

# SFC Corporate publication

Annual Report and Accounts 2012-13



Scottish Funding Council

Promoting further and higher education

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## Foreword



The way we interact with the colleges and universities we fund is rapidly evolving to meet the changing needs of learners, businesses and wider Scottish society.

This year, therefore, has been one of transition to new ways of going about our business as a funding council. This foreword aims to give some indication of the transformation achieved during 2012-13 and to describe the benefits this will have for the future. Details of SFC's longer-term planning can be found in the Scottish Funding Council's Strategic Plan 2012-2015.

The introduction of outcome agreements for universities and college regions has possibly been the most fundamental and defining element of our transformation programme. Outcome agreements make much clearer the relationship between the provision of public funds and their intended benefits. They allow outcomes to be better understood by institutions and everyone with a stake in Scotland's university and college sectors, including learners, researchers, industry, government and tax payers. Their introduction for academic year 2012-13 was a significant undertaking for both the funding council and the sectors. The fact we were able to publish outcome agreements for all 19 universities, 13 college regions and three specialist, national institutions (SRUC, Newbattle Abbey College and Sabhal Mòr Ostaig) was a milestone for funding reform. At the time of writing, we are about to publish a full set of outcome agreements for 2013-14 with targets across a wider set of activities and more detailed definitions of the expectations we have for the public funding of the sectors.

In the university sector the priorities we have for outcomes have been backed by investments to increase universities' impact on the economy. Working with universities, industry and supported by our public sector partners at Highlands and Islands Enterprise and Scottish Enterprise we have developed the concept of Innovation Centres and made our first investment of £28 million for the first three

Centres. As the programme develops to involve more of Scotland's key industry sectors we want this fusion of academic and entrepreneurial innovation to create real economic growth for Scotland. We have worked in a similar way to take forward the idea of a 'single knowledge exchange organisation' that will make it much easier for small and medium-sized businesses to engage with universities in future.

Against the background of decreasing opportunities for young people during a time of recession we have also focussed on supporting access to a university education from a wider spectrum of society. To this end we invested just over £10 million for additional places to support widening access, creating an additional 2,000 university places for young people from backgrounds where there are barriers to participation in higher education.

The fact that half these new places are aimed at college students wanting to go on to university demonstrates once again the value of a funding council that spans both sectors - an arrangement unique to Scotland. Scotland's colleges have an enviable record in reaching learners from all strata of society. By facilitating their progress from college to university in this way we hope to make a significant contribution to breaking down the barriers many people still face in reaching their potential. In total, we have invested over £30 million in widening access programmes this year and, through outcome agreements with both sectors, will continue to work towards our aspirations for Learning for All.

In the college sector we have enthusiastically embraced the challenges of a regionalisation programme to create 13 new college regions. 2012 saw the mergers of three colleges to become the new City of Edinburgh College and Scotland's three land-based colleges joined together to become SRUC, Scotland's Rural College. We are currently working towards a further four completed mergers for August 2013 with a further four on track for later in the year.

The changes outlined above have required a fundamental remodelling of the way the Scottish Funding Council is organised and, of course, we are not immune to the pressures of budget reduction across the public sector. We have had to reduce our staffing to meet cuts in our own budget and have restructured ourselves root and branch to be able to respond effectively to the demands of post-16 reform.

Once again, the overall picture of our activity is one where we have worked hard to meet the demands of a changing environment and achieve the best outcomes for our investments in colleges and universities.

I commend the 2012-13 report and accounts to you and I hope you will find much to interest and inform you in the following pages.

A handwritten signature in black ink, reading "John F. McClelland". The signature is written in a cursive style with a large initial 'J' and 'M'.

John F McClelland CBE, Chair

## **Interim Chief Executive and Accountable Officer's Report**



### **Change of Accountable Officer**

Following the resignation of Mark Batho, the Chief Executive and Accountable Officer, Laurence Howells, the Senior Director for Skills, Research and Knowledge Exchange became Interim Chief Executive and Accountable Officer on 26 April 2013.

### **The Scottish Further and Higher Education Funding Council**

The Scottish Further and Higher Education Funding Council (SFC) was established on 3 October 2005, under the terms of the Further and Higher Education (Scotland) Act 2005. SFC is a Non-Departmental Public Body (NDPB) of the Scottish Government and, as such, its work is governed by the terms of a Management Statement and Financial Memorandum agreed with its sponsor directorate – the Scottish Government Employability, Skills and Lifelong Learning Directorate (SGESLLD). The Council is financed by grant-in-aid from its sponsor directorate's Parliamentary account.

The Council's main statutory responsibilities are to secure:

- Coherent provision by the college and university sectors of high quality further and higher education
- The undertaking of research

The Council does this by:

- Developing and negotiating outcome agreements with colleges and universities
- Developing policies and strategies which support Scottish Government priorities, meet its statutory duties, and contribute to the Council's vision and Strategic Plan objectives for further and higher education

- Implementing policies and strategies through its investment of public funds in colleges and universities
- Ensuring that the quality of teaching is enhanced and assessed – working with colleges, universities, student representative bodies and the quality assurance agencies (Education Scotland in the college sector and the Quality Assurance Agency (QAA) in the university sector)
- Monitoring the financial health and sustainability of colleges and universities in order to safeguard the interests of learners, the public investment of funds, and the reputation of further and higher education in Scotland
- Collecting, evaluating and publishing relevant statistical data and other evidence about further and higher education
- Providing advice to the Scottish Government on further and higher education and other relevant issues

The Council also provides resources to colleges to support students on further education programmes. Funding for students on higher education programmes is provided by another body: the Student Awards Agency for Scotland (SAAS).

### **Strategic Plan priorities**

Following a period of consultation with colleges, universities and other stakeholder bodies, the Council submitted a draft Strategic Plan to the Scottish Government setting out its priorities for the period 2012-15. The Plan was approved by the Cabinet Secretary for Education and Lifelong Learning in September 2012 and was published on the Council's website [www.sfc.ac.uk/about-us/strategic-plan/strategic-plan.aspx](http://www.sfc.ac.uk/about-us/strategic-plan/strategic-plan.aspx)

The Plan contains eight priority outcomes that the Council is seeking to achieve with Scotland's colleges and universities – and the actions that it will take to help achieve the outcomes.

### **Outcome agreements with Scottish colleges and universities for academic year 2012 – 13**

The Scottish Funding Council introduced outcome agreements as a way of negotiating universities' and college regions' contribution to national priorities in return for public funding.

Set out below is an overview of outcome agreements for each sector for academic year 2012-13.



## College Regions

Within their outcome agreements college regions agreed to deliver 2.1 million WSUMS, meeting the target set by the Cabinet Secretary for Education and Lifelong Learning in his letter to the Scottish Funding Council on 25 January 2012. Overall, across the college sector, 70 million hours of learning are to be delivered in academic year 2012-13.

Seventy per cent of the activity secured through regional outcome agreements is for young people aged between 16 and 24. This is in line with the Scottish Government's aim of enhancing the opportunities for education and training for this priority group. This commitment sees colleges making their contribution, in partnership with other agencies, to *Opportunities for All* and playing an important part in giving Scotland's young people the strongest start in working life and mitigating the risks of youth unemployment.

The life chances and employment opportunities of those studying at college are being further improved through colleges' commitment to increase the proportion of courses leading to a nationally recognised qualification.

The 2012-13 outcome agreements show colleges making determined steps to become more efficient through seven mergers, two federations and excellent progress towards structural change in other regions.

### Summary of progress

Each outcome agreement reflects the learner and employer needs, demographics and economic context unique to each college region. Consequently the priorities for progress are different in each agreement.

To reflect this, some of the specific impacts in each of the individual college regions are highlighted in the table below.

Region	Summary of agreement
<b>Ayrshire</b>	<p>To meet the Government guarantee for 16 to 19 year olds and to deliver 13,000 additional WSUMS targeted at 16-19 year olds within a total WSUMS target of 161,000.</p> <p>To create a new regional Ayrshire college by August 2013, serving the communities of South, East and North Ayrshire from the constituent partners; Ayr College, Kilmarnock College and James Watt College (North Ayrshire Campuses)</p> <p>To work with colleges in West Region over transfer of Kilwinning campus to</p>

	<p>Ayrshire.</p> <p>Funding for the region for teaching was £29.3 million, student support £8.2 million and capital maintenance £1.3 million.</p>
<b>West</b>	<p>To have a broad curriculum on each campus including the provision of entry level courses and support for the Government's guarantee for 16 to 19 year olds. The WSUMS target for the West Region was 205,000.</p> <p>To create a new West Region college through the merger of Clydebank College, James Watt College (Inverclyde) and Reid Kerr College by August 2013.</p> <p>To work with colleges in Ayrshire Region over the transfer of Kilwinning campus to Ayrshire.</p> <p>Funding for the region for teaching was £37.6 million, student support £9.9 million and capital maintenance £1.8 million.</p>
<b>Dumfries and Galloway</b>	<p>To deliver within a total target of 39,000, 2,200 additional WSUMS prioritised and targeted to sustain provision for 16-24 year olds.</p> <p>To maintain provision and breadth of the curriculum in Stranraer.</p> <p>To contribute to the development and delivery of the Crichton Academic Strategy.</p> <p>Funding for the region for teaching was £7.8 million, student support £2.0 million and capital maintenance £0.3 million.</p>
<b>Glasgow</b>	<p>To actively support delivery to the Government's guarantee groups through prioritisation of places for 16 -24 year olds within a WSUMS target of 430,000.</p> <p>To meet learner needs by providing appropriate learning opportunities, skills and qualifications and thereby contribute to fewer young people being without work in the region.</p> <p>To achieve an efficient regional structure that meets the needs of Glasgow and Scotland.</p> <p>To realise the aspiration that, by August 2013 or soon after, there will be three colleges in Glasgow working with a body that will strategically guide all provision in the city.</p> <p>Funding for the region for teaching was £76.7 million, student support £17.6 million and capital maintenance £3.9 million.</p>
<b>Lanarkshire</b>	<p>To deliver a WSUMS target of 195, 000 in academic year 2012-13.</p> <p>To work with partners to support the delivery of the Government's</p>

	<p>guarantees for all young people. To further improve learner retention, achievement and progression levels through the delivery of relevant, high quality, accessible learning which will help people find work and continue to develop in their jobs.</p> <p>To develop a robust four-way federation in 2012-13 that will deliver the efficiencies required to maintain institutional sustainability in Lanarkshire and the quality of delivery in the future.</p> <p>Funding for the region for teaching was £34.9 million, student support £8.4 million and capital maintenance £1.6 million.</p>
<b>Highlands and Islands</b>	<p>To deliver over 8 per cent more activity to the 16-24 age group in 2012-13 within a WSUMS target of 144, 000 which included an additional 8,500 WSUMS for strategic growth.</p> <p>To deliver achievements in retention and learner achievement.</p> <p>To develop a region-wide strategy of employer engagement for key 4 industry sectors including renewables, energy and life science.</p> <p>Funding for the region for teaching was £31.5 million, student support £7.3 million and capital maintenance £1.5 million.</p>
<b>North East</b>	<p>To deliver, as a region, 171, 000 WSUMS in 2012-13.</p> <p>To develop a jointly planned curriculum which has learners at the centre, is aligned to identified demand and which prioritises provision suitable for 16-24 year olds in support of the Scottish Government’s guarantee of training for all 16-19 year olds.</p> <p>To progress towards a federal structure for Aberdeen College and Banff &amp; Buchan College leading to increased efficiency in delivering learning and an enhanced learner experience.</p> <p>To further strengthen planned articulation within the region.</p> <p>Funding for the region for teaching was £29.8 million, student support £7.7 million and capital maintenance £1.4 million.</p>
<b>Tayside</b>	<p>To meet the Government’s guarantee of Opportunities for All and sustain and improve the proportion of activity for 16 -19 year olds and 20-24 year olds delivering a WSUMS target of 129,000.</p> <p>To undertake an options appraisal between merger or federation with a decision in September 2012.</p> <p>This to be partly achieved through the ambitions of the New College Learning Programme funded by Skills Development Scotland for which an additional 324 places were planned.</p>

	<p>Funding for the region for teaching was £23.9 million, student support £6.3 million and capital maintenance £1.1 million.</p>
<b>West Lothian</b>	<p>To ensure, in partnership with the Local Authority and its community partners, that over 73% of 42,000 WSUMS is targeted at 16-24 year olds.</p> <p>To grow the percentage of full-time enrolments from within the 16-24 age group by 5 per cent from 80 to 85 per cent by 2014-15.</p> <p>To plan with regional partners to reduce the estimated number of 2,000 young people not in a positive destination by 50 per cent by 2014-15.</p> <p>To develop a business plan with West Lothian Council that creates efficiencies and supports wider community engagement.</p> <p>Funding for the region for teaching was £7.6 million, student support £1.7 million and capital maintenance £0.4 million.</p>
<b>Edinburgh and Lothians</b>	<p>To create the new Edinburgh College through a merger of Edinburgh's Telford College, Jewel &amp; Esk College and Stevenson College Edinburgh by October 2012.</p> <p>To deliver through the new college a total of 248,000 WSUMS.</p> <p>To introduce new provision at SCQF level 3-4 targeted at young people as part of a commitment to increase the number of young people enrolled at the college.</p> <p>To begin the process of reorienting the curriculum around five key industry hubs, working closely with the Edinburgh Community Planning Partnership and local employers.</p> <p>To continue plans to manage student flows with Borders College and West Lothian College and continue the work of the joint curriculum planning group.</p> <p>Funding for the region for teaching was £43.3 million, student support £9.5 million and capital maintenance £2.1 million.</p>
<b>Borders</b>	<p>To contribute to the Scottish Government's Opportunities for All guarantee through the provision of 33,000 WSUMs, 82 per cent of which will be targeted at learners aged 16-24.</p> <p>To ensure that employability skills are embedded into 100 per cent of full-time college programmes and will provide a work experience opportunity for at least 70 per cent of SFC-funded learners and 100 per cent of SDS College Learning Programme students.</p> <p>Funding for the region for teaching was £6.6 million, student support £1.8</p>

	<p>million and capital maintenance £0.3 million.</p>
<b>Forth Valley</b>	<p>To deliver 111,000 WSUMS in academic year 2012-13.</p> <p>To increase the range of opportunities available to 16-24 year olds by working with an employer base of 2,000 companies and making 80 per cent of Modern Apprenticeships available for 16-19 year olds.</p> <p>To increase the number of opportunities for young people on their Get Ready for Work activity by 20 per cent and engage 240 new learners (16-19) on the New College Learning Programme.</p> <p>Funding for the region for teaching was £19.2 million, student support £3.2 million and capital maintenance £0.9 million.</p>
<b>Specialist institutions</b>	<p><b>Scotland's Rural College</b></p> <p>To deliver 32,000 WSUMS of non-advanced college provision within the new rural university college. Land based higher education provision (over 5,951 WSUMS) will be transferred to HE funding and reported under outcome agreements for universities.</p> <p>To create, by October 2012, a national tertiary university college with taught and research degree awarding powers through the merger of Barony College, Elmwood College, Oatridge College and the Scottish Agricultural College. This represents a significant step towards the development of a rural university college for Scotland.</p> <p>Funding for SRUC's non-advanced provision for teaching was £6.5 million, student support £1.9 million and capital maintenance £0.5 million.</p> <p><b>Newbattle Abbey College and Sabhal Mòr Ostaig</b></p> <p>To ensure the colleges' contribution to national priorities whilst recognising their unique mission as specialist institutions.</p> <p>Funding for Newbattle Abbey College was £0.5 million for teaching and 0.3 million for student support. Sabhal Mòr Ostaig would receive teaching funding of £0.6 million and £25,631 for student support.</p>

College regions

By the end of 2013, it is expected that colleges will be organised around 13 regions of which 10 regions will contain a single college, 1 multi college and 2 regions will be a federation of colleges.

