

Scottish Funding Council

Annual Report and Accounts 2011-12

Scottish Funding Council
Donaldson House
97 Haymarket Terrace.
Edinburgh
EH12 5HD

Contents

Foreword	3
Chief Executive and Accountable Officer's Report	7
Remuneration Report	29
Management Commentary	38
Governance Statement	43
Independent Auditor's Report	51
Statement of Comprehensive Net Expenditure	54
Statement of Financial Position	55
Statement of Cash Flows	57
Statement of Changes in Taxpayers' Equity	58
Notes to the Accounts	59
Direction by the Scottish Ministers	79
Annex 1	80
Gaelic version of Foreword	85

Foreword



The period covered by this report has been one of significant change for the environment in which the Scottish Funding Council operates.

Following the parliamentary election in May 2011, the Scottish Government published *Putting Learners at the Centre*, a consultative paper on post-16 education reform. The paper set out proposals for wide-reaching change in both the college and university sectors, including recommendations for the future of university funding and the idea of a new, regional approach to college provision.

These proposals - together with the paper's commitment to review university and college governance, improve access and progression and maintain Scotland's position as a world-leader in academic research - put the Scottish Funding Council at the centre of an ambitious programme of educational reform. The early results of our work towards implementing *Putting Learners at the Centre* are already beginning to take effect as we move into the new reporting cycle and there will be more to say on all areas of the reform programme over the coming year.

Fundamental to the Funding Council ensuring its contribution to post-16 reform has been a restructuring of our staff resources. This is now enabling us to support the sectors to meet the needs of learners more effectively and to focus our future investments in ways which produce the best contribution to Scotland's national priorities.

Most significantly we have:

- developed a capacity to negotiate and manage outcome agreements with colleges and universities;
- strengthened our ability to support national priorities in research, widening access, knowledge exchange and collaboration; and
- increased our capacity to facilitate and deliver mergers, federations and other forms of collaboration.

Following the successful mergers that created the City of Glasgow College in 2010, SFC has been instrumental in furthering the proposals to merge three colleges in Edinburgh and to unite Scotland's land-based colleges with the Scottish Agricultural College. Several other merger and collaboration initiatives were being supported by the Funding Council by the end of 2011-12 involving our teams in advice, guidance, evaluation and appraisal activities across most parts of the college sector.

Alongside our work towards post-16 reform we have, of course, continued with the fundamentals of providing funding for Scotland's 41 colleges and 19 universities and making strategic investments across both sectors. The draft Scottish budget announced in September 2011 enabled us once more to give early indications of funding levels for the next academic year allowing institutions to plan well ahead during the period of change.

The overview of the year's achievements below provides a record of the Funding Council's work. However, the following deserve special mention and I am particularly pleased that we were able to make significant investments in two of Scotland's key industries. We invested over £2.5 million in a new innovation network bringing together 17 universities to support the future development of the Scottish food and drink industry. For Scotland's expanding energy sector we invested £300,000 to help fund the creation of a network of over 20 colleges working together to meet the sector's future skills needs.

In the current economic climate the Funding Council has prioritised initiatives to develop skills and employability. Our skills utilisation projects have continued to produce excellent results for both learners and employers with pioneering initiatives like *Engineers of the Future* and *Creating Cultures of Innovation*. Also worth noting is the effort of staff across the organisation to build even closer and more effective relations with their colleagues in partner agencies such as Skills Development Scotland, Scottish Enterprise, Highlands and Islands Enterprise and NHS Education Scotland.

More generally, in the field of innovation we invested in the expansion of Interface, the successful, SFC-funded service that matches the research excellence of Scotland's universities with the development ambitions of growing enterprises. Businesses in the Highlands & Islands now have easier access to the support service that Interface provides. Finally, we made an initial £10 million investment in an exciting initiative to develop new "innovation centres", creative melting pots of academic excellence, entrepreneurial drive and technical innovation.

Once again, the overall picture of our activity this year is one where we have worked hard to meet the demands of a changing environment and to achieve the ambition we share with the Scottish Government and our public and private sector partners for a Scotland that can flourish through sustainable economic growth.

I commend the 2011-12 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, flowing style with a large initial 'J' and 'M'.

John F McClelland CBE, Chair

Chief Executive and Accountable Officer's Report



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; and
- the undertaking of research.

The Council does this by:

- developing policies and strategies which support Scottish Government priorities, meet its statutory duties, and contribute to the Council's vision and Corporate 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 assessment 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; and
- 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 Students Award Agency for Scotland (SAAS).

Corporate Plan priorities

Following a period of consultation with colleges, universities and other stakeholder bodies, the Council submitted a Corporate Plan to the Scottish Government setting out its priorities for the period 2009-12. The Plan was approved by the Cabinet Secretary for Education and Lifelong Learning on 30 April 2009 and was published in summer 2009. The Plan is available on the Council's website www.sfc.ac.uk/corporateplan.

The Plan contains seven 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 1 – Employability and Skills: Working with Scotland's colleges, universities and other partners, we will seek a system of further and higher education in which, through the provision of high quality education and learning, students have enhanced their general and specific skills, their confidence, self-reliance, motivation, knowledge and capacities in ways that:

- meet the needs and expectations of employers in Scotland, the rest of the UK and internationally, and which address the particular economic demands of this Plan period;
- lead to an improved utilisation of skills in the workplace; and
- contribute to improved personal, social, civic and cultural outcomes for the people of Scotland.

Outcome 2 – Access, Inclusion and Progression: Working with Scotland's colleges, universities, and other partners we will seek – within the wider learning environment in Scotland, including the context of *Curriculum for Excellence* – a continuum of learning provision into, within and between colleges and universities which:

- has multiple entry and exit points – fully mapped on to the Scottish Credit and Qualifications Framework – and which provides access to and progression through learning opportunities in ways, times and places that meet individuals’ needs, including the particular needs of people seeking work in the economic downturn;
- allows individuals over time to develop their skills and capacities for learning without the need for unnecessary repeated study;
- is underpinned by a system of financial support for students that targets support where it is most needed, so that, as far as practicable, opportunities to learn are determined solely by a person’s capacities and ambition; and
- continues to address uneven patterns of participation in education and promotes equality and diversity.

Outcome 3 – Knowledge Exchange: Working with Scotland’s colleges and universities, and our key delivery partners, we will aim to achieve:

- an effective, demand-driven exchange of knowledge and expertise with business and public and third sector organisations, which enhances competitiveness and promotes economic growth;
- the formation of new knowledge-based businesses;
- easy access for small and medium-sized enterprises (SMEs) to the facilities and services of colleges and universities; and
- continued investment in Scotland to exploit knowledge, develop solutions, and demonstrate applications.

Outcome 4 – Specialism and Diversity: Working with Scotland’s colleges and universities, we will seek a structure of autonomous institutions that, through specialism and diversity of mission, provides students, researchers, research investors, businesses and other stakeholders with a broad and comprehensive range of opportunities for learning, research and knowledge exchange.

Outcome 5 – Collaboration: Working with Scotland’s colleges and universities, we will support academic or institutional collaboration in different forms – whether on a geographical, subject, sectoral/cross-sectoral or other basis – where the end is to secure accessible, coherent, efficient and effective provision, internationally competitive research, and the efficient and effective operation of colleges and universities.

Outcome 6 – World-class Research: Working with Scotland’s universities, we will support a research base that:

- remains highly competitive internationally;
- nurtures, attracts and supports world-class and internationally excellent researchers in Scotland; and
- attracts high levels of project support from research councils, charities, business and the public sector.

Outcome 7 – effective colleges and universities: We will support the development of college and university sectors with well led, well run, financially sound colleges and universities which meet all the legal and other requirements placed upon them, including those relating to employment, diversity, equality and sustainability.

Review of activities

The Council’s main activities in support of its Corporate Plan priorities have included:

In skills and employability

Through our core funding for teaching we secured further and higher education for 202,000 students in universities and 306,940 students in colleges.

We funded the Scotland’s Colleges Energy Industry partnership – a new network of colleges working together to meet the skills needs of Scotland’s rapidly developing energy sector. The Partnership will have a particular focus on the renewable energy sector though the various energy sub sectors – oil and gas; carbon capture and storage; power generation, transmission and distribution; renewables – are represented.

In June 2011, we jointly organised the Scottish Higher Education Employability Forum’s (SHEEF) conference, *Strengthening partnerships with employers*, along with Higher Education Academy, and the Quality Assurance Agency (QAA) Scotland. The event gave delegates the chance to discuss graduate employability in Scotland, the achievements to date, the way ahead and the vital role employers and academia have to play in improving the employability of future graduates.

In access, inclusion and progression

We held our annual Learning for All conference on progress on widening access to further and higher education in March 2012, jointly hosted with National Union of Students (NUS) Scotland. Record numbers of delegates discussed key themes of the *Learning for All sixth update measures of success* report, which reviews progress towards making further and higher education more widely accessible.

The Council works to support change in this important area and we prepared and submitted a report to the Cabinet Secretary on flexible entry to higher education, pulling together previous work on articulation and developing the case for increasing both articulation targets and direct entry to second year of university from college.

