received – colleges programme	10,745	2,337
ESF income received – HEIs programme	985	-
Total	11,730	2,337
ESF income received – SFC running costs	13	-
TOTAL	11,743	2,337

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

8. INCOME FROM HIGHER EDUCATION INSTITUTIONS AND COLLEGES

	YEAR ENDED 31 MARCH 2022	YEAR ENDED 31 MARCH 2021
	£'000	£'000
Clawback from colleges	14,635	7,793
Clawback from higher education institutions	143	3,956
TOTAL	14,778	11,749

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

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

9. OTHER GRANTS

	YEAR ENDED 31 MARCH 2022	YEAR ENDED 31 MARCH 2021
	£'000	£'000
Department for Business, Energy and Industrial Strategy (DBEIS)	-	13,216
Other grant income	7,689	8,999
TOTAL	7,689	22,215

10. OTHER INCOME

	YEAR ENDED 31 MARCH 2022	YEAR ENDED 31 MARCH 2021
	£'000	£'000
Finance income	382	243
TOTAL	382	243

11. LOANS

	YEAR ENDED 31 MARCH 2022	YEAR ENDED 31 MARCH 2021
BALANCES DUE WITHIN ONE YEAR	£'000	£'000
University of Aberdeen	286	286
University of Abertay	716	716
University of Dundee	1,082	1,082
University of Edinburgh	1,655	1,655
Edinburgh Napier University	21	21
University of Glasgow	1,000	1,000
Glasgow School of Art	500	500
Heriot-Watt University	629	629
Queen Margaret University, Edinburgh	169	168
The Robert Gordon University	408	408
University of St Andrews	950	950
University of Stirling	389	390
University of Strathclyde	2,364	1,567
SRUC	1,226	827
University of the Highlands & Islands	491	491
University of the West of Scotland	45	73
TOTAL	11,931	10,763

BALANCES DUE AFTER ONE YEAR		
West Lothian College	2,211	2,211
University of Aberdeen	3,142	3,428
University of Abertay	9,542	10,258
University of Dundee	13,936	15,018
University of Edinburgh	7,949	9,604
Edinburgh Napier University	-	21
University of Glasgow	7,000	8,000
Glasgow School of Art	9,000	9,500
Heriot-Watt University	3,908	4,537
Queen Margaret University, Edinburgh	2,570	2,739
The Robert Gordon University	4,436	4,844
University of St Andrews	4,671	5,621
University of Stirling	13,147	13,537
University of Strathclyde	54,691	51,116
SRUC	16,145	9,371
University of the Highlands & Islands	7,864	8,355
University of the West of Scotland	261	306
TOTAL	160,473	158,466
TOTAL	172,404	169,229

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 non-interest 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.

The SFC also offers flexibility in grant payments

to colleges encountering financial liquidity challenges. This includes providing cash advances. The SFC provided a repayable advance of £5.54 million to West Lothian College in April 2007, to enable the college to voluntarily terminate its PFI contract, at which point the title of the college buildings transferred to the college. The £5.54 million advance is interest free and was originally repayable in equal instalments over 16 years. The first repayment was made in August 2010 and at 31 March 2022 the amount outstanding was £2.21 million. In March 2014 the college made an upfront repayment of £650,000 towards the loan and negotiated a reduced annual repayment with the SFC from April 2015. In 2020 the SFC agreed to the suspension of repayments on the loan from July 2021 to July 2025 inclusive, recommencing in July 2026. As a result, the loan period has been extended to July 2039.

12. TRADE AND OTHER RECEIVABLES

	YEAR ENDED 31 MARCH 2022	YEAR ENDED 31 MARCH 2021
	£'000	£'000
Prepayments and accrued income	404	269
Institutions clawback	1,533	2,712
Other HEI balances	-	45
Other college balances	-	24
Other debtors	6	159
TOTAL	1,943	3,209

13. CASH AND CASH EQUIVALENTS

	YEAR ENDED 31 MARCH 2022	YEAR ENDED 31 MARCH 2021
	£'000	£'000
Funds held at Government Banking Service accounts	8,118	5,519
Funds held at commercial banks	17	15
TOTAL	8,135	5,534

14. TRADE AND OTHER PAYABLES

	YEAR ENDED 31 MARCH 2022	YEAR ENDED 31 MARCH 2021
	£'000	£'000
Trade payables	17	70
Other liabilities	2,504	1,583
TOTAL CURRENT LIABILITIES	2,521	1,653