	Region	Regional structure	Colleges involved	Name of College	Planned merger Date
1	Forth Valley	Single college	Forth Valley	Forth Valley	N/A
2	West Lothian	Single college	West Lothian	West Lothian	N/A
3	Dumfries and Galloway	Single college	Dumfries and Galloway	Dumfries and Galloway	N/A
4	Borders	Single college	Borders	Borders	N/A
5	Edinburgh and Lothians	Single college	Edinburgh's Telford Jewel and Esk Stevenson	Edinburgh College	01 October 2012
6	Highlands and Islands	Multi college	Inverness Lews Castle Moray North Highland Argyll College Perth Orkney Shetland West Highland	Inverness College UHI Lews Castle College UHI Moray College UHI North Highland College UHI Argyll College UHI Perth College UHI Orkney College UHI Shetland College UHI West Highland College UHI	N/A
7	Ayrshire	Single college	Ayr Kilmarnock James Watt (North Ayrshire campuses)	Ayrshire College	1 <sup>st</sup> August 2013
8	West	Single college	Reid Kerr Clydebank James Watt (Greenock campus)	West College Scotland	1 <sup>st</sup> August 2013
9	Glasgow	Federation	Cardonald Annie'sland Langside North Glasgow Stow John Wheatley City of Glasgow	Glasgow Clyde College  TBC City of Glasgow College	1 <sup>st</sup> August 2013  1st November 2013 01 September 2010
10	Fife	Single college	Adam Smith Carnegie	Fife College	1st August 2013
11	Lanarkshire	Federation	Cumbernauld Motherwell Coatbridge South Lanarkshire	New College Lanarkshire Coatbridge College South Lanarkshire College	1st November 2013  N/A
12	Tayside	Single college	Dundee Angus	Dundee and Angus College	1st November 2013
13	Aberdeen and Aberdeenshire	Single college	Aberdeen Banff & Buchan	North East Scotland College	1st November 2013

1. Argyll College is not a separate fundable body and is funded through North Highland College.
2. Barony, Elmwood and Oatridge Colleges merged with the Scottish Agricultural College on 1 October 2012 to form SRUC a new higher education institution focussed on rural and land-based education.
3. Newbattle Abbey College and Sabhal Mor Ostaig are funded directly by the SFC.

## Universities

In line with the Scottish Government's pre-legislative paper, Putting Learners at the Centre, and the Cabinet Secretary's letter of guidance to the Scottish Funding Council these first agreements focus on the following main priorities:

- Access to higher education for people from the widest possible range of backgrounds
- Improved HEI/industry collaboration and the more effective exploitation of research

Universities were also asked to have regard for certain other key areas, namely:

- Efficiency of the learner journey and high levels of retention
- International competitiveness of research
- Equality and diversity

A guiding principle for outcome agreements both now and in the future is that they should allow institutions to highlight their own corporate priorities and support differentiation across the sector. This recognition of the importance of individual missions was welcomed by the sector.

Adherence to this principle explains the variation of presentation, content and approach across the spectrum of 2012-13 agreements. We have attempted to provide a broad overview of the outcome agreements along with a description of what has been achieved against the main priorities that were identified by the Cabinet Secretary.

## Overview

- Universities were asked to maintain and, where possible, increase the number of places for Scottish domiciled and EU students available in 2011-12
- Most universities set targets for the recruitment of students from the most deprived 20 and 40 per cent category within the Scottish Index of Multiple Deprivation (the shorthand we use for this is SIMD 20/40). Others set their targets in the context of other relevant measures of disadvantage
- Universities also set targets to maintain or improve retention of SIMD 20/40 students - and indeed to continue to focus on retention rates of students from all backgrounds
- Universities agreed to engage with the development of the Single Knowledge Exchange Organisation for Scotland

- Universities agreed to adopt the Easy Access to Intellectual Property initiative (EAIP) and display available EAIP opportunities for businesses on the University Technology website
- A commitment for additional science, technology, engineering and mathematics (STEM) provision was secured from institutions receiving additional funded places for these subjects
- All universities with STEM departments agreed to achieve the Athena Swan Bronze Award within two years
- All Scottish universities providing courses in nursing indicated that they would work with other nursing education providers regionally and nationally to develop plans for provision that address potential reductions in the national number of nursing places
- Universities agreed to advise SFC at the earliest possible stage of any planned changes in provision

### **Access for people from the widest possible range of backgrounds**

We have worked with the university sector to better demonstrate progress in widening access both for those learners residing within the most deprived postcodes and for learners from protected characteristic groups. As part of this effort we have strengthened our support for contextualised admissions within outcome agreements and have made new investment available specifically for those learners who reside in the 40% most deprived neighbourhoods. Outcome agreements have also been employed to help focus the retention effort of different institutions and ensure the equality of outcomes for different groups of learners.

To support more efficient learner progression from college into and through higher education we have continued to invest in more places for learners to articulate from college to university to ensure full recognition of prior attainment and no loss of learning time.

Underpinning this effort, and recognising the diversity of learners, we have continued to invest in initiatives which support participation in further and higher education for a wide range of groups including, for example, those learners with additional support needs, those that need the assistance of adaptive technologies and those who are or were looked after.



## **HEI/industry collaboration: Knowledge exchange**

The activities identified by each of the institutions in their outcome agreements were aimed at an improved translation of skills and knowledge into business and industry to enhance the exploitation of the Scottish research base.

The outcome agreements covered a wide range of knowledge exchange activities. These included the extension of continuing professional development (CPD) opportunities, increasing the licensing of intellectual property, knowledge transfer partnerships, increased exploitation of SFC innovation vouchers, and an increase in industry-funded studentships, and growth in spin-out companies.

The variation in the targets and outcomes identified across the sector reflected the strengths, preferences and focus of each of the institutions in enhancing knowledge exchange activity.

The Scottish Funding Council identified the adoption of Easy Access Intellectual Property (EAIP) and continued engagement with the development of the Single Knowledge Exchange Organisation as the priorities for 2012-13. SFC intended to monitor progress in the adoption of EAIP and the display of available EAIP on the University Technology website.

The consultation on the report of the joint SFC, Universities Scotland Working Group on the Single Knowledge Exchange Organisation closed in late October 2012 and SFC subsequently developed an implementation plan that takes into account the consultation's findings.

All institutions committed to either continuing or enhancing their existing work with SMEs. Some had strategies in place; others agreed to develop strategies for engaging more Scottish SMEs and for enhancing the effectiveness of the engagements, including follow-on work with companies.

### **Pattern of Provision**

A priority for 2012-13 university outcome agreements was that institutions should at least maintain the same total number of places for Scottish domiciled and EU students that were available in 2011-12. This was successfully secured, as was the commitment to additional science, technology, engineering and mathematics (STEM) provision for universities in receipt of additional funded places for these subjects.

Additional places for the Crichton Campus were to be delivered with the campus's partner institutions in line with the revised strategy for Crichton.

Additional places for the University of the Highlands and Islands (UHI) were to be used to increase UHI's portfolio of academic awards, ensuring that the range remains appropriate to regional need and that there is demonstrable growth in academic provision available at SCQF levels 9-11. In addition, the number of academic programmes available at each individual Academic Partner site was to be increased.

In the context of the potential vulnerability of modern language provision and the value to graduates of having the capacity to communicate in a second language, SFC outcome teams explored the scope for extending opportunities for language training beyond students following modern language courses. While institutions recognised the importance of modern languages there was limited scope for provision to be extended beyond the opportunities that were already in place. SFC intend to continue to explore possibilities for extending modern language provision beyond those majoring in modern languages.

### **Learner journey and retention**

Where appropriate, HEIs agreed targets for improved retention or maintaining their current levels of retention. Institutions set targets for improved retention for SIMD 20/40 with the aim of improvement, and over time, of bringing this into line with their overall retention levels.

### **Research**

With submissions to the Research Excellence Framework (REF) being made in 2013, the Council did not require institutions to set out detailed plans for their research activity in the 2012-13 outcome agreements. However, several HEIs took the opportunity to identify research targets, including increased research grant income, increased numbers of PhD studentships and, where appropriate, increases in the number of staff holding PhDs. Reflecting current SFC policy, all committed to focusing their Research Excellence Grant on world-leading and internationally excellent research.

While institutions would be focused on preparations for the Research Excellence Framework (REF) in 2014, SFC agreed to continue to offer opportunities for institutions to capture their ambitions for improved research in the outcome agreements for 2013-14.

### **Equality and Diversity**

All institutions were aware of the equalities legislation requirement to publish a set of equality outcomes by April 2013.

In meeting their gender equality duties all institutions with STEM departments committed themselves to achieve the Athena Swan Bronze Award within two years. Institutions already holding the Athena Bronze Award committed to working towards Silver and Gold Awards. While the Athena Swan Awards are focused on STEM departments, a number of institutions would be working to extend policies and benefits underpinning the Athena Swan Awards across all disciplines.

### **The entrepreneurial and employability skills of graduates**

The Scottish Government's Economic Strategy outlines a vision for Scotland as a nation delivering world-class scientific achievement, a magnet for talent and commercial investment, and a powerhouse of technology underpinned by innovation and enterprise. With research and innovation central to increasing international competitiveness and to driving Scotland's economic performance, the parallel development of a workforce with high-level skills is essential to sustaining the vision of a knowledge-based economy.

The Scottish Funding Council supported several initiatives to encourage the development of entrepreneurial and employability skills and had encouraged universities to continue their considerable efforts in this area. SFC will consider additional ways in which it could support higher education institutions in developing the entrepreneurial and employability skills of graduates and will focus more on this during the outcome agreement negotiations for 2013-14.

### **Key performance indicators**

The Council and other bodies, such as the Scottish Government and the Higher Education Statistics Agency (HESA), publish regularly a wide range of indicators and measures about further and higher education, and research in Scotland. The following is a selection of key performance indicators which relate to the Council's main statutory duties and responsibilities. The indicators measure performance from 2007-08 onwards.

During 2013-14, the Council intends to develop a strategic performance management report, containing key performance indicators for the Council and the sectors. This report will inform the selection of indicators in future Annual Reports and Accounts.

### **Volume of Council funded provision**

This is a measure of the Council's effectiveness in allocating resources and applying conditions of grant to achieve the target planned numbers of students and activity set by the Scottish Government. It also measures the responsiveness of colleges and

universities to the minimum target student numbers set by the Council.

### **Colleges**

Weighted Student Units of Measurement (WSUMs) of Council funded student provision (compared to Scottish Government targets)<sup>1</sup>

2007-08	2,377,718	Exceeded target by 2.4%
2008-09	2,405,761	Exceeded target by 3.6%
2009-10	2,440,782	Exceeded target by 3.3%
2010-11	2,446,149	Exceeded target by 2.2%
2011-12	2,326,885	Exceeded target by 1.9%

**Source:** SFC Further Education Statistics (FES)

### **Universities**

Full-Time Equivalent (FTE) of Council funded student provision (compared to Scottish Government targets)<sup>2</sup>

2007-08	144,580	Exceeded target by 2.0%
2008-09 <sup>3</sup>	149,664	Exceeded target by 3.3%
2009-10	154,924	Exceeded target by 6.9%
2010-11	154,441	Exceeded target by 7.8%
2011-12	152,846	Exceeded target by 0.3%

**Source:** SFC Early Statistics Return (ESR)

Since 2007-08, the college and university sectors have achieved or exceeded Scottish Government targets.

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<sup>1</sup> For a course leading to a recognised vocational qualification in a college, one student unit of measurement (SUM) relates directly to one module or credit in the course. For other courses that do not lead to recognised qualifications, one SUM equates to 40 hours of student learning. SUMs are then weighted to reflect the differing costs of courses in different subjects (WSUMs). A Further Education course that delivers at least 18 credits (SUMs) qualifies for a full-time tariff of 20 SUMs whilst a Higher Education course that delivers at least 12 credits qualifies for a full-time tariff of 15 SUMs.

<sup>2</sup> FTE is the unit by which provision of education in universities is measured. A full-time course or research study involves the student in an average of at least 21 hours study a week for periods of at least 25 weeks per year. A student on a full-time course has an FTE conversion factor of one.