In knowledge exchange

In October, we expanded our successful Innovation Voucher scheme, which has given more than £1 million to over 200 projects supporting small and medium sized enterprises (SMEs) over the last three years.

The scheme, administered by Interface – the knowledge connection for business, provides funding of up to £5,000 to universities to work with SMEs on projects including developing new products and services, improved production processes or experimental testing and measuring. At the same time, Interface’s service was expanded Scotland-wide, with a new office in Inverness.

We recently announced an ambitious initiative to create powerful new partnerships between universities and Scottish businesses with the creation of Innovation Centres – sustainable communities of university academics and researchers, businesses, entrepreneurs and others that will drive innovation. We will be making £10 million available in the first instance to support the development of new Innovation Centres across Scotland’s key economic sectors.

SFC is investing £2.64 million to a total funding package of £10.58 million for the Interface Food and Drink Network (formerly Scottish Universities Industry Innovation Network for Food and Drink), a Scotland-wide innovation network of 17 Scottish universities specifically designed to meet the needs of the Scottish food and industry expressed by its members during a consultation.

Working in partnership with businesses, academics from multiple disciplines will work to deliver a range of knowledge exchange projects in areas including food science, supply chain development, waste management, packaging design and marketing for the benefit of industry.

In specialism

We announced our support for a BA in Sign Language Support for British Sign Language (BSL) Course, the first of its kind in the UK, at Heriot-Watt University. Heriot-Watt will benefit from £744,192 over six years to develop the course which will meet the Scottish Government's ambition for BSL to be aligned with other modern languages in Scotland. Prior to this, there was no undergraduate BSL degree available at a Scottish university and anyone in Scotland interested in studying BSL full-time and to degree level has had to travel to England for their studies. The graduates will be fully qualified and accredited BSL/English interpreters upon completion.

SFC and Scotland's Colleges joined forces to create an innovative healthcare course inspired by the staffing needs of NHS Greater Glasgow and Clyde's (NHSGGC) new South Glasgow Hospitals Campus, due to open in early 2015. Led by NHSGGC, the new Higher National Certificate/Diploma (HNC/D) Care and Administrative Practice is the first of its kind. This unique programme was specifically developed to ensure the growing group of NHS healthcare support workers gains the vital mix of skills and knowledge which will make them invaluable to the NHS.

In collaboration

During the year two mergers were announced and one was completed.

Jewel and Esk College, Stevenson College and Telford College announced their intention to merge. This will create one single college for Edinburgh and the Lothians. The Colleges will become one on 1 October 2012.

Scotland's land-based education colleges also announced their plan to merge. The Scottish Agricultural College, Elmwood College, Oatridge and Barony Colleges intend to merge with effect towards the end of 2012.

Edinburgh College of Art and University of Edinburgh completed their merger on 1 August 2011.

The mergers will provide more opportunities for students, staff and the communities they serve.

In research

During the year we announced funding for two research programmes that will have an impact on the health and wellbeing of individuals across Scotland.

The Universities of Edinburgh, Aberdeen, Dundee, St Andrews and Glasgow are combining their research expertise to investigate key issues that have a negative impact on health, including alcohol abuse, smoking and obesity. The Universities formed the Scottish School of Public Health Research with an investment of £445,000 from the Council.

The Council supported the Universities of Glasgow and Dundee with £132,000 to strengthen their collaboration on dental and oral health research, which will contribute to better dental health services and care across Scotland. The two university dental schools are focussing on inequalities in dental health, access to dental services, oral cancer and craniofacial birth defects (such as cleft lip and cleft palate).

In conjunction with the three other HE funding bodies in the UK – HEFCE, HEFCW and DELNI – work continued on the development of UK-wide Research Excellence Framework (REF) which will assess excellence in university research from 2014 onwards. The Council ensured that the new Framework will cater for joint submissions by research pools and that it recognises with equal status both UK and Scottish Government funding sources. Guidelines for REF submissions were also finalised and published.

In developing effective institutions

We worked with Advanced Procurement for Universities and Colleges (APUC), Scotland's Colleges and Universities Scotland to agree funding for APUC from 2011-12 onwards. This will ensure savings continue to be realised through APUC's procurement activities on behalf of Scotland's colleges and universities.

In 2011 we provided advice to the Cabinet Secretary for Education and Lifelong Learning on proposed investments in college estates in Inverness, Glasgow and Kilmarnock. All estates projects, worth up to £294 million combined, were given the go ahead to start the procurement process for the new buildings. Although the capital investment in the new facilities will be funded through Scottish Futures Trust (SFT) rather than the Council, it was agreed with the Scottish Government and SFT that we would take the lead role in capital investment decision making for universities and colleges.

In the 2010-11 Annual Report we reported that the Council funded Universities and Colleges Climate Commitment for Scotland (UCCCFs), which will see institutions creating a five year climate change action plan, had secured support from 90 per cent of universities and colleges. This year we are delighted to say that all institutions are signed up to the Commitment.

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 statutory duties and responsibilities. The indicators measure performance from 2006-07 onwards.

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)¹

2006-07	2,319,359	Exceeded target by 1.2%
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%

Source: SFC Further Education Statistics (FES)

Notes:

1) 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.

Universities

Full-Time Equivalent (FTE) of Council funded student provision
(compared to Scottish Government targets)¹

2006-07	140,537	Exceeded target by 1.3%
2007-08	144,580	Exceeded target by 2.0%
2008-09 ²	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)

Notes:

1) 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.

2) The Council assumed responsibility for funding the Scottish Agricultural College (SAC) on 1 August 2007. The figures for 2006-07 and 2007-08 do not, therefore, include SAC.

Since 2006-07, the college and university sectors have achieved or exceeded Scottish Government targets.

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.

	External research income (£M)	As a share of total UK external research income	As a share of total income of Scottish higher education institutions (HEIs)	Ratio of external research income to Council quality-based research funding
2006-07	431	12.8%	19.1%	2.41
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

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):

	2006-07	2007-08	2008-09	2009-10	2010-11
Industry, commerce and public bodies	80	89	97	85	85
Other external research grant and contract income	73	79	95	98	96
Consultancy and CPD income	118	132	136	142	127
Licensing income	15	8	7	7	8
Proof of concept income	4	3	5	3	2
Other knowledge transfer income	23	22	18	25	44
Total income	313	333	358	360	362
Deflated ²	302.4	310.4	320.0	324.3	318
Proportion of Gross Value Added (GVA)	0.33%	0.33%	0.35%	0.35%	0.34%

Source: SFC Knowledge Transfer Metrics Return.

Notes:

- 1) The figure for 2005-06 does not include the Scottish Agricultural College.
- 2) Deflated using Retail Price Index (RPI) series with 2005 as the base year.

Total income grew year-on-year between 2006-07 and 2009-10, both in real terms and as a proportion of Scottish Gross Value Added (GVA). However, the figures for 2010-11 show a small decline in total income in both real terms and as a proportion of GVA, which probably reflects the increasingly challenging economic environment in which universities are operating.

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 2009-10 ratios have been updated to reflect restatement of 2009-10 figures in the 2010-11 financial statements.

Colleges

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

2006-07	2007-08	2008-09	2009-10	2010-11
1.7%	1.4%	0.2%	3.3%	(3.9%)

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

2006-07	2007-08	2008-09	2009-10	2010-11
74.0%	73.5%	74.4%	75.3%	75.8%

Borrowing as a percentage of total income:

2006-07	2007-08	2008-09	2009-10	2010-11
6.1%	8.1%	7.9%	7.4%	9.5%

Liquidity (net cash expenditure days)

2006-07	2007-08	2008-09	2009-10	2010-11
78	115	80	104	107

Universities

Operating surplus as a percentage of total income:

2006-07	2007-08	2008-09	2009-10	2010-11
1.2%	1.3%	0.5%	1.3%	3.3%

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

2006-07	2007-08	2008-09	2009-10	2010-11
60.8%	61.0%	60.3%	60.3%	58.6%

Borrowing as a percentage of total income:

2006-07	2007-08	2008-09	2009-10	2010-11
11.3%	13.1%	11.8%	11.8%	12.2%

Liquidity (net cash expenditure days)

2006-07	2007-08	2008-09	2009-10	2010-11
61	79	79	78	95

In terms of institutions' operating surplus or deficit, in the college sector, the 2010-11 results were impacted adversely by one-off restructuring and estates-related costs while 2009-10 results benefitted from the impact of pensions indexation adjustments. 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.

Reliance on public sector income has stayed fairly constant at around 74-75% of total income over recent years in the college sector. In the university sector, this ratio has reduced slightly in 2010-11, 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.

Liquidity has improved in the college sector over recent years despite significant capital programmes at many colleges. A similar pattern is shown in the university sector¹.

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 (formerly HMIE) and every university in a four-year cycle by QAA Scotland. The data presented below accounts for review activity to date in the current cycle, which spans from academic year (AY) 2008-09 to AY 2011-12. Both Education Scotland and QAA report their judgments in terms of 'confidence' statements. The outcomes can be:

- Confident
- Limited confidence
- Not confident

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

In colleges, Education Scotland carries out external review and provides judgements which relate to the key principles of high quality learning, learner engagement and quality culture. In addition, each external review reports on college strengths, main points for action, and signposts sector-leading practice or excellence.