15. CAPITAL AND NON-CAPITAL COMMITMENTS

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

Grants committed to be paid to HEIs and other bodies		
GRANT FOR DISTRIBUTION	31 MARCH 2022	31 MARCH 2021
	£'000	£'000
Recurrent grant	261,905	265,619
Capital grants	135,703	135,553
TOTAL	397,608	401,172

Grants committed to be paid to colleges and other bodies		
GRANT FOR DISTRIBUTION	31 MARCH 2022	31 MARCH 2021
	£'000	£'000
Recurrent grant	213,315	195,849
Student support payments	54,780	54,199
Capital grants	24,200	16,136
Unitary charge	9,767	9,767
TOTAL	302,062	275,951

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

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

16. COMMITMENTS UNDER LEASES

OPERATING LEASES

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

Obligations under operating leases comprise		
EQUIPMENT	31 MARCH 2022	31 MARCH 2021
	£'000	£'000
Not later than one year	2	3
Later than one year and not later than five years	-	-
TOTAL	2	3
BUILDINGS		
Not later than one year	259	259
Later than one year and not later than five years	1,035	1,035
Later than five years	1,057	1,315
TOTAL	2,351	2,609

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.

17. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

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

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

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

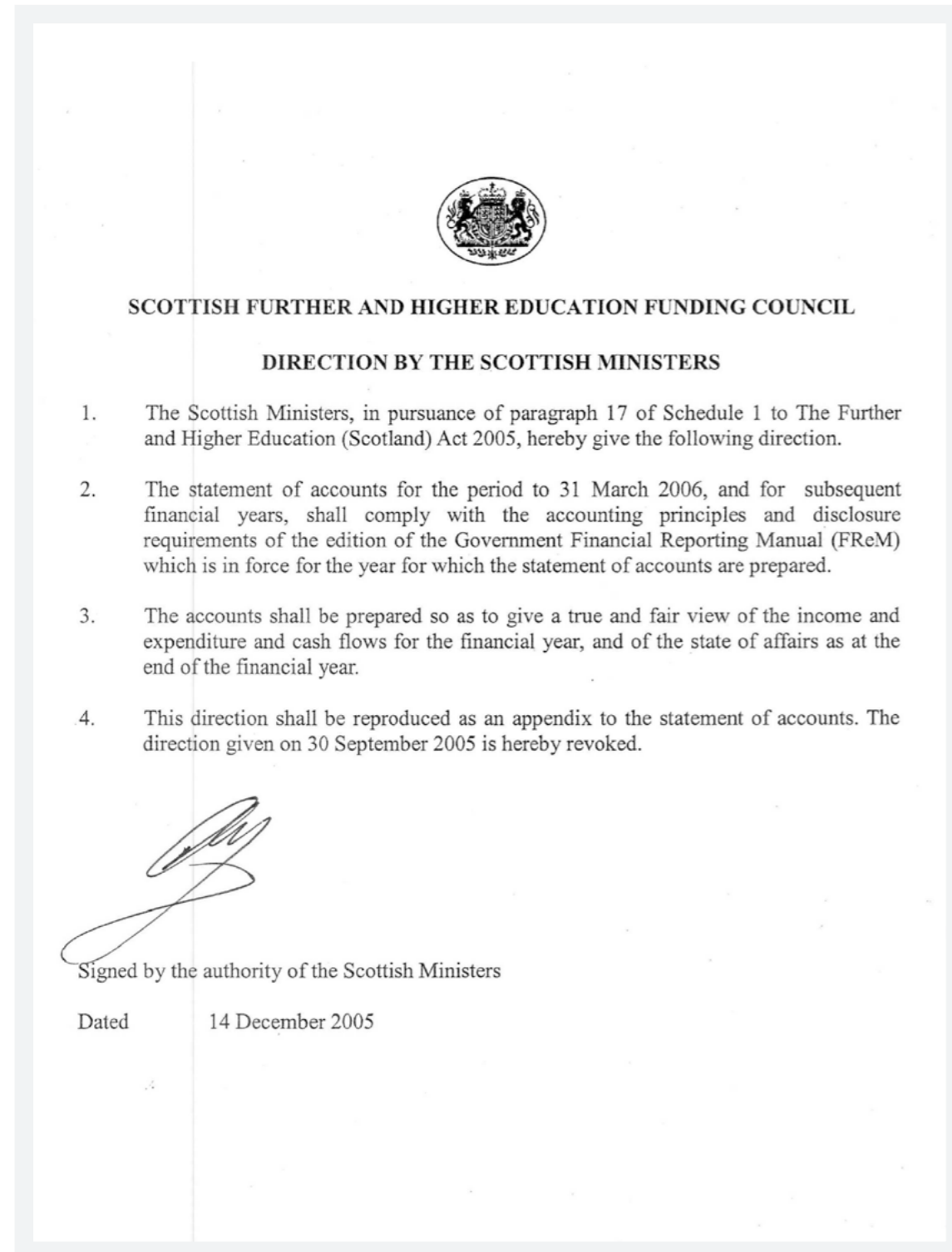
18. INTRA-GOVERNMENT BALANCES

Intra-government balances				
	TRADE RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR	TRADE RECEIVABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	TRADE PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR	TRADE PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR
	£'000	£'000	£'000	£'000
2021-22				
Balances with other Central Government bodies	6	-	14	-
Balances with bodies external to Government	1,936	-	2,507	-
AT 31 MARCH 2022	1,942	-	2,521	-
2020-21				
Balances with other Central Government bodies	314	-	254	-
Balances with bodies external to Government	2,895	-	1,399	-
AT 31 MARCH 2021	3,209	-	1,653	-

19. FINANCIAL INSTRUMENTS