<sup>3</sup> The Council assumed responsibility for funding the Scottish Agricultural College (SAC) on 1 August 2007. The figures for 2007-08 do not, therefore, include SAC.

## External research income

These are measures of the volume and percentage share of external research income won by Scottish universities and indicate the competitiveness of Scotland's research relative to the rest of the UK.

	<b>External research income (£M)</b>	<b>As a share of total UK external research income</b>	<b>As a share of total income of Scottish higher education institutions (HEIs)</b>	<b>Ratio of external research income to Council quality-based research funding</b>
2007-08	492	13.2%	19.8%	2.57
2008-09	574	13.9%	21.6%	2.86
2009-10	601	13.8%	21.4%	2.85
2010-11	613	13.8%	21.4%	2.88
2011-12	610	13.5%	21.5%	2.86

**Source:** HESA Financial Statistics Return and SFC Main Grant Letters.

The figures show that Scottish universities are maintaining a high share of UK research grant income, and are successful in leveraging Council funding.

## Knowledge exchange income to universities

This is a measure of the income generated by universities in Scotland from knowledge exchange activities.

Income (£M):

	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11<sup>4</sup></b>	<b>2011-12</b>
Industry, commerce and public bodies	89	97	85	85	89
Other external research grant and contract income	79	95	98	96	111

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<sup>4</sup> The figure for 2010-11 does not include the Scottish Agricultural College.

Consultancy and CPD income	132	136	142	127	140
Licensing income	8	7	7	8	7
Proof of concept income	3	5	3	2	1
Other knowledge transfer income	22	18	25	44	39
<b>Total income</b>	<b>333</b>	<b>358</b>	<b>360</b>	<b>362</b>	<b>387</b>
Deflated <sup>5</sup>	334	348	346	336	354
Proportion of Gross Value Added (GVA)	0.3%	0.3%	0.4%	0.3%	0.4%

**Source:** SFC Knowledge Transfer Metrics Return.

Total income grew year-on-year between 2007-08 and 2011-12.

### **Financial sustainability**

These are measures which, taken together, show the effectiveness of the management of institutional resources to achieve long-term financial sustainability. The measures are calculated from information supplied in institutions' published financial statements; the figures are sector-wide. Some 2010-11 ratios have been updated to reflect restatement of 2010-11 figures in the 2011-12 financial statements.

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<sup>5</sup> Deflated using Retail Price Index (RPI) series with 2007 as the base year.

## **Colleges**

Operating surplus/(deficit) as a percentage of total income:

<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11*</b>	<b>2011-12*</b>
1.4%	0.2%	3.3%	(4.4%)	0.0%

Reliance on public sector income as a percentage of total income:

<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11*</b>	<b>2011-12*</b>
73.5%	74.4%	75.3%	75.6%	73.5%

Borrowing as a percentage of total income:

<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11*</b>	<b>2011-12*</b>
8.1%	7.9%	7.4%	9.9%	10.4%

Liquidity (net cash expenditure days)

<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11*</b>	<b>2011-12*</b>
115	80	104	107	110

\*2010-11 and 2011-12 figures exclude Adam Smith College

## **Universities**

Operating surplus as a percentage of total income:

<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
1.3%	0.5%	1.3%	3.3%	2.9%

Reliance on public sector income as a percentage of total income:

<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
61.0%	60.3%	60.3%	58.6%	56.1%

Borrowing as a percentage of total income:

<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
13.1%	11.8%	11.8%	12.2%	14.9%

Liquidity (net cash expenditure days)

<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
79	79	78	95	108

In terms of institutions' operating surplus or deficit, in the college sector, the 2011-12 results were impacted adversely by one-off restructuring and estates-related costs, as in 2010-11. In the university sector, operating surplus as a percentage of income improved in 2010-11, mainly due to increased overseas fee income, after remaining fairly constant in prior years; 2011-12 results were broadly consistent with 2010-11.

Reliance on public sector income in the college sector has stayed fairly constant over recent years at around 73 - 75% of total income. In the university sector, this ratio has reduced slightly in 2010-11 and 2011-12, mainly attributable to the generation of additional fee income. Overall college sector borrowing is fairly low with many colleges having nil borrowing. There are higher levels of borrowing in the university sector, which have remained relatively consistent over recent years though 2011-12 saw an increase in sector borrowing.

Liquidity has improved in the college sector since 2008-09 despite significant capital programmes at many colleges. The university sector was constant over the period 2007-08 to 2009-10 and has improved significantly in the last two years<sup>6</sup>.

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<sup>6</sup> **Source:** Consolidation of annual accounts from colleges and universities.



## **Quality of learning provision**

This is a measure of the quality of learning in colleges and universities; every college is reviewed in a four-year cycle by Education Scotland and every university in a four-year cycle by Quality assurance Agency (QAA) Scotland. The information presented below accounts for review activity to date in the last cycle, which spans academic year (AY) 2008-09 to AY 2011-12. During that cycle, both Education Scotland and QAA reported their judgments in terms of 'confidence' statements. The judgment could be:

- Confident
- Limited confidence
- Not confident

Caveats could be added to any statement without, however, substantially changing the overall judgement.

### ***Colleges***

In colleges, Education Scotland carried out external review and provided judgements which relate to the key principles of high quality learning, student engagement and quality culture. In addition, each external review reported on college strengths, main points for action, and signposted, sector-leading practice or excellence.

In the review cycle for academic years 2008-12, all colleges achieved confidence in the Education Scotland external review; there were no limited confidence or not confident outcomes.

### ***Universities***

Following an Enhancement-led Institutional Review (ELIR) in the university sector, QAA Scotland provided a single confidence statement on an institution's management of academic standards, and on the assurance and enhancement of the student learning experience.

Each ELIR report also provided a commentary on: the effectiveness of the institution's management of the student learning experience; the effectiveness of the institution's arrangements for institution-led monitoring and review of quality and academic standards of awards; and the effectiveness of the institution's implementation of its strategic approach to quality enhancement.

In the review cycle for academic year 2008-12, all higher education institutions achieved confidence in QAA Enhancement-led institutional review; there were no limited confidence or not confident outcomes.

Overall, these results confirm the soundness of the quality of learning in Scottish colleges and universities. Scottish colleges and universities are committed to offer high quality learning, and the underpinning ethos of quality assurance and enhancement ensures that both sectors continually strive to improve the learning experiences they provide.

### ***From Academic Year 2012-13***

The Council undertook an update of the quality arrangements for both sectors in preparation for the four-year quality cycle, beginning 1 August 2012, and published guidance for both sectors<sup>7</sup> Both QAA and Education Scotland will now provide judgments in terms of effectiveness, that is – effective/limited effectiveness/not effective.

In AY 2012-13 QAA will carry out two ELIRs, and Education Scotland will undertake five external reviews, the outcomes of which will be reported in next year's Annual Report and Accounts.

In consideration of the level of change and the challenges of the regionalisation agenda in the college sector, four of these reviews are bespoke (in terms of being based on potential risk and focussed on a small number of specified themes); one college opted to have a full review. Education Scotland and QAA will publish the review reports on their websites.

The Council's Quality, Equalities and General Purposes Committee receive regular updates and reports on quality in both sectors.

### **Efficiency of the Council's operations**

This is a measure of the efficiency of the Council's operations.

Running cost expenditure expressed as a percentage of programme expenditure (excluding one-off accommodation refurbishment and dilapidation costs):

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<sup>7</sup> For colleges - <http://www.sfc.ac.uk/newsinformation/Circulars/2012/SFC1312.aspx> and for HEIs - <http://www.sfc.ac.uk/newsinformation/Circulars/2012/SFC1412.aspx>

	<b>Running-cost expenditure (£'000)</b>	<b>Programme expenditure (£'000)</b>	<b>Percentage</b>
2007-08	8,452	1,829,583	0.46%
2008-09	8,857	1,762,747	0.50%
2009-10	8,666	1,915,037	0.45%
2010-11	9,126	1,905,858	0.48%
2011-12	8,277	1,661,627	0.50%
2012-13	7,967	1,686,671	0.49%

The figures show that the Council's running-cost expenditure has remained at 0.5% or below of programme cost expenditure since 2007-08.

### **Openness and transparency**

The Council is committed to the principles of openness and transparency in its work and seeks to publish – in an accessible form – as much information about its functions, decisions and operations as is reasonably possible.

The Freedom of Information (Scotland) Act 2002 requires every Scottish public authority to adopt and maintain a Publication Scheme, and publish information in accordance with that scheme. A copy of the Council's Publication Scheme can be found on the Council's website at [www.sfc.ac.uk/aboutthe\\_council/our\\_conduct/about\\_conduct\\_access.aspx](http://www.sfc.ac.uk/aboutthe_council/our_conduct/about_conduct_access.aspx).

The volume of information requests remained steady with 39 recorded information requests between 1 April 2012 and 31 March 2013. There were four reviews but no cases were appealed to the Scottish Information Commissioner. General enquiries through the website email account remain steady, numbering between 100-150 in each of the last four years.

### **Equal opportunities**

The Council is committed to equality of opportunity in its employment and operational practices. As an employer, it considers employment applications from all sections of the community against the specific requirements of each post, appointing and promoting on the basis of merit. This commitment to equality is also applied to the Council's staff in terms of training and development opportunities and through the terms and conditions of employment that the Council practices.

The Council has developed a single Equalities Scheme and Action Plan which sets out how it will meet its legal duties in relation to race, disability and gender equality and in relation to other equalities issues. In line with the requirements of the Equality Act

2010 and the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 we have provided the following information on our website:

Equality outcomes  
A mainstreaming report  
Staff equality information  
An equal pay audit report.

This material can be found at the following link:

[http://www.sfc.ac.uk/aboutus/our\\_conduct/Equality.aspx](http://www.sfc.ac.uk/aboutus/our_conduct/Equality.aspx)

### **Investors in People**

Investors in People (IiP) is a national quality standard which sets a level of good practice for improving an organisation's performance through its people. The Council was reassessed and successfully awarded IiP in July 2010.

The Council continues to promote individual training and development linked to organisational goals, as it believes that this plays a key part in organisational performance and the retention and motivation of staff.

### **Employee involvement**

Staff involvement is actively encouraged as part of day-to-day management. Staff are kept advised of the Council's activities through de-briefings following Council meetings, regular meetings between staff and management and through seminars on the work of colleagues and stakeholders. Information on the activities of the Council and its various committees is available to all staff. Formal and informal consultation with the trade union is carried out on a regular basis. During 2012-13 staff contributed to a biennial staff survey, the results of which are feeding in to improved human resources and organisational development approaches that will be implemented during 2013-14.

### **Sustainability Report**

#### **Summary**

The Council plays a significant role in funding learning and research in Scotland's universities and colleges which addresses the interlinked challenges of environmental protection, economic development and social justice. Specifically during 2012-13, the Council established a programme to fund a small number of large-scale carbon reduction projects in Scottish universities, with the key expectations of achieving a step change in university carbon emissions, to fund

flagship/demonstrator projects utilising cutting-edge and novel technologies, and to stimulate the Scottish economy and construction industry.

The following sets out our arrangements and activities over the past year to embed sustainable development in our corporate activity.

### **Sustainable Development Co-ordination Group**

The Council has a staff group - Sustainable Development Co-ordination Group - to co-ordinate work on sustainability across the organisation. In 2011 this Group took on responsibility for the Council's Carbon Management Plan (CMP). The Group receives team updates and discusses how to embed the issues within the policies and activities of the Council. It is chaired by the Assistant Director, Learning Governance and Sustainability.

The Board of the Council receives an annual report on SFC's activities in support of sustainable development. The report presented in November 2012 covered sustainable development in SFC policies and processes, carbon management by further and higher education institutions, and carbon management at SFC. It included recommendations for developing and strengthening the Council's response to its public body duties under the Climate Change Act, and that the SFC Carbon Management Plan should prioritise reducing office electricity use in the coming year.

As part of the staff engagement work, and in line with Scottish Government guidance, staff are encouraged to switch off their lights during 'Earth Hour'.

## SFC Carbon Management Plan

The Council developed a Carbon Management Plan with support from the Carbon Trust early in 2011. The plan is overseen by the SD Co-ordination Group. Information on the elements of the plan is given below (the Council has no scope 1 disclosure).

	2012/13 per SFC Carbon Management Plan, June 2011		2011/12	
		CO2 (tonnes per annum)		CO2 (tonnes per annum)
Energy Scope 2	399,069kWh	218.16	457,068kWh	249.85
Waste Scope 3	4635 bags	19.93	7489 bags	32.21
Travel Scope 3	147,511 miles	22.73	157,466 miles	25.15

### Energy

Overall our energy usage during 2012-2013 has decreased by 12%. Our total usage this year was 218.16 tonnes of CO2 (2011 -12: 249.85). These statistics are based on apportioned electricity costs. Floor level metering was installed in 2012 but the landlord has not commenced with the individual tenant monitoring of consumption as yet.

### Information Systems

Information Systems continues to implement virtualisation technology using power efficient servers provided through the Procurement Scotland collaborative arrangement for IT hardware. Implementing virtualisation has allowed the Council to continue savings on CO2 emissions and power consumption by reducing its server estate from 28 to 8 physical servers. It is also worth noting the 8 servers are now hosted across the Council's local site and the new Saughton Data Centre, thus delivering a significant improvement in ICT resilience and continuity.

### Waste

Our paper consumption in 2012 -13 was 545,000 sheets. This was due to a large purchase near the end of the year. The average over a 3 year period was 483,500 sheets. Although our consumption has risen by 21% over the previous year,

compared to our baseline figures for 2004-2005, our consumption has now fallen by 63%.

**Recycling of paper in 2012-13 was 4.85 tonnes (2011-12: 6.71 tonnes).**

During 2012-13 we recycled 40.5kgs of aluminium cans (2011-12: 43.5kgs) and 162kgs of plastic bottles and tetra drinks cartons (2011-12: 141kgs), giving a saving on waste to landfill. Facilities are still in place to recycle glass and business cardboard, however these services are run by the landlord for all tenants of the building and we have no data for these.