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

Each ELIR report also provides 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.

¹ **Source:** Consolidation of annual accounts from colleges and universities.

Colleges

Statements	Number of colleges¹
Confident	39
Limited confidence	-
Not confident	-
To be published	4

Source: Education Scotland, www.education.scotland.gov.uk

Notes: 1) Total accurate as at 1 June 2012.

2) The total number of colleges includes the City of Glasgow College and two of the three colleges from which it was formed (Central College and Glasgow College of Nautical Studies).

Universities

Judgement	Number of universities¹
Confident	16
Limited confidence	-
Not confident	-
ELIRs remaining this cycle	3

Source: QAA Scotland, www.qaa.ac.uk/scotland.

Notes: 1) The total number of universities does not include The Open University, which is assessed by QAA UK.

2) Totals accurate as at 1 June 2012.

All of the outcomes of external review to date have been positive, in both sectors. 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.

Furthermore, the SFC recently completed an update of the quality arrangements for both sectors in preparation for the new four-year quality cycle, which will start from 1 August 2012.

Quality of estates: condition and suitability

These are measures of the effectiveness of college and university institutional governance in sustaining and developing the long-term quality and suitability of its physical resources.

Colleges

Condition of buildings (percentage of total gross internal area):

	2006-07	2007-08	2008-09	2009-10	2010-11
A – As new ¹	20.3%	23.0%	25.8%	29.4%	31.7%
B – Sound	36.4%	36.5%	28.7%	32.8%	30.0%
C – Operational	41.6%	38.9%	42.6%	34.3%	34.3%
D – Inoperable	1.7%	1.6%	2.9%	3.5%	4.0%

Source: eMandate and SFC.

Notes:

1) Royal Institute of Chartered Surveyors building maintenance information standard definitions

A – As new

B – Sound: space operationally safe and exhibiting only minor deterioration

C – Operational: space for which major repair or replacement needed in the short to medium term (generally 3-5 years)

D – Inoperable: space at serious risk of major failure or breakdown

Functional suitability of buildings (percentage of total gross internal area):

	2006-07	2007-08	2008-09	2009-10	2010-11
I – Very Good ¹	23.4%	28.7%	25.9%	34.9%	31.4%
II – Good	34.8%	32.7%	30.0%	28.3%	31.7%
III – Satisfactory	29.2%	24.1%	32.6%	28.6%	28.2%
IV – Unsatisfactory	12.6%	14.5%	11.5%	8.2%	8.7%

Source: eMandate and SFC.

Notes:

1) I – Very Good: space that is very well suited to its purpose

II – Good: space that is suitable for its purpose despite minor weaknesses

III – Satisfactory: space that is less than ideal but any disadvantages are judged to either not serious enough to create real problems or are capable of being remedied using current resources

IV – Unsatisfactory: space for which the disadvantages are such that use is possible only at excessive cost or with extreme difficulty or is limited in time.

Universities

Condition of non-residential buildings (percentage of area):

	2006-07	2007-08	2008-09	2009-10	2010-11
A – As new	13.7%	15.8%	13.7%	11.3%	10.0%
B – Sound	43.7%	44.6%	46.3%	48.2%	52.2%
C – Operational	37.8%	34.4%	35.0%	37.7%	34.8%
D – Inoperable	4.8%	5.2%	5.0%	2.8%	2.9%

Source: Estate Management Statistic/HESA.

Functional suitability of non-residential buildings (percentage of area):

	2006-07	2007-08	2008-09	2009-10	2010-11
Grade 1 – Excellent ¹	24.1%	26.4%	27.8%	25.3%	26.9%
Grade 2 – Good	46.9%	47.3%	46.2%	52.3%	51%
Grade 3 – Fair	26.6%	23.7%	23.8%	20.3%	20%
Grade 4 – Poor	2.4%	2.6%	2.2%	2.1%	1.8%

Source: Estate Management Statistic/HESA.

Notes:

1) A measure of the capability of a space to support its existing function:

Grade 1 – Excellent: the room(s)/building(s) fully support current functions.

Grade 2 – Good: the room(s)/buildings(s) provides a good environment for the current function in all or most respects.

Grade 3 – Fair: the rooms(s)/buildings(s) provides a reasonable environment for current functions in many respects, but has a number of shortfalls.

Grade 4 – Poor: the room(s)/building(s) fail to support current functions and/or and unsuitable for current use.

Over the past year, the steady progress in the overall condition and functional suitability of both sectors' estate has been maintained despite severe pressure on the resources available to our colleges and universities. However, with a significant proportion of the estate of both sectors built during the 1960s and 1970s – a period recognised as presenting disproportionate challenges regarding repair, maintenance, efficiency and effectiveness – the investment needs for the maintenance and renewal of the sectors' estate continue to be significant. Over the past year alone, the university sector has invested over £238 million in improving and consolidating its non-residential estate, ensuring that it continues to provide fit-for-purpose spaces for world-class learning and research.

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):

	Running-cost expenditure (£'000)	Programme expenditure (£'000)	Percentage
2006-07	8,559	1,776,156	0.48%
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%

The figures show that the Council's running-cost expenditure has remained at 0.5 per cent or below of running-cost expenditure since 2006-07.

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/about_the_council/our_conduct/about_conduct_access.aspx.

The volume of information requests remained steady with 55 recorded information requests between 1 April 2011 and 30 March 2012. There were three reviews but no cases were appealed to the Scottish Information Commissioner. General enquiries through the website email account remain steady, numbering between 100-150 each of the last three 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. The Council responded to the Scottish Government consultation on the revised draft regulations for the public sector equality duty in November 2010 and will review the Equalities Scheme and Action Plan once these regulations have been laid before Parliament.

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 the retention and motivation of staff and also organisational performance.

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 2011-12 staff were actively involved in defining staff values and behaviours which we are now working to implement.

Sustainability Report

Summary

This 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. Our commitment (from the SFC Corporate Plan 2009-12) is that 'Sustainability and climate change will inform our decisions'. 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 established a staff group - Sustainable Development Co-ordination Group - in 2010 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 Group identified that more could be done to raise awareness of existing corporate policies on saving energy. A Communications Plan was drawn up, noting significant events over the year and with proposals for how the intranet, staff newsletter and noticeboards might be used to provide information on environmental achievements, promote energy efficient practices and behaviour. An Open Forum was held on 6 March 2012, to give staff an opportunity to discuss the annual statement on sustainability and the work of the Co-ordination Group.

As part of the staff engagement work, and in line with Scottish Government guidance, staff were encouraged to switch off their lights during 'Earth Hour' (31 March 2012). The Co-ordination Group will be following this up with awareness-raising campaigns to save energy in the office.

Public Sector Climate Action Group (PSCAG)

The Chairman is a member of the Public Sector Climate Action Group (PSCAG), supported by senior officers. This group is responsible for ensuring that public sector bodies discharge their duties under the Climate Change Act and related legislation. This includes carbon reporting, implementing an action plan, and embedding these issues within policy/core business.

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. Although SFC does not have detailed data on its use of energy, water and some of its waste, an estimate of our total carbon footprint, showing the contributions from each of these areas, was made in SFC's

Carbon Management Plan. We expect to have better data on energy consumption when the building landlord introduces floor-level metering.

	2010-11 per SFC Carbon Management Plan, June 2011		2011-12	
		CO2 (tonnes per annum)		CO2 (tonnes per annum)
Energy	508,820KWh	278.16	457,068KWh	249.85
Waste	7,878 bags	33.88	7,489 bags	32.21
Travel	172,728 miles	32.61	157,466 miles	17.55
Total		344.65		299.61

The main items of progress in financial year 2011-12 are described below.

Energy

Overall, our energy usage during 2011-12 has decreased by 10%. Our total usage this year was 249.85 tonnes of CO2 (2010-11: 278.16). We anticipate that floor-level metering will be introduced by the landlord and this will provide the opportunity to monitor SFC's actual energy consumption for the first time.

Information Systems

The Council's Information Systems Unit relocated half of our server infrastructure to Saughton House, making use of virtualisation and minimising server power consumption on site. The estimated annual power consumption of our server infrastructure is now 14,016kWh (2010-11: 84,096kWh), saving approximately 36,660kgs CO2 a year.

Waste

Our paper consumption in 2011-12 was 450,000 sheets. From our baseline figures for 2004-05, our paper consumption has now fallen by 72%. Recycling of paper in 2011-12 was 6.71 tonnes (2010-11: 13.4 tonnes). In 2006-07 we introduced recycling facilities for aluminium cans and plastic bottles; in 2011 individual waste bins were removed to encourage greater use of communal recycling facilities.

During 2011-12 we recycled 43.5kg of aluminium cans (2010-11: 29kg) and 141kg of plastic bottles and Tetra drink cartons (2010-11: 184.5kg), giving a saving on waste to landfill. Facilities to recycle glass and business cardboard were introduced during 2009. However, data on this is only available for the building as a whole (all tenant organisations).