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

APPENDIX 1: DIRECTION BY THE SCOTTISH MINISTERS



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

DISTRIBUTION OF GRANT-IN-AID FROM THE SCOTTISH GOVERNMENT

Grants paid to colleges, regions and other bodies		
COLLEGE/REGIONS	YEAR ENDED 31 MARCH 2022	YEAR ENDED 31 MARCH 2021
	£'000	£'000
Forth Valley	30,529	27,880
West Lothian	17,933	17,072
Dumfries and Galloway	14,729	13,952
Borders	12,908	12,440
Edinburgh	70,188	66,716
Highlands and Islands	69,041	68,225
Ayrshire	53,941	55,904
West College Scotland	61,405	63,318
Glasgow Colleges' Regional Board	168,641	158,606
Fife	57,577	53,234
New College Lanarkshire Regional Board	72,453	73,573
Dundee and Angus	44,646	44,487
North East College Scotland	49,799	49,721
SRUC	13,357	13,072
Newbattle	1,393	2,607
Sabhal Mòr Ostaig	2,175	2,757
Open University in Scotland ¹	166	1,000
Total grant distributed to colleges	740,881	724,564
Total grant distributed to other organisations	9,245	9,574
TOTAL GRANT DISTRIBUTED	750,126	734,138

¹ Flexible Workforce Development Fund

Grants paid to HEIs and other bodies		
UNIVERSITY OR COLLEGE	YEAR ENDED 31 MARCH 2022	YEAR ENDED 31 MARCH 2021
	£'000	£'000
Aberdeen	80,784	93,297
Abertay	22,254	24,046
Dundee	86,936	97,648
Edinburgh	197,532	239,243
Glasgow	175,388	204,619
Glasgow Caledonian	78,737	81,141
Glasgow School of Art	14,304	15,757
Heriot-Watt	48,885	56,830
Edinburgh Napier	66,041	68,565
Open University in Scotland	28,323	28,137
Queen Margaret Edinburgh	20,618	20,152
Robert Gordon	54,626	53,112
Royal Conservatoire of Scotland	13,275	13,953
St Andrews	42,567	52,696
Stirling	51,927	57,907
Strathclyde	112,824	127,712
Highlands and Islands	52,159	56,128
West of Scotland	77,886	81,727
SRUC	20,680	23,495
Dumfries and Galloway College	-	8
Glasgow Colleges' Regional Board	-	9
Sabhal Mòr Ostaig ²	419	467
Total grant distributed to institutions	1,246,165	1,396,649
Total grant distributed to other organisations	20,569	15,832
TOTAL GRANT DISTRIBUTED	1,266,733	1,412,481

²Gaelic Dictionary



Scottish Funding Council
Comhairle Maoinachaidh na h-Alba

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