Total waste for 2012-13 was 25 tonnes, of which 5.05 tonnes (20%) was recycled an increase of 2% on 2011-12.

**Water**

There is no means of measuring our water consumption in the building and the landlord has no plans at present to introduce measurement of water consumption.

**Travel**

Travel is broadly consistent with last year. Air travel has reduced but car mileage has increased due to the additional travel to institutions that has been necessary during the year.

**Corporate Responsibility**

Volunteering: our policy allows each member of staff three days' paid leave per year to engage in voluntary work. Examples include staff serving as trustees on charity boards, overseas development and conservation work. This is not being picked up by many members of staff and a campaign to promote this option will be considered.

We support various charities, through book collections, coffee mornings, sponsorship etc – these include Lifeboats and MacMillan.

Biodiversity: We have a duty to protect biodiversity. We only use cleaning products which do not harm the environment and recycle all of our printing products.

Health and well-being: we encourage staff to lead healthy lives and to maintain a good work – life balance. Policies include bicycle loan, flexible working and subsidised on-site acupuncture massage.

Sustainable procurement: we are familiar with the Sustainable Procurement Action Plan for Scotland. The majority of our procurement in 2012-13 is carried out using Scottish and UK-wide collaborative government contracts which contain

sustainability criteria. Specifically we have made several purchases from companies within the Scottish Government Supported Business Framework. We also include a weighting in our procurement tenders for Corporate Responsibility.



## **Remuneration Report for the year ended 31 March 2013**

The sections marked '\*' in this Remuneration Report have been audited by Grant Thornton. The other sections of the Remuneration Report were reviewed by Grant Thornton to ensure that they were consistent with the financial statements.

### **Remuneration policy**

A Remuneration Committee reviews and determines, on an annual basis and within the context of budgetary constraints and Scottish Government guidance, the remuneration of the Chief Executive and senior staff of the executive. The Committee also confirms the remuneration and annual increase for the Chair and Council members by implementing Scottish Government guidance.

Current membership consists of the Chair of the Council and four other non-executive members of the Council.

### **Chair and Council members**

The remuneration of the Chair and Council members is reviewed annually by the Scottish Government. There is no performance-related element apart from that which may be offered to the Chief Executive. In 2012-13 Chief Executives of NDPBs were subject to a pay freeze.

Members of the Council are appointed by Scottish Ministers and have a collective responsibility for the proper conduct of the Council's affairs. Council membership during 2012-13 is detailed on page 34.

**\*Council membership for the period 1 April 2012 to 31 March 2013**

Following John McClelland's appointment to the role of Chair of Skills Development Scotland, Paul McKelvie took on some of John McClelland's engagements to allow for a small reduction in the Chair's weekly time commitment to the Council, and their remuneration was adjusted accordingly.

<b>Member</b>	<b>Appointment start date</b>	<b>Appointment end date</b>	<b>Remuneration year ended 31 March 2013 £</b>	<b>Remuneration year ended 31 March 2012 £</b>
John McClelland CBE (Chair)	3 October 2005	2 October 2013	34,866	34,866
Mark Batho	8 September 2008	25 April 2013	see page 38	See page 38
Ian Adam	3 October 2005	2 October 2011	-	5,778
Dr Lindsay Burley	16 October 2006	15 October 2013	11,556	11,556
Robin Crawford	3 October 2009	2 October 2017	11,556	11,556
Audrey Cumberford	3 October 2009	2 October 2017	11,556	11,556
Alison Jarvis	17 November 2008	3 October 2015	11,556	11,556
Professor Maggie Kinloch*	16 March 2012	3 October 2015	12,038	-
Dr Janet Lowe CBE	3 October 2005	2 October 2013	11,556	11,556
Dr Dominic McKay	10 December 2007	9 December 2011	-	11,556
Paul McKelvie OBE	10 December 2007	3 October 2015	19,902	19,902
Ian Murning TD	3 October 2005	2 October 2011	-	5,778
Professor Anton Muscatelli#	16 March 2012	3 October 2015	12,037	-
Dr Keith Nicholson#	16 March 2012	3 October 2015	12,037	-
Professor Albert Rodger	3 October 2009	2 October 2017	11,556	11,556
Alan Stannett	10 December 2007	3 October 2015	11,556	11,556
Marlene Wood#	16 March 2012	3 October 2015	12,038	-

# Reflects payment from 16 March 2012

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

	<b>Year ended 31 March 2013 £'000</b>	<b>Year ended 31 March 2012 £'000</b>
Salary and allowances	312	274
Social security costs	28	25
Other pension costs	28	29
	<b>368</b>	<b>328</b>

## Council members' attendance at meetings

Council members attending Council and Committee meetings	Council 7 in year	Quality, Equality and General Purposes 4 in year	Audit and Compliance 4 in year	Investment 2 in year	Research and Knowledge Exchange 5 in year	Skills 3 in year	Remuneration 4 in year	Access and Inclusion 4 in year
John McClelland CBE	5c	4c		2c			4c	
Mark Batho	7	4		2				
Professor Anton Muscatelli	6							
Dr Lindsay Burley	6	4	1	2		2	4	
Robin Crawford	7		4c	2				
Audrey Cumberford	5			1				3
Alison Jarvis	6	4		1			4	4c
Dr Janet Lowe CBE	5			2		2		
Dr Keith Nicholson	4		1		3 of 3			
Paul McKelvie	7(2c)	3		2		3c	3	
Professor Maggie Kinloch	5							2
Professor Albert Rodger	6			2	5c			
Alan Stannett	6	3	4	2			3	
Marlene Wood	7		3	1				
c = Chairperson								

In addition to the above, Council members chair other forums, serve on other working parties and attend meetings on behalf of the Council.

## **Chief Executive**

The Chief Executive's salary is reviewed in line with Scottish Government policy. The Chief Executive may receive a bonus recommended by the Remuneration Committee, subject to approval by the Scottish Government, which reviews performance against an annual personal responsibility plan agreed by the Chair.

The Chief Executive is an ordinary member of the Principal Civil Service Pension Scheme (PCSPS). The employer's contribution to the scheme amounted to 24.3% 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 of three months from employee or employer.

**\*Salary and pension entitlements for senior employees**

<b>Salary entitlements (in bands of £5,000)</b>		
	<b>Year ended 31 March 2013 £'000</b>	<b>Year ended 31 March 2012 £'000</b>
Mark Batho, Chief Executive <sup>8</sup>	<b>125-130</b>	115-120
Martin Fairbairn, Senior Director – Institutions and Corporate Services	<b>105-110</b>	100-105
Laurence Howells, Senior Director – Skills, Research and Knowledge Exchange	<b>105-110</b>	100-105
Riona Bell, Director – Finance and Corporate Resources <sup>9</sup>	<b>N/A</b>	85-90
John Kemp, Director – Strategic Development <sup>9</sup>	<b>N/A</b>	75-80
Paul Hagan, Director – Research and Innovation <sup>9</sup>	<b>N/A</b>	95-100
Band of highest paid employee's total remuneration	<b>125-130</b>	115-120
Median total	<b>32,487</b>	32,724
Ratio	<b>3.95</b>	3.6

<sup>8</sup> The Chief Executive received no salary increase. In line with our accounting policy, the 2012-13 figure includes an accrual for the balance of annual leave as at 31 March 2013.

<sup>9</sup> The SFC has reviewed the senior employees whose salaries are disclosed in the remuneration report. The senior management structure of the executive was reviewed during the year. There is an Executive Team comprising the Chief Executive and two Senior Directors and salary disclosure is required for these staff only.

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

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

	<b>Real increase in pension and related lump sum at pension age</b>	<b>Total accrued pension at pension age as at 31 March 2013 and related lump sum</b>	<b>CETV at 31 March 2013</b>	<b>CETV at 31 March 2012 or start date</b>	<b>Real increase in CETV</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Mark Batho Chief Executive	0-2.5 plus lump sum of 0-2.5	50-55 plus lump sum of 160-165	1,098	1,033	3
Martin Fairbairn Senior Director	0-2.5 plus lump sum of 0-2.5	25-30 plus lump sum of 75-80	428	395	9
Laurence Howells Senior Director	0-2.5 plus lump sum of 0-2.5	40-45 plus lump sum of 125-130	885	833	4

Senior staff of the executive are in the 'Classic Scheme', 'Classic Plus Scheme', 'Premium Scheme' or 'Nuvos', which are part of the Principal Civil Service Pension Scheme (PCSPS).

Columns 3 and 4 of the table show the members' CETVs accrued at the beginning and the end of the reporting year.

### **Cash Equivalent Transfer Value**

A Cash Equivalent Transfer Value (CETV) is the capital value of the pension and is worked out using guidance provided by the scheme actuary. It is an assessment of what it costs the scheme to provide these pension benefits.

### **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 or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement).

### **Civil service pensions**

Pension benefits are provided through the Civil Service pension arrangements for staff employed directly by the Council and also for Scottish Government staff seconded to the Council and paid through the Council's payroll.

The PCSPS is an unfunded multi-employer defined benefit scheme but the Council is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation

[www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)

For 2012-13, employer's contributions of £791,573 (2011-12 £879,934) were payable to the PCSPS at one of four rates in the range of 16.7% to 24.3% of pensionable pay, 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 2012-13 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £5,019 (2011-12: £13,871) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of



pensionable pay. In addition, employer contributions of £367 (2011-12: £867), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £5,019 (2011-12: £13,871).

Signed on behalf of the Council

A handwritten signature in dark ink, appearing to read "Laurence Howells". The signature is written in a cursive, slightly slanted style.

Laurence Howells  
Accountable Officer

Date: 28 June 2013

## **Management Commentary**

**for the year ended 31 March 2013**

### **Statement of Comprehensive Net Expenditure**

The Council's funding grant disbursements and operating costs for the year ended 31 March 2013 are contained in the attached accounts, prepared under a direction issued by the Scottish Ministers in accordance with paragraph 17 of Schedule 1 to the Further and Higher Education (Scotland) Act 2005. The accounts comply with the accounting principles and disclosure requirements of the Government Financial Reporting Manual (FReM).

The Council's net expenditure for the year was £1,694,875,000 (2011-12: £1,669,904,000). Grants are disbursed and expenditure incurred in relation to the Council's Strategic Plan priorities.

The running cost expenditure of the Council for the year was £7,967,000 (2011-12: £8,277,000) being staff costs of £5,641,000 (2011-12: £5,738,000) (note 4), other operating charges of £2,090,000 (2011-12: £2,296,000), depreciation of £104,000 (2011-12: £126,000) (note 6) and amortisation costs of £132,000 (2011-12: £117,000) (note 7).

The Council undertook a voluntary severance scheme during the year and conducted a major restructuring of its staff in order to align staff resources with the new outcome agreements approach and at the same time accommodate a reduction in its running cost budget.

Other operating income totalled £15,124,000 (2011-12: £11,302,000). This relates mainly to the clawback of grant income from institutions of £6,800,000 (2011-12: £4,624,000) and European Social fund income of £7,258,000 (2011-12: £6,484,000).

The Council running cost budget is managed to allow the Council to meet the efficiency gain targets of the Scottish Government Efficient Government programme. These are monitored by the Council's sponsor department. The Council also provides progress reports on the college and university sectors' contribution to the Scottish Government Efficient Government programme to its sponsor department.

## **Statement of financial position**

### ***Property, plant and equipment***

The Council does not own any land or buildings. Its premises in Edinburgh are leased by the Scottish Ministers (as statutory successors to the Secretary of State for the Environment) and sub-let to the Council.

Expenditure on capital assets during the year totalled £12,000 (2011-12: £31,000).

### ***Intangible assets***

The Council's intangible assets are IT software and software licences. Expenditure during the year totalled £104,000 (2011-12: £233,000).

### ***Current Assets***

Trade and other receivables decreased to £10,196,000 (2011-12: £20,522,000).

This is largely the result of a change to the way in which we pay student support and other grants which are now paid out on a monthly profile rather than in a lump sum at the start of the academic year and so the related prepayment values have been reduced considerably.

### ***Non-current assets***

Recoverable grants due after one year decreased to £5,123,000 (2011-12: £5,725,000) due to repayments.

### ***Cash balance***

The Council aims to distribute the funds received each year within that year. Our Financial Memorandum with the Scottish Government recognises that it may not always be possible to match receipts and payments exactly within the year.

Consequently, we are permitted to carry forward limited cash balances. The balance sheet as at 31 March 2013 shows a cash balance of £2,362,000 (2011-12: £581,000). The increased balance reflects a receipt of £1.7 million on the last working day of March 2013.

The Council operated within the cash limited allocation for funds for distribution and for running costs provided by the Scottish Government.

### ***Other payables***

The Council is due to pay the Scottish Government £312,000 over four financial years. This relates to the clawback of funds and recoverable grant from Robert Gordon University. The repayment ends in July 2013.

### ***Capital and reserves***

The balance on reserves, amounting to £17,126,000 (2011-12: £24,938,000) comprises a surplus on grant-in-aid for distribution of £10,745,000 (2011-12: £16,708,000) this reflects the reduction in current assets referred to previously. A surplus on running cost reserves of £329,000 (2011-12: £627,000), together with a balance of £6,052,000 (2011-12: £7,603,000) on the Institution Advances Reserve.

### ***Funds for distribution to institutions***

The Council is funded on a financial year basis but distributes funds to institutions on an academic year basis. Academic years run from August to July each year to match with the operating cycles of the institutions. The level of funds distributed in any financial year therefore depends on the expenditure profiles for the relevant portions of the two academic years that overlap it.

Expenditure in any financial year can be higher or lower than the level of funding provided for that year. Where expenditure exceeds the funds provided the excess is funded from the reserves held for distribution at the end of the previous financial year. Where expenditure is less than the level of funds provided the surplus is added to reserves for distribution brought forward from the previous financial year.