Total waste was 39.1 tonnes, of which 6.9 tonnes (18 per cent) was recycled.

Water

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

Travel

A revised travel policy was issued in 2012. This encourages staff to use public transport as far as possible. Our long-standing policy to reduce taxi use and promote the use of buses (by using City Single and Airlink bus tickets) continues. A statement noting our commitment to sustainable travel is set out on our website and on all travel and subsistence claim forms.

The past year has seen a significant reduction in air travel: 30,356 miles (2010-11: 68,542 miles), with a corresponding increase in rail travel: 108,623 miles (2010-11: 81,259 miles). Car mileage is down by almost 20% compared to 2010-11, to 18,015 miles.

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.

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

Biodiversity: We have a duty to protect biodiversity. We only use cleaning products which do not harm the environment. Since 2008, staff have volunteered for the Water of Leith Big Annual Clean Up, which is arranged by The Water of Leith Conservation Trust. Bad weather prevented this in 2011, but we hope to participate again in future years.

Health and well-being: we encourage staff to lead healthy lives and to maintain a good work-life balance. Relevant policies include bicycle loans, 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 2011-12, as

indeed in any year, is carried out using Scottish and UK-wide collaborative government contracts which contain sustainability criteria.

Remuneration Report for the year ended 31 March 2012

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.

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 2011-12 is detailed on page 30.

***Council membership for the period 1 April 2011 to 31 March 2012**

Following an initial appointment to the role of interim Chair of Skills Development Scotland, John McClelland was appointed to the role of Chair of Skills Development Scotland for four years from the 28 February 2012. Paul McKelvie, SFC Vice-Chair, has taken 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 respective salaries have been adjusted accordingly.

Member	Appointment start date	Appointment end date	Remuneration year ended 31 March 2012 £	Remuneration year ended 31 March 2011 £
John McClelland CBE (Chair)	3 October 2005	2 October 2013	34,866	39,187
Mark Batho	8 September 2008		see page 34	See page 34
Ian Adam	3 October 2005	2 October 2011	5,778	11,556
Dr Lindsay Burley	16 October 2007	15 October 2013	11,556	11,556
Robin Crawford	3 October 2009	2 October 2013	11,556	11,556
Audrey Cumberford	3 October 2009	2 October 2013	11,556	11,556
Professor Jim Gallacher	3 October 2005	2 October 2010	-	5,778
Professor Peter Holmes OBE	3 October 2005	2 October 2010	-	5,778
Alison Jarvis	17 November 2008	3 October 2015	11,556	11,556
Professor Maggie Kinloch	16 March 2012	3 October 2015	-	-
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	11,556
Paul McKelvie OBE	10 December 2007	3 October 2015	19,902	16,801
Ian Murning TD	3 October 2005	2 October 2011	5,778	11,556
Professor Anton Muscatelli	16 March 2012	3 October 2015	-	-
Dr Keith Nicholson	16 March 2012	3 October 2015	-	-
Professor Albert Rodger	3 October 2009	2 October 2013	11,556	11,556
Alan Stannett	10 December 2007	3 October 2015	11,556	11,556
Alexander Watson OBE	16 November 2006	15 October 2010	-	6,260
Marlene Wood	16 March 2012	3 October 2015	-	-

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

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Salary and allowances	274	306
Social security costs	25	28
Other pension costs	29	104
	328	438

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 5 in year	Research and Knowledge Exchange 4 in year	Skills 4 in year	Remuneration 4 in year	Access and Inclusion 4 in year
John McClelland CBE	6c	3c		5c			3c	
Mark Batho	7			5				
Ian Adam	3 of 3		2 of 2 (2c)	2 of 2	1 of 2			
Dr Lindsay Burley	6 of 7	4	3	4		2	4	
Robin Crawford	6 of 7		4 (2c)	4				
Audrey Cumberford	7			4				3
Alison Jarvis	5 of 7	4		3			4	4c
Dr Janet Lowe CBE	7			5		4 (2c)		
Dr Dominic McKay	5 of 5			3 of 3	3 of 3			
Paul McKelvie	7 (1c)	4 (1c)		5		4 (2c)	4 (1c)	
Ian Murning TD	2 of 4			2 of 2				
Professor Albert Rodger	7			4	4c			
Alan Stannett	7	4	4	5			4	
c = Chairperson								

In addition to the above, Council members chair other forums, take part in strategic dialogue meetings at institutions, 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, which reviews performance against an annual personal responsibility plan agreed by the Chair. The bonus recommendation is subject to approval by the Scottish Government.

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**

Salary entitlements (in bands of £5,000)		
	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Mark Batho, Chief Executive	115-120	115-120
Martin Fairbairn, Senior Director – Institutions and Corporate Services	100-105	100-105
Laurence Howells, Senior Director – Skills, Research and Knowledge Exchange	100-105	100-105
Riona Bell, Director – Finance and Corporate Resources	85-90	85-90
John Kemp, Director – Strategic Development	75-80	75-80
Paul Hagan, Director – Research and Innovation (from 1 September 2010)	95-100	(a) 55-60
Payment made to pension scheme in respect of capitalised annual pension costs.		
Roger McClure, ex Chief Executive	-	75-80
Band of highest paid employee's total remuneration	115-120	115-120
Median total	32,724	32,724
Ratio	3.6	3.6

(a) full year equivalent salary £90,000-95,000

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

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

	Real increase in pension and related lump sum at pension age	Total accrued pension at pension age as at 31 March 2012 and related lump sum	CETV at 31 March 2012	CETV at 31 March 2011* or start date	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Mark Batho Chief Executive	0-2.5 2.5-5	50-55 155-160	1,033	929	22
Martin Fairbairn Senior Director	0-2.5 0-2.5	20-25 70-75	395	358	6
Laurence Howells Senior Director	0-2.5 0-2.5	40-45 125-130	833	772	-
Riona Bell Director	0-2.5 -	20-25 -	423	378	11
Paul Hagan Director (from 1 September 2010)	0-2.5 -	0-5 -	39	14	21
John Kemp Director	0-2.5 -	15-20 -	268	240	6

* The actuarial factors used to calculate cash equivalent transfer values (CETVs) were changed during 2011. The CETV at 31 March 2011, therefore, differs from the corresponding figures in last year's report which was calculated using the previous factors.

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

For 2011-12, employer’s contributions of £879,934, (2010-11 £894,959) 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 2011-12 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 £13,871 (2010-11: £17,007) 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 £867 (2010-11: £515), 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 £13,871 (2010-11: £17,007). Contributions prepaid at that date were £0.

Signed on behalf of the Council

A handwritten signature in black ink, appearing to read 'M T S Batho', with a long horizontal stroke extending to the right.

M T S Batho
Accountable Officer

Date: 26 June 2012

Management Commentary

for the year ended 31 March 2012

Statement of Comprehensive Net Expenditure

The Council's funding grant disbursements and operating costs for the year ended 31 March 2012 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 £1,669,904,000 (2010-11: £1,898,459,000). Grants are disbursed and expenditure incurred in relation to the Council's Corporate Plan priorities as set out on page 8.

The running cost expenditure of the Council for the year was £8,277,000 (2010-11: £9,637,000) being staff costs of £5,738,000 (2010-11: £5,850,000) (note 4), other operating charges of £2,296,000 (2010-11: £3,594,000), depreciation of £126,000 (2010-11: £137,000) (note 6) and amortisation costs of £117,000 (2010-11: £56,000) (note 7).

Other operating income totalled £11,302,000 (2010-11: £6,822,000). This relates mainly to the clawback of grant income from institutions of £4,624,000 (2010-11: £6,400,000) and European Social fund income of £6,484,000 (2010-11: £5,000).

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 are in Edinburgh leased by the Scottish Ministers (as statutory successors to the Secretary of State for the Environment) and sub-let to the Council. The Council ended a lease on a neighbouring property on 31 December 2010 to locate all staff at the one site.

Expenditure on capital assets during the year totalled £31,000 (2010-11: £332,000).

Intangible assets

The Council's intangible assets are IT software and software licences. Expenditure during the year totalled £233,000 (2010-11: £47,000).

Non-current assets

Recoverable grants due after one year decreased to £5,725,000 (2010-11: £6,603,000) 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 2012 shows a cash balance of £581,000 (2010-11: £557,000).

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.

Capital and reserves

The balance on reserves, amounting to £24,938,000 (2010-11: £24,948,000) comprises a surplus on grant-in-aid for distribution of £16,708,000 (2010-11: £15,964,000) and surplus on running cost reserves of £627,000 (2010-11: £385,000), together with a balance of £7,603,000 (2010-11: £8,599,000) 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. 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 2012 indicated that 80.4% (2010-11: 86.2%) of invoices were paid within 10 days of the presentation of a valid invoice.

At the year end, our trade payables balance (that is to say, the amount owing to our suppliers) was £726. Comparing this balance with the aggregate amount invoiced by suppliers in year (£2,119,194) 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 2012 our figure for 'creditor days' was 0.1 (2010-11:3.7).

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

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 2011 to 31 March 2012 is £72,000 (2010-11: £71,710). 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 Audit Scotland is aware of that information. There is no relevant audit information of which Audit Scotland is not aware.