### ***Payment of creditors***

The Council observed the principles of the Government-backed Better Payment Practice Group, [www.payontime.co.uk](http://www.payontime.co.uk). In line with Treasury guidance, the Council's policy was to pay all invoices not in dispute within 30 days or on the agreed contractual terms if otherwise specified. From December 2008, the Council changed its payment terms from 30 to 10 days in order to meet the 10 day payment cycle introduced by the government. The Council aimed to pay 100% of invoices, including disputed invoices once settled, on these terms.

An analysis of the Council's payment performance for the year to 31 March 2013 indicated that 82.5% (2011-12: 80.4%) of invoices were paid within 10 days of the presentation of a valid invoice and 97.6% (2011-12: 97.2%) of invoices were paid within 30 days.

At the year end, our trade payables balance (that is to say, the amount owing to our suppliers) was £13,000. Comparing this balance with the aggregate amount invoiced by suppliers in year (£1,803,670) and expressing this as a number of days give an indication of the average time we take to pay our bills: for the year ended 31 March 2013 our figure for 'creditor days' was 2.29 (2011-12: 0.1).

### ***Pension liabilities***

Details of the accounting policy for pension liabilities and information regarding the relevant pension schemes for the Council are given in the remuneration report.

### ***Company directorships and other significant interests held by Board members***

The register of interests for Board members of the Council can be found at [www.sfc.ac.uk/about the council/council board committees/council membership/council membership.aspx](http://www.sfc.ac.uk/about_the_council/council_board_committees/council_membership/council_membership.aspx)

### ***Audit***

The audit of the accounts of the Council has been undertaken by Grant Thornton, appointed by the Auditor General for Scotland. The audit fee from 1 April 2012 to 31 March 2013 was £68,500 (2011-12: £72,000). No non-audit services were supplied during the year.

The Accountable Officer has taken all steps to make himself aware of any relevant audit information and to establish that Grant Thornton is aware of that information. There is no relevant audit information of which Grant Thornton is not aware.

### ***Forward look***

The Scottish Government's future planned allocations to the Council are as follows:

Financial year	College programme funding (£m)	University programme funding (£m)	College and university capital funding (£m)
2013-14	521.7	1,041.6	45.9
2014-15	521.7	1,061.8	56.4

The Council embarked on an ambitious programme of change and reform over three years as set out in its Strategic Plan 2012-15, aimed at focusing its funding of colleges and universities, and its actions, on the achievement of improved outcomes.

The introduction of Outcome Agreements with colleges and universities in 2012-13 has been a key tool for the achievement of these outcomes, and the contribution they make to the Scottish Government's Strategic Objectives. The Council's actions and funding support the priorities in the Scottish Government's Economic Strategy and its post-16 education agenda.

The Council will continue to support the development of strong regional groupings of colleges, acting strategically to improve skills in their areas and across Scotland as a

whole; identifying the needs of learners and employers in their region; planning provision with partners (for example, employers, universities, local authorities, Skills Development Scotland and other community planning partners); and allocating resources across their regions for delivery of high quality learning.

The UK Office of National Statistics has decided to reclassify incorporated further education colleges so that they will be treated as part of central government for budgeting and reporting purposes. This will change the interactions between SFC and the colleges in these areas. A collaborative project between SFC, Scottish Government and the colleges is under way to prepare for implementation and manage the changes in a way that will enable colleges to continue to remain focussed on further developing their contribution to improving life chances, creating jobs and growth and securing sustainable provision.

***Personal data***

There were no reported incidents of loss of personal data by the Council during the year (2011-12: none).

***Sickness absence data***

The 12-month rolling absence figure for the Council was 4.65% as at 31 March 2013 (2011-12: 3.9%). This reflects a higher instance of long term sickness absence.



Laurence Howells  
Accountable Officer

Date: 28 June 2013

## **Governance Statement 2012-13**

The Council is committed to high standards of corporate governance and public administration. This summary describes the way in which the Council has applied the Scottish Government's guidance on the governance statements that are to be provided by Accountable Officers, as part of the annual accounts of all organisations which comply with the Scottish Public Finance Manual.

### **Statement of Council's and Accountable Officer's responsibilities**

Under paragraph 17 of Schedule 1 to the Further and Higher Education (Scotland) Act 2005, the Council is required to prepare a statement of accounts in respect of the year ended 31 March 2013 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 the Council's state of affairs at 31 March 2013 and of its income and expenditure, and cash flows for the financial year.

In preparing the accounts the Council is required to comply with the requirements of the *Government Financial Reporting Manual* 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 the Scottish Funding Council. 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 Council's assets, are set out in the *Memorandum to Accountable Officers of other Public Bodies* issued by the Scottish Government.

### **Corporate governance**

The Council is accountable to the Scottish Government for the stewardship and management of its affairs. The Council has in place a Strategic Plan, which has been approved by Ministers, setting out how it will fulfil its statutory responsibilities and the policy requirements of Ministers as set out in letters of guidance.

### ***The Council's Board***

Members of the Council's Board are appointed by Scottish Ministers and have a collective responsibility for the proper conduct of the Council'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*. A register of members' interests is available on the Council's website at [www.sfc.ac.uk/about\\_the\\_council/council\\_board\\_committees/council\\_membership/council\\_membership.aspx](http://www.sfc.ac.uk/about_the_council/council_board_committees/council_membership/council_membership.aspx)

The Council assesses its performance annually and considers the implications of this assessment for improving its effectiveness. The process involves both a questionnaire sent to all members of the Board (completed anonymously), one-to-one interviews with each member by the Chair, and a discussion and review by the Board collectively. The review leads to the development of an annual Board effectiveness improvement plan.

As part of the annual review of effectiveness, the Council's Board are asked to rate the effectiveness of the Council as a corporate body. The conclusion from the review for 2012 is that the Council has performed effectively.

### ***The Accountable Officer***

The Chief Executive of the Council is designated as the Council's Accountable Officer by the Principal Accountable Officer of the Scottish Administration, in accordance with sections 14 and 15 of the Public Finance and Accountability (Scotland) Act 2000.

Following the resignation of Mark Batho as Chief Executive, Laurence Howells, Senior Director Research, Skills and Knowledge Exchange became Interim Chief Executive and Accountable Officer on 26 April 2013.

### ***Committees of Council***

The Council has established seven Council committees to advise it on specific responsibilities or undertake specific functions; these meet either regularly on given cycles or as required. Following a review of the Council's Committees in 2012, one of the Committees, the Investment Committee, was replaced by a greater use of the other committees in considering possible investments, oversight by the Council Board and revisions to the Scheme of Delegation, leaving six Council committees.

Three of the committees have responsibility for policy, strategy, and funding in relation to outcome agreements with colleges and universities: Access and Inclusion Committee, Skills Committee, and the Research and Knowledge Exchange Committee. The other three committees are responsible for organisational or



regulatory matters: Audit and Compliance Committee, Quality, Equalities and General Purposes Committee, and the Remuneration Committee. The Skills Committee and the Research and Knowledge Exchange Committee are established under statute.

Each committee provides an annual report to the Council reviewing their activities and effectiveness during the year, using guidelines on how the review should be carried out and how it should be reported to Council. There were no significant governance related issues in the reports made to Council during the year.

The Access and Inclusion Committee advises the Council on access and inclusion matters and on the implementation of *Learning for All* – the Council’s strategy for widening access to learning – including monitoring the progress of key themes from the strategy.

The Skills Committee is a statutory committee of the Council, and is a joint committee with Skills Development Scotland (SDS), advising both Boards on skills needs of, and policies for, Scotland. The Committee collects monitors and evaluates evidence on skills needs in Scotland and on the supply of, and demand for, learning and training solutions. Its advice informs the development of outcome agreements with colleges and universities.

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 the development of outcome agreements with Scottish universities and colleges (taking into account the international dimension). The Committee’s main areas of advice include strengths, weaknesses, opportunities and threats in research and innovation, and advice on the prioritisation in the use of the Council’s resources. The Committee also works with the national enterprise agencies and other stakeholders to give Council advice on innovation and support of knowledge exchange, which contributes to sustainable economic growth.

The Council is advised on finance, risk, internal control and governance matters by its Audit and Compliance Committee. The Committee’s responsibilities include: overseeing the Council’s financial monitoring of institutions; Best Value and value for money; monitoring the Council executive’s management of the Council’s Risk Register; the review of internal controls and other internal audit matters; consideration of the Council’s Annual Report and Accounts, and oversight of the management of the Council’s compliance with legislation and regulation. A description of the Council’s audit process and risk management is given on page 53.

The Quality, Equalities and General Purposes Committee oversees the Council’s statutory function to ensure that provision is made for assessing and enhancing the quality of fundable further and higher education – taking account of the Council’s

related statutory duty to secure coherent provision of a high quality of further and higher education. The Committee is also responsible for the oversight of: the Council and the executive in relation to the Council's equality and diversity agenda; and the overall functioning of the executive.

The remit of the Remuneration Committee is to determine the broad framework for the remuneration – including performance and related elements – of the Chief Executive in agreement with the Scottish Government; and, in consultation with the Chief Executive, to determine the broad framework and level of remuneration for directors. It also confirms the annual increase of the remuneration of the Chair and Council Board members, within Scottish Government limits. When appropriate, the Committee will also determine the selection process, and recommend the appointment of, the Chief Executive to the Scottish Government and provide guidance to the Chief Executive in relation to the selection and appointment of directors.

Further details of the remits and memberships of all the Council committees are given on the Council's website at [www.sfc.ac.uk/about\\_the\\_council/council\\_board\\_committees/council\\_committees/council\\_committees.aspx](http://www.sfc.ac.uk/about_the_council/council_board_committees/council_committees/council_committees.aspx). Council members' attendance for all previous and current committee meetings in 2012-13 is given on page 36.

### **Risk management strategy**

All bodies to which the SPFM is directly applicable must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM. During the year, the Council introduced a new risk management strategy, which is intended to help identify significant risks and uncertainties and manage them in order to minimise their potential to disrupt the organisation and the effectiveness of its business, or to exploit unexpected opportunities. The Council's risk management strategy is to:

- ensure that the Council'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 the Council's risk management framework is manageable, proportionate to its business, and integrated with its 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 the Council's approach to risk management, including through the Audit and Compliance Committee, and the programme of internal audit
- promote an innovative, less risk-averse culture in which the taking of appropriate risks – which might help the Council better achieve its strategic priorities – is encouraged

The Council has established a register of the high-level risks to the organisation which:

- Identifies the high-level business risks to the Council
- Assesses the overall impact on the work of the Council if any of the risks materialise
- Describes the controls or actions in place to manage or mitigate each risk
- Assesses the strength of the controls in place
- Assesses the residual probability of each risk occurring
- Sets out a management plan and timetable for managing active risks

The Council has delegated responsibility for the supervision of the risk register on behalf of the Council to its Audit and Compliance Committee. The register is reviewed at each meeting by the Committee and biannually by the Council.

Information risks are identified and managed by the Information Security and Access Officer in liaison with the Head of Information Services Unit. The Senior Director, Institutions and Corporate Services, is the Senior Information Risk Owner (SIRO). All information assets have been identified and are recorded in the Council's data asset register. There have been no breaches of data security during 2012-13.

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

Risk management is embedded in the operations of the Council. Risks are reviewed by managers each quarter as part of the Strategic Plan monitoring cycle and any changes highlighted. Individual projects have their own risk registers, for example there is a separate risk register for each college merger.

The introduction of outcome agreements represented a fundamental change to how the Council carries out its functions, and in order to manage the associated risks to successful delivery, the executive of the Council underwent a major restructuring which was completed during the year. The restructuring was managed by a project board and progress was overseen by a sub-committee of the Quality Equalities and General Purposes Committee. A programme of risk management training was also provided to the new outcome teams, which were created as a result of the restructuring.

### ***Principal risks facing the Council***

The principal risks facing the Council relate to the continuing development, implementation delivery and performance management of outcome agreements, management of structural changes and of changes to funding for colleges, and working with colleges and Scottish Government to deliver three major NPD projects. In undertaking a review of the risks overall, I conclude that there continue to be significant challenges in the college sector.

The Council is managing these risks, where it is able to do so, through a range of controls and actions described in its corporate risk register, including through its outcome agreement process, and by working closely with the college and university sectors, stakeholders, and the Scottish Government.

### ***Significant issues***

We have been working closely with one college at higher risk, Adam Smith College, as a result of continuing concerns surrounding its governance and European funding arrangements. The College's 2011-12 accounts were not finalised in time to meet statutory deadlines and the College may therefore be subject to a Section 22 report under the terms of the Public Finance and Accountability (Scotland) Act 2000; this also represents a breach of the terms of the Council's Financial Memorandum with institutions. The Council, in conjunction with other key stakeholders, is continuing to work closely with the College to help it deal with the challenges that it faces and to ensure that it has appropriate governance and management arrangements to safeguard public funds. The College plans to merge with Carnegie College on 1 August 2013.

### ***Audit process and risk management***

The Council's Audit and Compliance Committee considers the annual accounts and matters relating to the internal operations of the executive, in particular those relating to risk management, corporate governance and internal audit. Specific duties include:

- Considering and advising the Council on the adequacy of the arrangements for the assessment and management of risk in relation to the achievement of the Council's objectives
- Monitoring the Council's executive's management of the top-level register of risks and its risk management strategy
- Considering and advising the Council on the annual, and longer term, operating plans for internal audit and the resourcing of the internal audit function to deliver these plans
- Considering and advising the Council on internal audit reports, and monitoring the implementation of approved recommendations
- Monitoring the effectiveness of internal audit
- Considering and advising the Council on external audit reports and, where appropriate, reporting to the Council any issues from the external audit of the Council, and any matter that the external auditors bring to the attention of the Committee
- Monitoring the implementation of approved recommendations of external audit
- Monitoring the effectiveness of external audit
- Considering and advising the Council on the adequacy of the arrangements for the management of the Council's compliance with legislation and regulation, focussing on data security, freedom of information and health and safety, and covering other aspects as part of the Committee's risk management responsibilities
- Considering and reporting to the Council any other matters remitted to the Committee by the Council

### **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 the Council's policies, aims and objectives, set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

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

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of

internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council'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:

- The Council's Audit and Compliance Committee, which monitors the extent to which the Council's risk management strategy is operating efficiently
- The annual review of the effectiveness of the systems of internal control
- The executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework
- The line management process within the organisation
- Regular meetings between Council staff and the our sponsor directorate at the Scottish Government to review the risk register and our process for risk management
- The work of the internal auditors, contracted to Scott-Moncrieff for the year to 31 March 2013, who submit to the Council's Audit and Compliance Committee regular reports 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
- Comments made by external auditors in their management letters and other reports
- Certificates of assurance provided to me by the executive managers in accordance with the guidance contained within the SPFM

### ***Statement on internal control***

For the year to 31 March 2013, the Head of Internal Audit reported completion of all reviews in the Audit Plan. Internal Audit were of the opinion that the Council's systems provided a reasonable basis for maintaining control and that the control framework provided reasonable assurance regarding the effective and efficient achievement of the Council's objectives. This opinion is based on recommendations in the audit reports being satisfactorily implemented.

Appropriate action is in place to address any weaknesses identified and to ensure the continuous improvement of the system.

The process within the Council accords with guidance from the Scottish Ministers provided in the SPFM and has been in place for the year ended 31 March 2013 and up to the date of approval of the annual report and accounts.

A handwritten signature in dark ink, reading "Laurence Howells". The signature is written in a cursive, slightly slanted style.

Laurence Howells  
Accountable Officer

Date: 28 June 2013

## **Independent auditor's report to the members of the Scottish Further and Higher Education Funding Council, the Auditor General for Scotland and the Scottish Parliament**

We have audited the financial statements of the Scottish Further and Higher Education Funding Council for the year ended 31 March 2013 under the Further and Higher Education (Scotland) Act 2005. The financial statements comprise the Statement of Financial Position, the Statement of Comprehensive Expenditure, the Statement of Cash Flow, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2012/13 Government Financial Reporting Manual (the 2012/13 FReM).

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 125 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of Accountable Officer and auditor**

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the annual report



to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements, irregularities, or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the 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 2013 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2012/13 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.

### **Opinion on regularity**

In our 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.

### **Opinion on other prescribed matters**

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- the information given in the Management Commentary, the Chair's Report and the Interim Chief Executive and Accountable Officer's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or

- the Governance Statement does not comply with guidance from the Scottish Ministers.

We have nothing to report in respect of these matters.

A handwritten signature in black ink that reads "Grant Thornton UK LLP". The signature is written in a cursive, flowing style.

Grant Thornton UK LLP

7 Exchange Crescent  
Conference Square  
Edinburgh  
EH3 8AN

Date 28 June 2013

**Statement of Comprehensive Net Expenditure  
for the year ended 31 March 2013**

	Notes	Year ended 31 March 2013	Year ended 31 March 2012
		£'000	£'000
<b>Expenditure</b>			
Grants paid to HEIs and other bodies	3	1,135,929	1,031,485
Grants paid to colleges and other bodies	3	565,867	641,011
Staff costs	4	5,641	5,738
Depreciation	6	104	126
Amortisation	7	132	117
Other operating charges	5	2,326	2,729
		<u>1,709,999</u>	<u>1,681,206</u>
<b>Income</b>			
European Social Fund income – colleges	9	(7,258)	(6,484)
European Social Fund income – SFC	9	(39)	(56)
Income from HEIs and colleges	10	(6,800)	(4,624)
Other grants	11	(1,027)	(138)
		<u>(15,124)</u>	<u>(11,302)</u>
<b>Net expenditure</b>		1,694,875	1,669,904
<b>Total comprehensive expenditure for the year</b>		<u>1,694,875</u>	<u>1,669,904</u>
<b>Funded by:</b>			
Grant-in-aid	8	1,675,452	1,660,094
Other Scottish Government grants	11	1,180	1,180
Other Government grants	8	10,431	8,620
		<u>1,687,063</u>	<u>1,669,894</u>
(Deficit)transferred to reserves		(7,812)	(10)
		<u>1,694,875</u>	<u>1,669,904</u>

There are no recognised gains and losses other than those recorded above  
The notes on pages 64 to 83 form part of these Accounts

**Statement of Financial Position  
as at 31 March 2013**

	Notes	31 March 2013	31 March 2012
		£'000	£'000
<b>Non-current assets</b>			
Property, plant and equipment	6	81	173
Intangible assets	7	148	176
Trade and other receivables	12	5,123	5,725
<b>Total non-current assets</b>		<u>5,352</u>	<u>6,074</u>
<b>Current assets</b>			
Trade and other receivables	12&13	10,196	20,522
Cash and cash equivalents	14	2,362	581
<b>Total current assets</b>		<u>12,558</u>	<u>21,103</u>
<b>Total assets</b>		<u>17,910</u>	<u>27,177</u>
<b>Current liabilities</b>			
Trade and other payables	15	13	3
Other liabilities	15	771	2,133
<b>Total current liabilities</b>		<u>784</u>	<u>2,136</u>
<b>Non-current assets plus net current assets</b>		<u>17,126</u>	<u>25,041</u>
<b>Non-current liabilities</b>			
Other payables	18	-	103
<b>Total non-current liabilities</b>		<u>-</u>	<u>103</u>
<b>Assets less liabilities</b>		<u>17,126</u>	<u>24,938</u>
<b>Taxpayers' equity</b>			
Institution advances reserve	12	6,052	7,603
General reserves		11,074	17,335
<b>Total taxpayers' equity</b>		<u>17,126</u>	<u>24,938</u>

The financial statements on pages 59 to 63 were approved by Council on 28 June 2013 and signed on its behalf by:



Laurence Howells  
Accountable Officer

Date: 28 June 2013



John F McClelland CBE  
Chair

Date: 28 June 2013

Authorised for issue on 28 June 2013

The notes on pages 64 to 83 form part of these Accounts.

## Statement of Cash Flows

for the year ended 31 March 2013

	Notes	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
<b>Cash flows from operating activities</b>			
Net operating costs		(1,694,875)	(1,669,904)
Depreciation and amortisation charges	6&7	236	243
Decrease in long term debtors		602	878
Decrease in trade and other receivables		10,326	4,939
(Decrease) in trade and other payables		(1,455)	(5,762)
<b>Net cash outflow from operating activities</b>		<u>(1,685,166)</u>	<u>(1,669,606)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(12)	(31)
Purchase of intangible assets	7	(104)	(233)
<b>Net cash outflow from investing activities</b>		<u>(116)</u>	<u>(264)</u>
<b>Cash flows from financing activities</b>			
Grant-in-aid		1,675,452	1,660,094
Other Scottish Government grants	11	1,180	1,180
Other Government grants		10,431	8,620
<b>Net cash inflow from financing activities</b>		<u>1,687,063</u>	<u>1,669,894</u>
<b>Net increase in cash and cash equivalents</b>		<u>1,781</u>	<u>24</u>
<b>Cash and cash equivalents at 1 April 2012</b>		581	557
<b>Cash and cash equivalents at 31 March 2013</b>		<u>2,362</u>	<u>581</u>
<b>Net increase in cash</b>		<u>1,781</u>	<u>24</u>

The notes on pages 64 to 83 form part of these accounts

## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2013

	<b>Note s</b>	<b>Grant for distribution £'000</b>	<b>Running costs £'000</b>	<b>Subtotal £'000</b>	<b>Institution advances reserve £'000</b>	<b>Total £'000</b>
<b>Changes in Taxpayers' Equity 2012-13</b>						
Balance as at 1 April 2012		16,708	627	17,335	7,603	24,938
Net expenditure		(1,686,908)	(7,967)	(1,694,875)	-	(1,694,875)
Transfers between reserves		1,551	-	1,551	(1,551)	-
Scottish Government grant-in-aid funding	8	1,667,783	7,669	1,675,452	-	1,675,452
Other Scottish Government grants	11	1,180	-	1,180	-	1,180
Other Government grants	8	10,431	-	10,431	-	10,431
<b>Balance at 31 March 2013</b>		<b>10,745</b>	<b>329</b>	<b>11,074</b>	<b>6,052</b>	<b>17,126</b>
<b>Changes in Taxpayers' Equity 2011-12</b>						
Balance as at 1 April 2011		15,964	385	16,349	8,599	24,948
Net expenditure		(1,661,627)	(8,277)	(1,669,904)	-	(1,669,904)
Transfers between reserves		996	-	996	(996)	-
Scottish Government grant-in-aid funding	8	1,651,575	8,519	1,660,094	-	1,660,094
Other Scottish Government grants	11	1,180	-	1,180	-	1,180
Other Government grants	8	8,620	-	8,620	-	8,620
Balance at 31 March 2012		16,708	627	17,335	7,603	24,938

The notes on pages 64 to 83 form part of these Accounts.

## Notes to the Accounts

for the year ended 31 March 2013

### 1 Basis of Accounts

As the Scottish Funding Council is an NDPB the format of its accounts is covered by the 2012-13 *Government Financial Reporting Manual* (FReM) and the *Scottish Public Finance Manual*. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Council for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Council are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### 2 Accounting policies

#### Basis of accounting

The accounts have been prepared under the historical cost convention in a form determined by the 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.

#### Property, plant and equipment

Assets over £1,000 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**

The Council is a body corporate and is liable to corporation tax. HM Revenue and Customs does not consider the activities of the Council to be a trade and the grant income received is not therefore liable to corporation tax. Corporation tax is only assessable on interest received and any capital gains made. The Council is not VAT registered, therefore, irrecoverable VAT is charged to the relevant expenditure category or 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 the income and expenditure reserve. Grants-in-aid received is treated on a cash basis.

ESF and ERDF income are treated on an accruals basis.

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

### ***Grants payable***

The Council 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.

### ***Loans***

Interest free loans are payable to staff for the purchase of season travel tickets.

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 Council'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 PCSPS, which is an unfunded multi-employer defined benefit scheme, but the Council is unable to identify its share of the underlying assets and liabilities. The scheme is accounted for as a defined contribution scheme under the multi-employer exemption permitted in IAS 19 'Employee Benefits'. The expected cost of these elements are accounted for on a systematic and rational basis over the period during which the Council 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 IAS 39, financial guarantees are considered for recognition as liabilities. See note 21.

### **3 Grants paid to institutions and other bodies**

- a) The Management Statement between SGESLLD and the Council requires the Council and Chief Executive of the Council to ensure that grant-in-aid receipts were used for their intended purpose. In turn, the Financial Memorandum between the Council 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 financial year of institutions ends on 31 July. Included in these accounts, therefore, are grants to institutions for the period from 1 August 2012 to 31 March 2013 where it is yet to be verified by institutions and their auditors that grant-in-aid receipts from the Council 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. The Council has discretion to allow the proceeds or part of the proceeds of such sales to be retained by the relevant institution to finance new capital projects.

c) **Distribution of funds from Scottish Government**

<b>Grants paid to HEIs and other bodies</b>	<b>Year ended 31 March 2013</b>	<b>Year ended 31 March 2012</b>
	<b>£'000</b>	<b>£'000</b>
Recurrent grants	1,084,766	978,922
Capital grants	51,163	52,563
	<b><u>1,135,929</u></b>	<b><u>1,031,485</u></b>

**Grants paid to colleges and other bodies**

Recurrent grants	440,406	503,975
Bursary payments	97,452	86,675
Capital and major works	28,009	50,361
	<b><u>565,867</u></b>	<b><u>641,011</u></b>

**4 Staff costs (excluding Chief Executive)**

a) **Salaries and related costs**

	<b>Year ended 31 March 2013</b>			<b>2012</b>
	<b>Directly employed staff</b>	<b>Seconded and agency staff</b>	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cost of employing staff:				
Wages and salaries	4,443	104	4,547	4,503
Social security costs	347	5	352	362
Other pension costs	731	11	742	873
	<b><u>5,521</u></b>	<b><u>120</u></b>	<b><u>5,641</u></b>	<b><u>5,738</u></b>
<b>Average number of FTE employees</b>	<b><u>104</u></b>	<b><u>2</u></b>	<b><u>106</u></b>	<b><u>113</u></b>

b) **Loans**

Interest free loans are payable to staff for the purchase of season travel tickets and bicycles. The loans are repayable through the Council's payroll over the period of the duration of the ticket or, in the case of bicycles, 12 months. As at 31 March 2013, £11,031 (2011-12: £5,183) was outstanding and this related to 13 members of staff. This amount is included in the trade receivables figure in note 13.

c) **Disclosure of exit packages**

Reporting of Civil Service and other compensation schemes – exit packages

	<b>2012-13</b>	<b>2011-12</b>
<b>Exit package cost band</b>	<b>Total number of exit packages by cost band</b>	<b>Total number of exit packages by cost band</b>
<b>£10,000-25,000</b>	5	-
<b>£25,000-50,000</b>	8	-
<b>£50,000-75,000</b>	5	-
<b>£100,000-£150,000</b>	-	1
<b>Total number of exit packages</b>	18	1
<b>Total resource cost/£</b>	683,593	110,665

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirement, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table. All the above costs relate to voluntary severance and have been included in Note 4 Staff costs.

## 5 Other operating charges

	Year ended 31 March 2013			2012
	Running	Sectoral	Total	Total
	cost	expenditure		
	£'000	£'000	£'000	£'000
Consultancy costs	-	197	197	347
Operating leases – property rental	470	-	470	471
Accommodation costs	396	-	396	370
Council members' remuneration	368	-	368	326
Other support costs	480	-	480	753
Publication costs	16	-	16	32
Staff recruitment and training	93	-	93	81
Travel and subsistence				
– Council members	13	-	13	9
– Staff	69	-	69	71
Legal costs	118	-	118	112
External Audit fee	30	39	69	74
Equipment and consumables	21	-	21	46
Hospitality costs				
– Council members	4	-	4	4
– Staff	5	-	5	12
Conference expenditure	3	-	3	5
Committee costs	4	-	4	16
	<b>2,090</b>	<b>236</b>	<b>2,326</b>	<b>2,729</b>

Sectoral expenditure has been used to meet operating charges where the benefit is to institutions within the Scottish further and higher education sectors. £197,000 (2011-12: £347,000) of this expenditure relates to consultancy services and their associated costs. These consultancy services are commissioned in accordance with the conditions of an agreement between the Council and its sponsor department that covers the use of funds for distribution to acquire consultancy services.