Forward look

The Scottish Government's planned allocation to the Council over the period of the Spending Review, which amounts to more than £4.74 billion over the three years, is summarized as follows:

Financial year	College programme funding (£m)	University programme funding (£m)	College and university capital funding (£m)
2012-13	506.9	1,002.2	60.7
2013-14	494.7	1,041.5	45.9
2014-15	470.7	1,061.7	56.4

The Council has embarked on an ambitious programme of change and reform over the next three years which will be set out in a new Strategic Plan. We will focus our funding of colleges and universities, and our actions, on the achievement of improved outcomes.

The introduction of Outcome Agreements with colleges and universities in 2012-13 will be 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 will focus on the next stage of economic

recovery, thereby supporting the priorities in the Scottish Government's Economic Strategy and its proposals for post-16 education, set out in its pre-legislative paper *Putting Learners at the Centre*.

The Council will 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.

To make sure that the Council is an organisation with the capacity to deliver its key priorities, it is undertaking a substantial restructuring of the executive staff. In pursuit of this a voluntary exit scheme was run which concluded in May 2012 with 16 staff taking voluntary severance. As a result of both these exercises, both the structure of the organisation and the placement of individuals within that structure will be revised to ensure that the whole organisation contributes to the new policy agendas, and appropriate resource is assigned to work areas according to their priority.

Personal data

There were no reported incidents of loss of personal data by the Council during the year (2010-11: none).

Sickness absence data

The 12-month rolling absence figure for the Council was 3.9% as at 31 March 2012 (2010-11: 4.4%).

A handwritten signature in black ink, appearing to read 'M T S Batho', with a long horizontal stroke extending to the right.

M T S Batho
Accountable Officer

Date: 26 June 2012

Governance Statement 2011-12

The Council is committed to exhibiting best practice in all areas of corporate governance. This summary describes the manner in which the Council has applied the Scottish Government's guidance on the governance statements to be provided by Accountable Officers as part of the annual accounts of all organisations to which the Scottish Public Finance Manual is applicable.

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 2012 in the form and on the basis determined by the 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 2012 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; and
- prepare the financial statements on a going concern basis.

The Principal Accountable Officer for the Scottish Administration has designated the Chief Executive as 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.

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*. The 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

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.

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. Two of these committees are established under statute; the Skills Committee and the Research and Knowledge Exchange Committee.

The Access and Inclusion Committee advises the Council on access and inclusion matters and on the implementation of *Learning for All*, including monitoring the progress of key themes from the plan.

The Investment Committee supports the Council in its role as a strategic body. It allocates funds from the Horizon Fund for Universities, college strategic funds and college and university capital funds to support the Council's strategic aims, within the delegated limits set by Council. The Committee also considers, at a strategic level, proposed estate and infrastructure developments within and across the sectors and allocation of funds in relation to these, within delegated limits. Other responsibilities include monitoring the use of allocated funds and considering their effectiveness, providing the Council with draft advice to Scottish Ministers on mergers within and between the university and college sectors and draft advice on post-merger evaluations. The Committee also considers matters relating to regional coherence projects.

The Research and Knowledge Exchange Committee has a role to respond to, recommend and advise the Council on research and knowledge exchange strategy, policy and funding issues relevant to Scottish universities and colleges (taking into account the international dimension), with broad areas of advice including regular analyses of strengths, weaknesses, opportunities and threats in the areas of research and innovation support and prioritisation in the use of the Council's resources. The Committee also works with enterprise agencies and other stakeholders to give Council advice on a strategy for innovation and support of knowledge exchange for sustainable economic growth.

The Council is advised on finance, risk and internal control matters by its Audit and Compliance Committee. The Committee's responsibilities include: overseeing the Council's financial monitoring of institutions; 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 47.

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 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 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.

The Skills Committee is a statutory committee of the Council and is central to the work of 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.

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. Council members' attendance for all previous and current committee meetings in 2011-12 is given on page 32.

The Council annually assesses its performance 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) as well as one-to-one interviews with each member by the Chair.

Risk and control framework

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. The Council's approach to risk management was last revised in 2009 by the Audit and Compliance Committee. The Council is undergoing a further revision of its risk management procedures which will be put before the Audit and Compliance Committee in June 2012.

The Council has established a register of the high-levels 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; and
- sets out a management plan and timetable for managing active risks.

The Council has delegated to its Audit and Compliance Committee the supervision of the risk register on behalf of the Council. The register is currently reviewed annually by the Council but this will be revised in 2013 to include an additional interim report at calendar year end.

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. This will be further updated during the autumn-winter of 2012.

Whilst, as Accountable Officer, I remain ultimately responsible for managing and implementing the Council's risk management framework 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 staff of the Council's executive, chosen for their expertise in particular areas.

More generally, the organisation is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area.

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;
- 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; and
- considering and reporting to the Council any other matters remitted to the Committee by the Council.

Principal risks and uncertainties facing the Council

The principal risks and uncertainties facing the Council are as follows:

- during 2012-13, Council will be considering a needs-based funding model which will redistribute college funding amongst regions from 2013-14;
- changes in governance arrangements in the college sector may create difficulties in respect of defining clear responsibilities for the delivery of outcome agreements; and
- financial pressures on individual institutions could lead to institutional failure.

Sectoral response will be managed through close liaison and regular meetings with Scotland's Colleges Funding Group. Political response will be managed in conjunction with the Scottish Government.

We will liaise with the Scottish Government over implementation plans and ensure regional governance is a key element in discussions on the introduction of Outcome Agreements. There will be close institutional monitoring by the Council's executive.

Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review 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;
- the annual meeting between myself, as Accountable Officer of the Council, and the head of 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 KPMG for the year to 31 March 2012, 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; and
- certificates of assurance provided to me by the executive managers in accordance with the guidance contained within the SPFM.

For the year to 31 March 2012 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.

Statement on 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.

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 2012 and up to the date of approval of the annual report and accounts.

A handwritten signature in black ink, appearing to read 'M T S Batho', with a long horizontal stroke extending to the right.

M T S Batho
Accountable Officer

Date: 26 June 2012

Independent auditor's report to the members of 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 (the Council) for the year ended 31 March 2012 under the Further and Higher Education (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash 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 2011-12 Government Financial Reporting Manual (the 2011-12 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and income 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 Council'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. 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 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 Council's affairs as at 31 March 2012 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 2011-12 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 Further and Higher Education Act (Scotland) 2005 and directions made thereunder by the Scottish Ministers; and
- the information given in the Management Commentary and the 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

Registered Auditors
1-4 Atholl Crescent
Edinburgh
EH3 8LQ

27 June 2012

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2012

	Notes	Year ended 31 March 2012	Year ended 31 March 2011
		£'000	£'000
			Re-stated
Expenditure			
Grants paid to HEIs and other bodies	3	1,031,485	1,177,308
Grants paid to colleges and other bodies	3	641,011	717,440
Staff costs	4	5,738	5,850
Depreciation	6	126	137
Amortisation	7	117	56
Other operating charges	5	2,729	4,490
		<u>1,681,206</u>	<u>1,905,281</u>
Income			
European Social Fund income – colleges	9	(6,484)	(-)
European Social Fund income – SFC	9	(56)	(5)
Income from HEIs and colleges	10	(4,624)	(6,440)
Other grants	11	(138)	(377)
		<u>(11,302)</u>	<u>(6,822)</u>
Net expenditure		1,669,904	1,898,459
Total comprehensive expenditure for the year		<u>1,669,904</u>	<u>1,898,459</u>
Funded by:			
Grant-in-aid	8	1,660,094	1,872,244
Other Scottish Government grants	11	1,180	1,250
Other Government grants	8	8,620	23,627
		<u>1,669,894</u>	<u>1,897,121</u>
(Deficit) transferred to reserves		<u>(10)</u>	<u>(1,338)</u>
		<u>1,669,904</u>	<u>1,898,459</u>

There are no recognised gains and losses other than those recorded above
The notes on pages 59 to 78 form part of these Accounts

Statement of Financial Position

as at 31 March 2012

	Notes	31 March 2012	31 March 2011
		£'000	£'000
Non-current assets			
Property, plant and equipment	6	173	268
Intangible assets	7	176	60
Trade and other receivables	12	5,725	6,603
Total non-current assets		<u>6,074</u>	<u>6,931</u>
Current assets			
Trade and other receivables	12&13	20,522	25,461
Cash and cash equivalents	14	581	557
Total current assets		<u>21,103</u>	<u>26,018</u>
Total assets		<u>27,177</u>	<u>32,949</u>
Current liabilities			
Trade and other payables	15	3	42
Other liabilities	15	2,133	7,647
Total current liabilities		<u>2,136</u>	<u>7,689</u>
Non-current assets plus net current assets		<u>25,041</u>	<u>25,260</u>
Non-current liabilities			
Other payables	18	103	312
Total non-current liabilities		<u>103</u>	<u>312</u>
Assets less liabilities		<u>24,938</u>	<u>24,948</u>
Taxpayers' equity			
Institution advances reserve	12	7,603	8,599
General reserves		17,335	16,349
Total taxpayers' equity		<u>24,938</u>	<u>24,948</u>

The financial statements on pages 54 to 58 were approved by Council on 26 June 2012 and signed on its behalf by:



M T S Batho
Accountable Officer

Date: 26 June 2012



John F McClelland CBE
Chair

Date: 26 June 2012

Authorised for issue on 26 June 2012

The notes on pages 59 to 78 form part of these Accounts.