The reduction in Other operating charges reflects planned cost savings to balance the Council's running cost budget.

## 6 Property, plant and equipment

	Furniture and fittings £'000	ICT £'000	Other equipment £'000	Total £'000
<b>Historic cost</b>				
At 1 April 2012	221	754	66	1,041
Additions	-	12	-	12
Disposals	-	276	-	276
At 31 March 2013	221	490	66	777
<b>Depreciation</b>				
At 1 April 2012	125	680	63	868
Provided during the year	32	69	3	104
Disposals	-	276	-	276
At 31 March 2013	157	473	66	696
<b>Net Book Value</b>				
<b>At 31 March 2013</b>	<b>64</b>	<b>17</b>	<b>0</b>	<b>81</b>
At 1 April 2012	96	74	3	173
<b>Historic cost</b>				
At 1 April 2011	221	723	66	1,010
Additions	-	31	-	31
Disposals	-	-	-	-
At 31 March 2012	221	754	66	1,041
<b>Depreciation</b>				
At 1 April 2011	88	593	61	742
Provided during the year	37	87	2	126
Disposals	-	-	-	-
At 31 March 2012	125	680	63	868
<b>Net Book Value</b>				
At 31 March 2012	96	74	3	173
At 1 April 2011	133	130	5	268

## 7 Intangible assets

Intangible assets comprise IT software and software licences

	IT	Software licences	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 April 2012	677	112	789
Additions	101	3	104
At 31 March 2013	<u>778</u>	<u>115</u>	<u>893</u>
<b>Amortisation</b>			
At 1 April 2012	523	90	613
Provided during the year	120	12	132
At 31 March 2013	<u>643</u>	<u>102</u>	<u>745</u>
<b>Net Book Value</b>			
<b>At 31 March 2013</b>	<b><u>135</u></b>	<b><u>13</u></b>	<b><u>148</u></b>
At 1 April 2012	<u>154</u>	<u>22</u>	<u>176</u>
<b>Cost</b>			
At 1 April 2011	477	79	556
Additions	200	33	233
At 31 March 2012	<u>677</u>	<u>112</u>	<u>789</u>
<b>Amortisation</b>			
At 1 April 2011	422	74	496
Provided during the year	101	16	117
At 31 March 2012	<u>523</u>	<u>90</u>	<u>613</u>
<b>Net Book Value</b>			
At 31 March 2012	<u>154</u>	<u>22</u>	<u>176</u>
At 1 April 2011	<u>55</u>	<u>5</u>	<u>60</u>



## 8 Government grant-in-aid received

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
a) Funds from Scottish Government for:		
HEI and other bodies	1,081,075	1,019,842
Colleges and other bodies	517,538	631,733
Capital	69,170	-
Council running costs	7,669	8,519
	<u>1,675,452</u>	<u>1,660,094</u>
b) Funds from Department for Business Innovation and Skills for Research Capital	<u>10,431</u>	<u>8,620</u>

## 9 Income from ESF

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
ESF income received – colleges	7,045	6,456
ERDF income received	213	28
	<u>7,258</u>	<u>6,484</u>
ESF income received - SFC	39	56
	<u>7,297</u>	<u>6,540</u>

## 10 Income from HEIs and colleges

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
PACE clawback	392	-
Breach of consolidation penalty	-	769
Fee Waiver clawback	-	604
ESOL clawback	-	184
Knowledge Transfer partnership clawback	148	-
Research postgraduate grant clawback	-	3
Student support clawback	6,058	2,680
Other clawback	202	384
	<b>6,800</b>	<b>4,624</b>

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

Financial penalties are imposed on institutions if they exceed their indicative student numbers for non-controlled priority and non-priority full-time and sandwich undergraduates by more than 10% and 7% respectively. The penalty for breaches of consolidation is the withdrawal of part of the Main Teaching Grant, up to the equivalent of the estimated fee income generated by the student numbers in excess of the 10% and 7% thresholds above the indicative numbers.

Student support clawback increased during the year. The Scottish Government increased student support funds and there were shifts in demand for student support funds compared to the previous year which resulted in a higher redistribution of funds.

## 11 Other grants

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
<b>Other grant income</b>		
Income from Arts and Humanities Research Council (AHRC)	150	138
Other grant income	877	-
	<u>1,027</u>	<u>138</u>
<b>Other Scottish Government grant income</b>		
Income for Sabhal Mòr Ostaig	1,180	1,180
	<u>1,180</u>	<u>1,180</u>

The Council participated in a small number of programmes that were jointly funded by other bodies with an interest in the higher education sector. The grant distributed by the Council to the institutions it funded in respect of these programmes was recorded as 'grants paid to institutions and other bodies' in the income statement.

## 12 Trade and other receivables: recoverable grants

	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
<b>(a) Balances due within one year:</b>		
Robert Gordon University	103	209
West Lothian College	346	346
Stow College	311	323
North Highland College	-	1,000
Lews Castle College	169	-
	<u><b>929</b></u>	<u><b>1,878</b></u>
<b>(b) Balances due after one year:</b>		
West Lothian College	4,155	4,848
Stow College	463	774
Robert Gordon University	-	103
Lews Castle College	505	-
	<u><b>5,123</b></u>	<u><b>5,725</b></u>

Recoverable grants are interest-free revenue advances to institutions which will be recovered by making reduced payments to the institutions in forthcoming years.

In terms of the Council's accounts, when such advances are paid a short and long term debtor is created, taking account of the agreed payment timetable, and matched by a credit to the Institution Advances Reserve. The entries are reversed on recovery of advances and included in the Statement of Changes in Taxpayers' Equity.

Arrangements for the repayment of the advances have been agreed, with the repayment periods over three years (West Lothian £956,000), commenced July 2009, sixteen years (West Lothian £5,540,000), repayment commenced March 2011 and one year (The North Highland College £1,000,000).

The Council is clawing back £837,000 over four academic years (five financial years) from Robert Gordon University because of under enrolment in its Nursing and Midwifery course (see note 18). This money is due to the Scottish Government and will be recovered by the Scottish Government through making reduced grant-in-aid payments to the Council. Repayment commenced July 2009.

The Council is clawing back £2,885,000 over seven academic years from Stow College because of a shortfall in delivery of eligible activity. Repayment commenced December 2009.

The Council is clawing back £842,091 over five academic years from Lews Castle College because of a shortfall in delivery of strategic alignment grant. Repayment commenced August 2012.

### 13 Trade and other receivables

	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
Trade receivables	-	49
Prepayments and accrued income	467	851
Institutions clawback	-	2,216
Other HEI balances	2,488	4,735
Other college balances	2,346	8,565
Higher Education Funding Council for England (HEFCE)	-	39
European Social Fund	3,967	2,189
	<b>9,268</b>	<b>18,644</b>
Balances due within one year (from note 12a )	<b>928</b>	<b>1,878</b>
Total balances due within one year	<b>10,196</b>	<b>20,522</b>

### 14 Cash and cash equivalents

	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
Funds held at Government Banking Service accounts	2,323	577
Funds held at commercial banks	39	4
	<b>2,362</b>	<b>581</b>

## 15 Trade and other payables

	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
Trade payables	13	3
Accruals	272	445
Pension provision	58	97
The Scottish Government	103	209
Other HEI balances	52	859
Other college balances	244	486
HEFCE	42	37
	<b><u>784</u></b>	<b><u>2,136</u></b>

## 16 Capital and non-capital commitments

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

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 Council 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.

<b>Grants committed to be paid to HEIs and other bodies</b>	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
Grant for distribution		
Recurrent grant	330,614	336,845
Capital grants	6,106	11,549
	<b><u>336,720</u></b>	<b><u>348,394</u></b>

<b>Grants committed to be paid to colleges and other bodies</b>	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
Grant for distribution		
Recurrent grant	110,099	113,175
Bursary payments	23,612	21,511
Capital grants	9,034	907
	<b>142,745</b>	<b>135,593</b>

## 17 Commitments under leases

### Operating leases

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

Obligations under operating leases comprise:

	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
Equipment		
Not later than one year	12	12
Later than one year and not later than five years	22	34
	<b>34</b>	<b>46</b>
Buildings		
Not later than one year	470	470
Later than one year and not later than five years	1,410	1,880
Later than five years	-	-
	<b>1,880</b>	<b>2,350</b>

The premises in Edinburgh occupied by the executive are leased by the Scottish Ministers (as statutory successors to the Secretary of State for the Environment) and sub-let to the Council.

## 18 Other payables falling due in more than one year

	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
<b>Scottish Government</b>	<u>-</u>	<u>103</u>

The balance in 2012 relates to recovery from Robert Gordon University repayable to the Scottish Government (see note 12). This is the final year of the arrangement.

## 19 Related party transactions

The Council is a NDPB sponsored by the Scottish Government.

SGESLLD, as the sponsor department, is regarded as a related party. The Council was financed by grant-in-aid from its sponsor department's parliamentary account. During the year the Council had a number of material transactions with the Department.

The universities and colleges the Council funds are regarded as related parties. Details of the major transactions between the Council and the funded institutions are set out in Annex 1 to the Report and Accounts. Amounts due to and from related parties are shown in notes 13 and 15.

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

The payments to Colleges Scotland relate to an ongoing Service Level Agreement (SLA). The transactions with ES relate to an SLA which requires ES 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 Council members who served during the year were (or have been) related parties to institutions that the Council funds:

- Dr Lindsay Burley was a Governor of Edinburgh Napier University and an Honorary Senior Lecturer at the University of Edinburgh;



- Robin Crawford is a member of the Court of the University of Strathclyde
- Audrey Cumberland is Principal of Reid Kerr College
- Dr Janet Lowe is a member of the Court of the University of Dundee, Honorary Professor at the University of Stirling and was a member of the Open University (Scotland) Advisory Group
- Professor Albert Rodger is Vice-Principal for External Affairs at the University of Aberdeen and previously Head of the College of Physical Sciences at the University of Aberdeen
- Professor Anton Muscatelli is Principal and Vice-Chancellor of the University of Glasgow
- Professor Maggie Kinloch is Vice-Principal of the Royal Conservatoire of Scotland
- Marlene Wood is Independent Chair of the Audit Committee of the University of the Highlands and Islands

The Register of Interests for the Council Members is available on the Council website at

[www.sfc.ac.uk/about\\_the\\_council/council\\_board\\_committees/council\\_membership/council\\_membership.aspx](http://www.sfc.ac.uk/about_the_council/council_board_committees/council_membership/council_membership.aspx)

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

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

## 20 Intra-government balances

	Trade receivables: amounts falling due within one year  £'000	Trade receivables: amounts falling due after more than one year  £'000	Trade payables: amounts falling due within one year  £'000	Trade payables: amounts falling due after more than one year  £'000
<b>2012-13</b>				
Balances with other Central Government bodies	4,092	-	145	-
Balances with Public Corporations and Trading Funds	-	-	-	-
Balances with bodies external to Government	6,104	5,123	639	-
<b>At 31 March 2013</b>	<b>10,196</b>	<b>5,123</b>	<b>784</b>	<b>-</b>

## 2011-12

Balances with other Central Government bodies	2,257	-	246	103
Balances with Public Corporations and Trading Funds	-	-	-	-
Balances with bodies external to Government	18,265	5,725	1,890	-
<b>At 31 March 2012</b>	<b>20,522</b>	<b>5,725</b>	<b>2,136</b>	<b>103</b>

## 21 Financial instruments

As the cash requirements of the Scottish Funding Council 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 contracts to buy non-financial items in line with the Council's expected purchase and usage requirements and the Council is, therefore, exposed to little credit, liquidity or market risk.

The Council has provided a guarantee for an amount up to £8,900,000 to underwrite the loan support liability for Coatbridge College to Lloyds Banking Group.

The balance of principal outstanding on the loan at 31 March 2013 was £6.8 million (as at 31 March 2012: £7.7 million).

The Council has provided a guarantee for an amount of up to £25,000,000 to underwrite the loan support liability for The Glasgow School of Art to Barclays Bank PLC. The balance of principal outstanding on the loan at 31 March 2013 was £18.7m.

The Council afforded an indemnity to UCAS in respect of damages arising from misuse or negligence related to data to be supplied by UCAS to the Council.

The Council received agreement from the Scottish Government to issue both the guarantee and the indemnity. The risk to the Council of realising payment is considered to be insignificant therefore there is no monetary impact in the Council's accounts.

## **Direction by the Scottish Ministers**

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

Aileen McKechnie

Signed by the authority of the Scottish Ministers

Dated: 14 December 2005

## Annex 1

### Analysis of funds paid to institutions and other bodies

Distribution of grant-in-aid from SGESLLD

#### Grants paid to colleges and other bodies

College	Recurrent grant	Student Support payment	Capital grants	Total Year ended 31.3.13	Total Year ended 31.3.12
	£'000	£'000	£'000	£'000	£'000
Aberdeen College	24,069	5,807	1,259	31,135	34,824
The Adam Smith College, Fife	22,098	5,172	1,045	28,315	31,523
Angus College	7,416	2,101	385	9,902	11,158
Anniesland College	9,274	1,854	452	11,580	14,056
Ayr College	10,565	2,804	534	13,903	15,893
Banff and Buchan College of FE	7,303	2,070	375	9,748	21,277
Borders College	6,825	1,816	350	8,991	9,709
Cardonald College	12,941	3,610	648	17,199	19,158
Carnegie College	9,829	2,369	508	12,706	13,916
Clydebank College	11,334	2,380	528	14,242	14,787
Coatbridge College	7,446	1,719	1,652	10,817	13,650
Cumbernauld College	6,344	1,578	343	8,265	9,038
Dumfries and Galloway College	8,309	2,135	441	10,885	11,684
Dundee College	19,046	4,506	907	24,459	26,307
Edinburgh College <sup>10</sup>	52,541	10,048	3,175	65,764	67,742
Forth Valley College	20,218	3,565	1,258	25,041	36,937
City of Glasgow College	30,806	5,497	2,807	39,110	48,133
Inverness College	7,607	2,111	2,225	11,943	13,483

<sup>10</sup> Edinburgh College was established on 1 October 2012 from the merger of Edinburgh's Telford College, Jewel and Esk College and Stevenson College Edinburgh. It is listed on Schedule 2 Further and Higher Education (Scotland) Act as Edinburgh's Telford College.