Statement of Cash Flows
for the year ended 31 March 2012

	Notes	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
			Re-stated
Cash flows from operating activities			
Net operating costs		(1,669,904)	(1,898,459)
Depreciation charges	6&7	243	193
Decrease in long term debtors		878	-
Decrease/(Increase) in trade and other receivables		4,939	(178)
(Decrease)/increase in trade and other payables		(5,762)	746
Net cash outflow from operating activities		<u>(1,669,606)</u>	<u>(1,897,698)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(31)	(332)
Purchase of intangible assets	7	<u>(233)</u>	<u>(47)</u>
Net cash outflow from investing activities		<u>(264)</u>	<u>(379)</u>
Cash flows from financing activities			
Grant-in-aid		1,660,094	1,872,244
Other Scottish Government grants	11	1,180	1,250
Other Government grants		8,620	23,627
Net cash inflow from financing activities		<u>1,669,894</u>	<u>1,897,121</u>
Net increase/(decrease) in cash and cash equivalents		<u>24</u>	<u>(956)</u>
Cash and cash equivalents at 1 April 2011		557	1,513
Cash and cash equivalents at 31 March 2012		581	557
Net increase/(decrease) in cash		<u>24</u>	<u>(956)</u>

The notes on pages 59 to 78 form part of these accounts

Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2012

	Notes	Grant for distribution £'000	Running costs £'000	Subtotal £'000	Institution advances reserve £'000	Total £'000
Changes in Taxpayers' Equity 2011-12						
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
Changes in Taxpayers' Equity 2010-11						
Balance as at 1 April 2010		14,641	853	15,494	10,792	26,286
Net expenditure		(1,888,822)	(9,637)	(1,898,459)	-	(1,898,459)
Transfers between reserves		2,193	-	2,193	(2,193)	-
Scottish Government grant-in-aid funding	8	1,863,075	9,169	1,872,244	-	1,872,244
Other Scottish Government grants	11	1,250	-	1,250	-	1,250
Other Government grants	8	23,627	-	23,627	-	23,627
Balance at 31 March 2011		15,964	385	16,349	8,599	24,948

The notes on pages 59 to 78 form part of these Accounts.

Notes to the Accounts

for the year ended 31 March 2012

1 Basis of Accounts

As the Scottish Funding Council is an NDPB the format of its accounts is covered by the 2011-12 *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 received are treated on a cash 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 2011 to 31 March 2012 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 SGESLLD**

Grants paid to HEIs and other bodies	Year ended 31 March 2012	Year ended 31 March 2011
	£'000	£'000
		Re-stated
Recurrent grants	978,922	1,063,234
Capital grants	52,563	114,074
	<u>1,031,485</u>	<u>1,177,308</u>

Grants paid to colleges and other bodies

Recurrent grants	503,975	522,469
Bursary payments	86,675	89,900
Capital and major works	50,361	105,071
	<u>641,011</u>	<u>717,440</u>

4 Staff costs (excluding Chief Executive)

a) **Salaries and related costs**

	Year ended 31 March 2012			2011
	Directly employed staff	Seconded and agency staff	Total	Total
	£'000	£'000	£'000	£'000
Cost of employing staff:				
Wages and salaries	4,435	68	4,503	4,490
Social security costs	361	1	362	357
Other pension costs	870	3	873	1,003
	<u>5,666</u>	<u>72</u>	<u>5,738</u>	<u>5,850</u>
Average number of FTE employees	<u>111</u>	<u>2</u>	<u>113</u>	<u>119</u>

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 2012, £5,183 (2010-11: £3,867) was outstanding and this related to 9 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

	2011-12		2010-11
Exit package cost band	Number of other departures agreed	Total number of exit packages by cost band	Total number of exit packages by cost band
£10,000-25,000	-	-	1
£100,000-£150,000	1	1	-
£200,000-£250,000	-	-	1
Total number of exit packages	1	1	2
Total resource cost/£	110,665	110,665	228,517

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.

5 Other operating charges

	Year ended 31 March 2012			2011
	Running	Sectoral	Total	Total
	cost	expenditure		
	£'000	£'000	£'000	£'000
Consultancy costs	-	347	347	1,023
Operating leases – property rental	471	-	471	552
Accommodation costs	370	-	370	555
Council members' remuneration	326	-	326	438
Other support costs	753	-	753	839
Dilapidation costs	-	-	-	40
Publication costs	32	-	32	55
Office refurbishment costs	-	-	-	471
Staff recruitment and training	81	-	81	107
Travel and subsistence				
– Council members	9	-	9	12
– Staff	71	-	71	95
Legal costs	63	49	112	130
External Audit fee	37	37	74	72
Equipment and consumables	46	-	46	50
Hospitality costs				
– Council members	4	-	4	5
– Staff	12	-	12	23
Conference expenditure	5	-	5	9
Committee costs	16	-	16	14
	2,296	433	2,729	4,490

Sectoral expenditure has been used to meet operating charges where the benefit is to institutions within the Scottish further and higher education sectors. £347,000 (2010-11: £850,000) 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.

6 Property, plant and equipment

	Furniture and fittings £'000	ICT £'000	Other equipment £'000	Total £'000
Historic cost				
At 1 April 2011	221	723	66	1,010
Additions	-	31	-	31
Disposals	-	-	-	-
At 31 March 2012	221	754	66	1,041
Depreciation				
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
Net Book Value				
At 31 March 2012	96	74	3	173
At 1 April 2011	133	130	5	268
Historic cost				
At 1 April 2010	187	560	106	853
Additions	162	163	7	332
Disposals	128	-	47	175
At 31 March 2011	221	723	66	1,010
Depreciation				
At 1 April 2010	180	494	106	780
Provided during the year	36	99	2	137
Disposals	128	-	47	175
At 31 March 2011	88	593	61	742
Net Book Value				
At 31 March 2011	133	130	5	268
At 1 April 2010	7	66	-	73

7 Intangible assets

Intangible assets comprise IT software and software licences

	IT £'000	Software licences £'000	Total £'000
Cost			
At 1 April 2011	477	79	556
Additions	200	33	233
At 31 March 2012	<u>677</u>	<u>112</u>	<u>789</u>
Amortisation			
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>
Net Book Value			
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>
Cost			
At 1 April 2010	430	79	509
Additions	47	-	47
At 31 March 2011	<u>477</u>	<u>79</u>	<u>556</u>
Amortisation			
At 1 April 2010	373	67	440
Provided during the year	49	7	56
At 31 March 2011	<u>422</u>	<u>74</u>	<u>496</u>
Net Book Value			
At 31 March 2011	<u>55</u>	<u>5</u>	<u>60</u>
At 1 April 2010	<u>57</u>	<u>12</u>	<u>69</u>

8 Government grant-in-aid received

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000 Re-stated
a) Funds from Scottish Government for:		
HEI and other bodies	1,019,842	1,151,473
Colleges and other bodies	631,733	711,602
Council running costs	8,519	9,169
	<u>1,660,094</u>	<u>1,872,244</u>
b) Funds from Department for Business Innovation and Skills for Research Capital	<u>8,620</u>	<u>23,627</u>

9 Income from ESF

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
ESF income received – colleges	6,456	-
ERDF income received	28	-
	<u>6,484</u>	<u>-</u>
ESF income received - SFC	56	5
	<u>6,540</u>	<u>5</u>

10 Income from HEIs and colleges

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Financial penalties clawback	-	507
Breach of consolidation penalty	769	1,771
Fee Waiver clawback	604	265
ESOL clawback	184	51
Strategic grant clawback	-	156
Bursary clawback	547	1,319
Research postgraduate grant clawback	3	88
Student support clawback	2,133	2,150
Other clawback	384	133
	<u>4,624</u>	<u>6,440</u>

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

11 Other grants

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Other grant income		
Income from Arts and Humanities Research Council (AHRC)	138	127
Other grant income	-	250
	<u>138</u>	<u>377</u>
Other Scottish Government grant income		
Income for Sabhal Mòr Ostaig	1,180	1,250
	<u>1,180</u>	<u>1,250</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

	31 March 2012 £'000	31 March 2011 £'000
(a) Balances due within one year:		
Robert Gordon University	209	209
West Lothian College	346	176
James Watt College	-	1,250
Stow College	323	361
North Highland College	1,000	-
	<u>1,878</u>	<u>1,996</u>
(b) Balances due after one year:		
West Lothian College	4,848	5,194
Stow College	774	1,097
Robert Gordon University	103	312
	<u>5,725</u>	<u>6,603</u>

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

Where an institution is experiencing extreme cash flow difficulties and is unable to secure funds from its bankers or other sources the Council is able to make a recoverable advance to the institution in order to secure continuity of provision at that institution. Such advances are recoverable in accordance with a schedule to be agreed between the Council and the respective institution and are not interest bearing.

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.

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.

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).

13 Trade and other receivables

	31 March 2012 £'000	31 March 2011 £'000
Trade receivables	49	33
Prepayments and accrued income	851	1,254
Institutions clawback	2,216	5,446
Other HEI balances	4,735	3,664
Other college balances	8,565	11,733
Part-Time Fee Waiver	-	1,293
Higher Education Funding Council for England (HEFCE)	39	42
European Social Fund	2,189	-
	18,644	23,465
Balances due within one year (from note 12a)	1,878	1,996
Total balances due within one year	20,522	25,461

14 Cash and cash equivalents

	31 March 2012 £'000	31 March 2011 £'000
Funds held at Government Banking Service accounts	577	552
Funds held at commercial banks	4	5
	581	557

15 Trade and other payables

	31 March 2012 £'000	31 March 2011 £'000
Trade payables	3	42
Accruals	445	532
Pension provision	97	97
The Scottish Government	209	1,615
Other HEI balances	859	-
Other college balances	486	3,524
HEFCE	37	1,879
	<u>2,136</u>	<u>7,689</u>

16 Capital and non-capital commitments

The level of funding for academic institutions is determined on the basis of the academic year; 1 August to 31 July each year. The 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.

Grants committed to be paid to HEIs and other bodies	31 March 2012 £'000	31 March 2011 £'000
Grant for distribution		
Recurrent grant	336,845	339,833
Capital grants	11,549	9,305
	<u>348,394</u>	<u>349,138</u>

Grants committed to be paid to colleges and other bodies	31 March 2012 £'000	31 March 2011 £'000
Grant for distribution		
Recurrent grant	113,175	161,054
Bursary payments	21,511	18,681
Capital grants	907	4,654
	<u>135,593</u>	<u>184,389</u>

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:

	31 March 2012 £'000	31 March 2011 £'000
Equipment		
Not later than one year	12	14
Later than one year and not later than five years	34	35
	<u>46</u>	<u>49</u>
Buildings		
Not later than one year	470	470
Later than one year and not later than five years	1,880	1,880
Later than five years	-	470
	<u>2,350</u>	<u>2,820</u>

The premises in Edinburgh occupied by the executive is 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

	31 March 2012 £'000	31 March 2011 £'000
Scottish Government	<u>103</u>	<u>312</u>

The Council is clawing back £837,000 over four academic years from Robert Gordon University because of under enrolment in its Nursing and Midwifery course (see note 12). 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.

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 Scotland's Colleges, Education Scotland (ES), and the Higher Education (HE) Academy.

The payments to Scotland's Colleges 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 and Audit Committee of the University of Strathclyde;
- Audrey Cumberford 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; and
- 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.

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

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
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	-
At 31 March 2012	20,522	5,725	2,136	103

2010-11

Balances with other Central Government bodies	198	-	3,494	312
Balances with Public Corporations and Trading Funds	37	-	-	-
Balances with bodies external to Government	25,226	6,603	4,195	-
At 31 March 2011	25,461	6,603	7,689	312

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 TSB. The balance of principal outstanding on the loan at 31 March 2012 was £7.7 million.

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.

22 Prior Year Adjustment

We have reviewed the treatment of Educational Maintenance Allowances (EMA) and concluded that an agency agreement more fairly reflects the arrangement. No EMA figures are shown in the 2011-12 accounts. Comparative figures and opening reserves for 2010-11 have been adjusted.

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	Bursary payment	Capital grants	Total Year ended 31.3.12	Total Year ended 31.3.11
	£'000	£'000	£'000	£'000	£'000
Aberdeen College	28,323	5,390	1,111	34,824	44,257
The Adam Smith College, Fife	25,847	4,755	921	31,523	32,747
Angus College	8,854	1,964	340	11,158	11,848
Anniesland College	11,948	1,710	399	14,056	14,590
Ayr College	11,064	2,475	2,354	15,893	15,917
Banff and Buchan College of FE	8,455	1,922	10,899	21,277	19,318
The Barony College	2,649	406	133	3,189	3,481
Borders College	7,685	1,715	309	9,709	10,275
Cardonald College	15,229	3,358	571	19,158	20,210
Carnegie College	11,292	2,176	448	13,916	14,583
Central College Glasgow ²					11,416
Clydebank College	12,204	2,118	465	14,787	15,647
Coatbridge College	8,689	1,587	3,374	13,650	13,731
Cumbernauld College	7,349	1,386	303	9,038	9,451
Dumfries and Galloway College	9,427	1,910	346	11,684	12,418
Dundee College	21,625	3,881	800	26,307	50,910

² City of Glasgow College is listed in Schedule 2 of the Further and Higher Education (Scotland) Act 2005 as Glasgow Metropolitan College, which is trading as 'City of Glasgow College' following its merger with Central College Glasgow and Glasgow College of Nautical Studies.

Edinburgh's Telford College	24,000	3,411	888	28,300	30,298
Elmwood College	6,420	1,175	314	7,908	8,433
Forth Valley College	22,538	3,011	11,388	36,937	43,554
Glasgow College of Nautical Studies ¹					14,848
Glasgow Metropolitan College ¹	40,347	4,924	2,862	48,133	24,447
Inverness College James Watt College of Further and Higher Education	8,786	1,856	2,841	13,483	11,564
Jewel and Esk College	31,683	6,128	1,101	38,912	41,395
John Wheatley College	13,309	1,769	1,322	16,401	17,945
Kilmarnock College	8,630	1,128	309	10,067	10,799
Langside College	11,639	2,856	530	15,025	15,645
Lewis Castle College	11,440	1,703	425	13,568	20,579
Moray College	2,679	285	124	3,087	3,415
Motherwell College	6,092	1,637	245	7,975	8,180
North Glasgow College	18,885	3,916	676	23,476	24,791
North Highland Oatridge College	9,605	1,515	396	11,515	12,313
Perth College	8,995	1,274	741	11,010	14,813
Reid Kerr College	3,046	627	157	3,829	4,097
South Lanarkshire College	7,408	1,665	293	9,637	9,884
Stevenson College Edinburgh	16,515	3,415	635	20,566	21,340
Stow College	8,015	1,022	333	9,370	10,228
West Lothian College	19,164	3,193	684	23,041	23,625
Orkney Islands Council	9,016	1,462	492	10,970	12,723
Shetland Islands	9,525	1,554	27	11,105	12,414
	1,536	63	97	1,696	1,837
	1,836	51	602	2,488	2,212

Council					
Sabhal Mòr Ostaig	2,012	19	-	2,031	2,080
Newbattle Abbey College	580	264	104	948	861
Total grant distributed to colleges	494,342	86,675	50,361	631,878	705,119
Other organisations	Recurrent grant	Bursary payment	Capital grants	Total Year Ended 31.3.12	Total Year ended 31.3.11
	£'000	£'000	£'000	£'000	£'000
Scotland's Colleges	2,018	-	-	2,018	2,489
University of Abertay Dundee					578
Edinburgh Napier University	219	-	-	219	185
University of the West of Scotland	448	-	-	448	-
West Highland College	-	-	-	-	792
HEFCE	3,149	-	-	3,149	3,445
Open University	111	-	-	111	200
Education Scotland	901	-	-	901	1,251
APUC	984	-	-	984	1,295
Other	1,802	-	-	1,802	2,086
Total grant distributed to other organisations	9,632	-	-	9,632	12,321
Total grant distributed	503,974	86,675	50,361	641,101	717,440

Educational Maintenance Allowance (EMA) figures have been excluded from the above figures. The Council distributed £9,642,000 (2011-12: £10,214,000) EMA funds on behalf of the Scottish Government under an agency agreement.

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 31.3.12	Total Year ended 31.3.11
	£'000	£'000	£'000	£'000
University of Aberdeen	74,757	2,786	77,542	95,832
University of Abertay Dundee	17,980	578	18,558	20,958
University of Dundee	74,795	2,736	77,532	87,881
University of Edinburgh	171,042	11,100	182,141	194,771
Edinburgh College of Art	5,206	57	5,263	14,560
University of Glasgow	137,843	6,567	144,410	160,510
Glasgow Caledonian University	58,704	1,926	60,631	68,950
Glasgow School of Art	9,697	9,381	19,078	15,184
Heriot-Watt University	36,217	1,727	37,944	42,974
Edinburgh Napier University	51,120	1,619	52,739	59,130
Open University in Scotland	20,974	616	21,590	23,920
Queen Margaret University, Edinburgh	13,390	438	13,828	15,341
Robert Gordon University	37,954	1,226	39,180	44,175
Royal Conservatoire of Scotland	8,650	248	8,898	12,103
University of St Andrews	39,572	1,991	41,563	46,236
University of Stirling	35,041	1,301	36,341	41,772
University of Strathclyde	81,518	5,040	86,558	99,369
University of the Highlands and Islands	24,017	766	24,783	27,881
University of the West of Scotland	57,428	2,236	59,664	77,200
Scottish Agricultural College	6,986	225	7,212	11,901
Cardonald College	-	-	-	30
Ayr/UWS	60	-	60	-
Total grant distributed to institutions	962,953	52,563	1,015,515	1,160,678

Other organisations	Recurrent grant	Capital Grants	Total year ended 31.3.12	Total year ended 31.3.11
	£'000	£'000	£'000	£'000
HEFCE	8,048	-	8,048	8,010
QAA	1,513	-	1,513	1,605
HE Academy	1,866	-	1,866	2,804
Scottish Institute for Enterprise	572	-	572	587
Economic and Social Research Council (ESRC)	478	-	478	811
Scotland's Colleges	-	-	-	170
APUC	1,028	-	1,028	1,113
Technology Strategy Board	950	-	950	-
Other	1,516	-	1,516	1,530
Total grant distributed to other organisations	15,970	-	15,970	16,630
Total grant distributed	978,923	52,563	1,031,485	1,177,308

Aithisg Bhliadhnail is Cunntasan 2011-12

Facal-toisich

Tha atharraichean nach beag air tighinn air an t-saoghal anns a bheil Comhairle Maoineachaidh na h-Alba ag obair rè na h-ùine air a bheil an aithisg seo a' toirt cunntas.