James Watt College	27,604	6,735	1,248	35,587	38,912
John Wheatley College	7,175	1,240	351	8,766	10,067
Kilmarnock College	10,493	3,353	1,140	14,986	15,025
Langside College	9,718	1,812	482	12,012	13,568
Lews Castle College	1,668	292	140	2,100	3,087
Moray College	5,304	1,900	278	7,482	7,975
Motherwell College	18,223	4,450	766	23,439	23,476
North Glasgow College	8,222	1,752	449	10,423	11,515
North Highland	7,466	1,403	673	9,542	11,010
Perth College	6,515	1,896	333	8,744	9,637
Reid Kerr College	14,165	3,722	721	18,608	20,566
South Lanarkshire College	6,847	1,442	378	8,667	9,370
SRUC <sup>11</sup>	10,048	2,375	276	12,699	14,926
Stow College	7,847	1,676	532	10,055	10,970
West Highland College UHI	1,452	-	279	1,731	-
West Lothian College	8,475	1,800	770	11,045	11,105
Orkney Islands Council	1,378	103	110	1,591	1,696
Shetland Islands Council	1,648	80	115	1,843	2,488
Sabhal Mòr Ostaig	1,832	13	-	1,845	2,031
Newbattle Abbey College	791	266	76	1,133	948
<b>Total grant distributed to colleges</b>	<b>430,842</b>	<b>97,452</b>	<b>28,009</b>	<b>556,303</b>	<b>631,878</b>

<sup>11</sup> SRUC, Scotland's rural college was established in October 2012 and is the merger of Barony College, Elmwood College, Oatridge College and the Scottish Agricultural College. It is listed on Schedule 2 Further and Higher Education (Scotland) Act as Scottish Agricultural College. From date of merger, higher education activity was funded from HE programme funds.

<b>Other organisations</b>	<b>Recurrent grant</b>	<b>Bursary payment</b>	<b>Capital grants</b>	<b>Total Year Ended 31.3.13</b>	<b>Total Year ended 31.3.12</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Colleges Scotland	1,775			1,775	2,018
University of Abertay Dundee	105			105	-
Edinburgh Napier University	78			78	219
University of the West of Scotland	129			129	448
SPRQS	242			242	-
Equality Challenge Unit	184			184	-
Glasgow University	90			90	-
UHIMI	10			10	-
Aberdeen University	19			19	-
Robert Gordon University	44			44	-
Glasgow Caledonian University	88			88	-
HEFCE	3,456			3,456	3,149
SCQF	92			92	-
Open University	22			22	111
Education Scotland	1,231			1,231	901
APUC	892			892	984
Other	1,107			1,107	1,802
<b>Total grant distributed to other organisations</b>	<b>9,564</b>	<b>-</b>	<b>-</b>	<b>9,564</b>	<b>9,632</b>
<b>Total grant distributed</b>	<b>440,406</b>	<b>97,452</b>	<b>28,009</b>	<b>565,867</b>	<b>641,101</b>

## Analysis of funds paid to institutions and other bodies

Distribution of grant-in-aid from SGESLLD

### Grants paid to HEIs and other bodies

University or college	Recurrent grant	Capital grants	Total year ended 31.3.13	Total Year ended 31.3.12
	£'000	£'000	£'000	£'000
University of Aberdeen	79,448	2,014	81,462	77,542
University of Abertay Dundee	19,706	438	20,144	18,558
University of Dundee	82,669	1,884	84,553	77,532
University of Edinburgh	192,055	6,664	198,719	187,404
University of Glasgow	151,374	9,852	161,226	144,410
Glasgow Caledonian University	65,786	1,152	66,938	60,631
Glasgow School of Art	12,326	7,972	20,298	19,078
Heriot-Watt University	39,096	1,523	40,619	37,944
Edinburgh Napier University	56,184	1,527	57,711	52,739
Open University in Scotland	24,516	506	25,022	21,590
Queen Margaret University, Edinburgh	14,671	331	15,002	13,828
Robert Gordon University	41,547	774	42,321	39,180
Royal Conservatoire of Scotland	9,591	141	9,732	8,898
University of St Andrews	43,455	1,783	45,239	41,563
University of Stirling	37,714	801	38,515	36,341
University of Strathclyde	91,630	11,140	102,770	86,558
University of the Highlands and Islands	29,831	644	30,475	24,783
University of the West of Scotland	64,149	988	65,137	59,664
SRUC <sup>12</sup>	11,846	1,029	12,875	7,212
Cardonald College	16		16	-
Ayr/UWS	-		-	60
<b>Total grant distributed to institutions</b>	<b>1,067,608</b>	<b>51,163</b>	<b>1,118,771</b>	<b>1,015,515</b>

<sup>12</sup> SRUC, Scotland's rural college was established in October 2012 and is the merger of Barony College, Elmwood College, Oatridge College and the Scottish Agricultural College. It is listed on Schedule 2 Further and Higher Education (Scotland) Act as Scottish Agricultural College.



<b>Other organisations</b>	<b>Recurrent grant</b>	<b>Capital Grants</b>	<b>Total year ended 31.3.13</b>	<b>Total year Ended 31.3.12</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
HEFCE	7,430		7,430	8,048
QAA	1,352		1,352	1,513
HE Academy	1,656		1,656	1,866
Scottish Institute for Enterprise	728		728	572
Economic and Social Research Council (ESRC)	36		36	478
Scotland's Colleges				-
APUC	912		912	1,028
SMO	11		11	-
ERI	489		489	-
ECU	200		200	-
RSE	2,350		2,350	-
SPRQS	164		164	-
Technology Strategy Board	1,144		1,144	950
Other	684		684	1,516
<b>Total grant distributed to other organisations</b>	<b>17,156</b>	<b>-</b>	<b>17,156</b>	<b>15,970</b>
<b>Total grant distributed</b>	<b>1,084,766</b>	<b>51,163</b>	<b>1,135,929</b>	<b>1,031,485</b>

## Aithisg Bhliadhnail is Cunntasan 2012-13

### Facal-toisich a' Chathraiche

*Tha an dòigh sam bi sinn a' co-chonaltradh ris na colaistean 's oilthighean a tha sinn a' maoineachadh ga grad-leasachadh gus dèanamh suas ris gach caochladh feuma aig luchd-ionnsachaidh, gnothachasan 's aig sluagh na h-Alba san fharsaingeachd.*

Am-bliadhna ma-tà, tha sinn air gluasad gu dòighean ùra dol an ceann ar gnothaich mar chomhairle maoineachaidh. Tha dùil gun toir am facal-toisich seo beagan fiosrachaidh air a' chruth-atharrachadh a rinn sinn rè 2012-13, agus mìneachadh air na buannachdan a bhios ann ron àm ri teachd. Tha mion-chunntas de na tha fa-near don bhuidheann san ùine fhada ri fhaotainn anns a' Phlana Ro-innleachdail aig Comhairle Maoineachaidh na h-Alba 2012-2015.

Dh'fhaoidte gur e an nì as bunaitiche 's as sònraichte an lùib a' chruth-atharrachaidh againn gun do rinn sinn còrdaidhean-toraidh airson oilthighean 's roinnean colaiste. Nì còrdaidhean-toraidh fada nas soilleire e dè an ceangal eadar solar nam maoinean poblach agus na buannachdan a thathar am beachd a thig asta. Tha barrachd tuigse aig ionadan-foghlaim 's aig a h-uile duine le compàirt ann an raointean oilthighe 's colaiste na h-Alba – luchd-ionnsachaidh, luchd-rannsachaidh, gnìomhachas, riaghaltas agus luchd-pàighidh cìse – air dè th' ann am builean air sgàth nan còrdaidhean. Rinn a' chomhairle maoineachaidh agus na raointean foghlaim oidhirp mhòr gus an toirt a-steach ron bhliadhna sgoilearach 2012-13. B' e clàch-mhìle a bh' ann airson ath-leasachadh maoineachaidh gun deach againn air na còrdaidhean-toraidh fhoillseachadh airson nan 19 oilthighean, 13 roinnean colaiste 's trì institiudan nàiseanta, spèisealta (SRUC, Colaiste Newbattle Abbey agus Sabhal Mòr Ostaig) uile. An àm a bhith a' sgrìobhadh seo, tha sinn gu bhith a' foillseachadh liosta shlà de chòrdaidhean-toraidh airson 2013-14 le targaidean thar sreath farsaing de ghnìomhan, 's le tuairisgeulan nas mionaidiche de na tha sinn a' sùileachadh a thaobh maoineachadh poblach nan raointean foghlaim sin.

Ann an raon nan oilthighean, chaidh taic a thoirt do na prìomhachasan toraidh againn gus a’ bhuidh aig oilthighean air an eaconamaidh a mheudachadh. Ag obair còmhla ri oilthighean, gnìomhachas agus a’ faighinn taic bho ar compàirtichean san raon phoblach aig Iomairt na Gàidhealtachd ’s nan Eilean ’s aig Iomairt na h-Alba, thug sinn gu bith am bun-bheachd mu Ionadan Ùr-ghnàthachais agus chuir sinn a’ chiad suim airgid de £28 millean an seilbh nan ciad trì Ionadan. Mar a thèid am prògram air adhart a’ gabhail prìomh raointean gnìomhachais na h-Alba na lùib, tha sinn ag iarraidh gum bi fìor fhàs eaconamach ann às leth na h-Alba leis a’ mheasgachadh seo de ùr-ghnàthachas tionnsgaineach, sgoilearach. Bha sinn ag obair ann an dòigh choltach gus am beachd mu “bhuidheann malairt aon-eòlais” a thoirt air adhart, agus nì seo fada nas fhasa e do bhuidhnean beaga ’s meadhanach mòra a bhith a’ conaltradh ri oilthighean san àm ri teachd.

Ri linn an lùghdachaidh ann an cothroman do dhaoine òga aig àm crìonadh an eaconamaidh, tha sinn air taic a chumail ris a’ mhòr-shluagh san fharsaingeachd gus foghlam san oilthigh fhaighinn. Uime sin, chuir sinn beagan is £10 millean an seilbh airson àitean a bharrachd do dhaoine òga far a bheil staid an teaghlaich a’ cur bacadh orra pàirt a ghabhail ann an àrd-fhoghlam.

Tha gu bheil leth-chuid de na h-àitean ùra sin gan amas air oileanaich nan colaistean aig a bheil miann falbh don oilthigh na dhearbhadh aon uair eile gur fhiach comhairle maoinachaidh a bhith sinnte thar an dà raon-foghlaim – suidheachadh air leth aig Alba. Tha colaistean na h-Alba nan cùis-fharmaid a chionn ’s gu bheil iad air a bhith a’ ruigsinn luchd-ionnsachaidh o gach ìre san t-sòisealtas bho chionn fhada. Le bhith a’ rèiteachadh an slighe on cholaiste don oilthigh san dòigh seo, tha sinn an dòchas cur gu mòr ri briseadh sìos nan cnapan-starra a thig mu choinneamh iomadh duine fhathast nuair a bhios iad a’ feuchainn ri àrd an comais a ruigsinn. Uile gu lèir am-bliadhna, tha sinn air còrr is £30 millean a thasgadh ann an leudachadh nam prògraman intrigidh, agus leanaidh sinn oirnn ag obair fa chomhair ar rùintean airson Learning for All tro chòrdaidhean-toraidh ris an dà raon-foghlaim.

Ann an raon nan colaistean, tha sinn air dlùth-ghabhail ris na dùbhlain aig prògram a bhios a' cruthachadh 13 roinnean-colaiste ùra. Ann an 2012 cho-aonaich trì colaistean nan aon tè ùr - Colaiste Bhaile Dhùn Èideann, agus thàinig na trì colaistean tuathanachais còmhla gus SRUC, colaiste dhùthchail na h-Alba a chruthachadh. Tha sinn an-dràsta ag obair gus ceithir co-aonaidhean eile ron Lùnastal 2013 agus ceithir eile nas fhaide dhen bhliadhna a chrìochnachadh.

Rinn na h-atharrachaidhean gu h-àrd gun robh feum againn air ath-dhealbhadh bunaiteach a thoirt air an dòigh sa bheil Comhairle Maoineachaidh na h-Alba ga h-eagrachadh agus gu dearbh, fairichidh sinn a' bhuidhe aig lùghdachadh bhuidseatan san raon phoblach a ceart cho mòr ri càch. Thàinig oirnn an àireamh de luchd-obrach a lùghdachadh mar fhreagairt do na gearraidhean sa bhuidseat againn fhìn, agus rinn sinn ath-structaradh bho bhun gu bàrr gus an deach againn air iarrtasan an ath-leasachaidh air foghlam aois còrr is 16 bliadhna a fhreagairt gu h-èifeachdach.

A-rithist, 's e an dealbh iomlan air a' ghnìomhachd againn gu bheil sinn air obair gu cruaidh gus aghaidh a thoirt air na deuchainnean ann an àrainneachd caochlaideach, agus an toradh as fheàrr fhaighinn on airgead a chuir sinn an seilbh nan colaistean 's oilthighean.

Tha mi a' moladh aithisg agus cunntasan 2012-13 dhuibh agus tha mi an dòchas gum faigh sibh mòran sna duilleagan a leanas a bheir ùidh agus fios dhuibh.

John F McClelland CBE, An Cathraiche.