Às dèidh taghadh pàrlamaid sa Chèitean 2011, dh'fhoillsich Riaghaltas na h-Alba *A' cur Luchd-ionnsachaidh aig Cridhe Ghnothaichean*, pàipear co-chomhairleachaidh mu ath-leasachadh air foghlam airson daoine a tha 16 is nas sine. Tha am pàipear a' cur an cèill molaidhean a bheireadh crathadh mòr air roinn nan colaistean is roinn nan oilthighean, nan lùib sin tha molaidhean airson maoineachadh oilthighean is beachdan air mar a dh'fhaodar coimhead air foghlam cholaistean ann an dòigh sgìreil.

Tha na molaidhean seo – a thuilleadh air a' ghealltanais sa phàipear gun tèid sùil às ùr a thoirt air riaghladh oilthighean is colaistean na h-Alba, gun tig piseach air cothroman ionnsachaidh is mar a nì daoine adhartas, agus gun tèid an t-àite aig Alba san t-sreath toisich am measg luchd-rannsachaidh an t-saoghail a ghleidheadh – a' fàgail Comhairle Maoineachaidh na h-Alba an teis-meadhain prògram le àrd-amas a nì ath-leasachadh air foghlam. Chìthear toraidhean ar ciad oidhirpean gus *A' Cur Luchd-ionnsachaidh aig Cridhe Ghnothaichean* a choileanadh mu thràth agus sinn a' gluasad gu cuairt aithisge ùir agus bidh tuilleadh ri ràdh mu gach cuibhreann den phrògram ath-leasachaidh thar na bliadhna a tha romhainn.

Bha e riatanach, ma tha a' Chomhairle Maoineachaidh a' dol a chur a taic ri ath-leasachadh air foghlam 16+, gun deigheadh structar ar luchd-obrach ùrachadh. Thug seo an comas dhuinn taic a chumail ris na roinnean gus frithealadh air feumalachdan luchd-ionnsachaidh le barrachd èifeachd agus 's urrainn dhuinn ar cuid maoineachaidh a chur gu feum san àm ri teachd sna dòighean as fheàrr a nì feum do phrìomhachasan nàiseanta na h-Alba.

Am measg nam prìomh nithean a bheir buaidh:

- thug sinn gu ìre mhaith ar comas air aontaidhean bhuilean a stiùireadh is a rèiteachadh còmhla ri colaistean is oilthighean;
- tha barrachd comais againn taic a chumail ri prìomhachasan rannsachaidh nàiseanta, a' leudachadh cothroman, a' co-roinn eòlais is co-obrachadh; agus

- leudaich sinn an comas a tha againn aonaidhean, caidreachais is co-obrachaidhean eile adhartachadh agus an toirt gu buil.

Às dèidh dha mar a shoirbhich leis an aonadh a thug dhuinn Colaiste Baile Ghlaschu ann an 2010, tha Comhairle Maoineachaidh na h-Alba air a bhith gu mòr an sàs ann a bhith cur air adhart molaidhean gus trì colaistean ann an Dùn Èideann a chur còmhla, agus gus na colaistean fearainn an Alba is Colaiste Àiteachais na h-Alba a chur còmhla. Thug Comhairle Maoineachaidh na h-Alba taic do ghrunn iomairtean aonaidh is co-obrachaidh eile mus tàinig 2011-12 gu ceann, far an robh na sgiobaidhean againn ri obair comhairleachaidh, stiùiridh, luachaidh is measaidh anns a' mhòrchuid de na raointean a tha an roinn nan colaistean.

A bharrachd air ar n-obair a thaobh a bhith ag ath-leasachadh foghlam 16+, chùm sinn oirnn le ar prìomh dhleastanasan agus sinn a' toirt maoineachadh do na 41 colaistean is 19 oilthighean an Alba is a' cur airgead an sealbh san dà roinn mu choinneamh diofar ro-innleachdan. Ri linn dreach a' bhuidseit Albannaich a chaidh fhoillseachadh san t-Sultain 2011, bha e comasach dhuinn a-rithist tuairmse a thoirt do dhaoine gu tràth air dè na h-ìrean maoineachaidh ris am bu chòir sùil a bhith aca san ath bhliadhna acadaimigeach agus thug seo cothrom do dh'institiudean planadh a dhèanamh greis mhath ro-làimh aig àm caochlaideach.

Tha an sealladh farsaing gu h-ìosal a' sealltainn mar a shoirbhich leinn agus a' clàradh obair na Comhairle Maoineachaidh. Ge-tà, bu chòir iomradh sònraichte a thoirt air an fheadhainn a leanas is iad airidh air, agus tha mi gu h-àraidh toilichte gum b' urrainn dhuinn suimeannan nach beag a chur an sealbh do dhà de na prìomh ghnìomhachasan an Alba. Chuir sinn còrr is £2.5 millean an sealbh lionraidh adhartachaidh ùir a thug 17 oilthighean còmhla gus taic a chumail ri bhith leasachadh gnìomhachas bìdh is dibhe na h-Alba. Cuideachd, chuir sinn £300,000 an sealbh roinn a' chumhachd an Alba is i a' sìor dhol am meud, chuidich sin le bhith cruthachadh lionraidh de chòrr is 20 colaiste a bhios ag obair còmhla gus na sgilean a tha dhìth a thoirt do dhaoine.

Thoradh mar a tha an eaconamaidh an-dràsta, tha a' Chomhairle Maoineachaidh air prìomhachas a thoirt do dh'iomairtean a bheir buaidh air sgilean is comasan cosnaidh. Tha sinn fhathast a' faicinn toraidhean matha bho na pròiseactan a nì feum de sgilean dhaoine agus a tha feumail don luchd-ionnsachaidh is luchd-fastaidh, iomairtean lèirsinneach mar *An Ath Ghinealach de dh'Innleadairean* agus *A' Cur Tionnsgal am Meud*. 'S fhiach cuimhneachadh cuideachd an oidhirp a rinn luchd-obrach air feadh na buidhne gus ceanglaichean nas dlùithe is nas èifeachdaich a stèidheachadh le co-obraichean ann am buidhnean com-pàirt mar Leasachadh Sgilean na

h-Alba, Foghlam NHS na h-Alba, Iomairt na h-Alba, is Iomairt na Gàidhealtachd 's nan Eilean.

Cuideachd san fharsaingeachd, tha sinn air airgead a chur mu choinneamh phròiseactan tionnsgalach. Mar eisimpleir 'Eadar-aghaidh', an t-seirbheis bhuadhach a tha faighinn maoinachadh bhuanne, a tha brosnachadh coluadair eadar sàr luchd-rannsachaidh oilthighean na h-Alba agus iomairtean a tha fàs, feuch an tèid na h-amasan leasachaidh aca a choileanadh. Tha e nas fhasa do ghnòthachasan air a' Ghàidhealtachd is sna h-Eileanan a-nis an taic fhaighinn a tha Eadar-aghaidh a' tairgse. Mu dheireadh, tha sinn, sa chiad dol a-mach, air £10 millean a chur an sealbh pròiseact air leth inntinneach gus "ionadan tionnsgalach" a stèidheachadh, a bheir sàr sgoilearachd, dealas luchd- gnìomhachais is innleachdas teicnigeach còmhla nan dlùth aonadh torach is cruthachail.

Nuair a choimheadas sinn air cùisean san fharsaingeachd sa bhliadhna seo tha e follaiseach a-rithist gu bheil sinn air a bhith ag obair gu cruaidh gus dèiligeadh ri suidheachadh caochlaideach agus gus an t-amas coitcheann a th' againn fhìn, Riaghaltas na h-Alba is ar buidhnean com-pàirt san roinn phoblaich is san roinn phrìobhaidich a choileanadh ach am bi Alba a' dol am feabhas tro fhàs eaconamach seasmhach.

Tha mi a' moladh aithisg is cunntasan 2011-12 dhuibh agus tha mi an dòchas gun còrd an aithisg ribh agus am fiosrachadh a chìthear sna duilleagan a leanas.

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

John F McClelland CBE, Cathraiche