



Scottish Funding Council
Promoting further and higher education

Comhairle Maoineachaidh na h-Alba
A' brosnachadh foghlam adhartach agus àrd ìre

Annual Report and Accounts 2013-14

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Chair's Foreword

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The twelve months of the financial year 2013-14 were divided almost equally between the tenure of my predecessor, John McClelland, and my own appointment in October 2013. It is appropriate, therefore, that I begin by paying tribute to what John achieved during his eight years as Chair of SFC. In that time John took the organisation from its establishment in 2005 to the point where it had both the ability and the credibility to play a crucial role in the current reform of further and higher education. Indeed, the theme that connects the first and last halves of 2013-14 is how the Scottish Funding Council continued to support colleges and universities during this time of change and how it worked to increase its impact on the education and employment opportunities of learners across Scotland.

One of the things that shapes and gives momentum to our work as a public body is the Letter of Guidance we receive from the Cabinet Secretary for Education and Lifelong Learning. In his Letter for 2013-14 the Cabinet Secretary recognised the significant progress being made towards the reform of further and higher education in Scotland. He made particular note of the work done by SFC and colleges towards creating a new network of regional colleges. In the university sector, the Cabinet Secretary asked the Funding Council to focus especially on one of the Scottish Government's highest priorities in education - that of widening access to universities. He also asked us to continue to support the establishment of Innovation Centres

which bring together the knowledge and expertise of universities and businesses for the benefit of industry, enterprise and the economy in Scotland.

SFC introduced college and university outcome agreements to express and measure the impact of its investments in the priorities outlined by the Cabinet Secretary. The Letter of Guidance placed high expectations on the effectiveness of outcome agreements for 2013-14 and I am pleased to say that, working in partnership with colleges and universities, our teams delivered what was asked of them. Their work enabled us, in December 2013, to announce a new £10 million funding package to provide 2,000 extra university places. Of these new places, around 700 were aimed at learners from deprived areas of Scotland. A further 1,000 places were for learners moving from a college course to a university course and 300 places were allocated to a postgraduate *Skills for Growth* scheme.

Additionally, by the end of 2013, we were also able to announce the initial investments in an ambitious £100 million plus programme to establish Scottish Innovation Centres. By the middle of 2014 we will have announced the first eight Innovation Centres covering industry sectors including life sciences, health, energy and construction. These centres will play a pivotal role in ensuring Scotland reaps the best possible advantage from linking world-leading university research with product and service development in industry.

Outcome agreements and SFC's productive relationship with the college sector were also a factor in the progress of college regionalisation during 2013-14. On 1 August 2013 four new colleges were established as the result of the merger of ten further education institutions. On 1 November four more regional colleges were created. As a result, we made a big step towards a stronger and more efficient college sector with a real focus on the skills and employability of its learners.

The value that SFC can create for the college sector was further demonstrated in 2013-14 by the part we played in securing and matching European Social Funding. The outcome was a £13 million fund to create more than 3,500 extra college places. Announced by the Deputy First Minister at the new West College Scotland, the places were targeted where particular skills are in particular demand with the aim of helping young people into work and retraining those already in the workplace.

There is, of course, never enough room to describe everything SFC, the sectors and our partners have achieved in the course of a year or, indeed, to discuss the challenges that face us as we pursue our mission of improving further and higher education. I would like, however, to acknowledge the work of SFC's executive in identifying and articulating such issues to the board in ways that allow them to be discussed and incorporated effectively into strategic decision making. Finally, my thanks to board members and committee member chairs for their tireless contribution to the work of the Scottish Funding Council in 2013-14. As the new Chair of SFC I look forward to working with them, our staff and our partners as we build on firm foundations to make Scotland a truly great place to study.

A handwritten signature in cursive script that reads "Alice Brown".

Professor Alice Brown CBE
Chair

Date: 27 June 2014

Chief Executive and Accountable Officer's Report

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Change of Accountable Officer

Following the resignation of Mark Batho, the Chief Executive and Accountable Officer, Laurence Howells, the Senior Director for Skills, Research and Knowledge Exchange became Interim Chief Executive and Accountable Officer on 26 April 2013. Laurence was appointed Chief Executive and Accountable Officer of the Scottish Funding Council on 7 April 2014.

Performance report

Who we are

The Scottish Further and Higher Education Funding Council (SFC) is the national, strategic body that is responsible for funding teaching and learning provision, research and other activities in Scotland's 26 colleges and 19 universities and higher education institutions.

SFC is a Non-Departmental Public Body (NDPB) of the Scottish Government and was established on 3 October 2005.

Purpose

We exist to improve further and higher education.

Our statutory duty is to secure coherent, high quality further and higher learning provision by colleges and universities in Scotland, and the undertaking of research.

We do this by investing in the development of a coherent college and university system which, through enhanced learning, research and knowledge exchange, leads to improved economic, educational, social, civic and cultural outcomes for the people of Scotland.

Main activities

- Manage Outcome Agreements with colleges and universities
- Support national priorities in widening access, skills, research, knowledge exchange and innovation
- Facilitate mergers, federations and other forms of collaboration between colleges and universities
- Deliver our statutory and other functions, including payments to colleges and universities, and efficient corporate services

We also provide resources to colleges to support students on further education programmes. Funding for students on higher education programmes is provided by another body - the [Student Awards Agency for Scotland \(SAAS\)](#).

Our Strategic Plan 2012-15

To deliver the ambitions for post-16 education of the Council and the Scottish Government, we work with colleges, universities and our partners to lead and support change in further and higher education, which improves the life chances of learners and supports jobs, growth and sustainability.

Our Strategic Plan sets out the eight outcomes that we will seek to achieve.

Outcome 1	Efficient and effective regional college structures
Outcome 2	Access for people from the widest possible range of backgrounds
Outcome 3	The right learning is in the right place
Outcome 4	High quality, efficient and effective learning
Outcome 5	A developed workforce
Outcome 6	Sustainable colleges and universities
Outcome 7	Internationally competitive research base
Outcome 8	University/industry collaboration

In addition, we aim to ensure that the public is well informed about colleges and universities. View the [Scottish Funding Council Strategic Plan 2012-15 \[PDF\]](#)

To ensure we deliver for the Scottish Government we have mapped our outcomes to the Scottish Government's Performance Framework (Figure 1) below.

Scottish Government

National Outcome

We realise our full economic potential with more and better employment opportunities for our people

National Indicator

Increase the number of businesses

Increase the proportion of young people in learning / training / work

Increase the proportion of graduates in positive destinations

Increase research and development spending

Improve knowledge exchange from university research

We are better educated, more skilled and more successful, renowned for our research and innovation

Scottish Funding Council

SFC Priority Outcome

University-industry collaboration

A developed workforce

The right learning is in the right place

High quality, efficient and effective learning

An internationally competitive research base

University-industry collaboration

SFC Strategy

- We will invest to develop commercialisation expertise within universities

- We will have in place models of school-college collaboration in response to the recommendations of the WOOD Commission

- We will work with stakeholders to grow the number of college and university leavers entering sustainable employment

- We will negotiate an increase in the number of work placements and employer related activity

- We will work with SQA to ensure college courses best meet the needs of employers

- We will negotiate greater employer input in college curriculum design

- We will fund colleges based on need, prioritise opportunities for all and expect colleges to respond to their learner and employer market

- We are growing university places to improve access to HE in rural areas

- We will negotiate improvements in learner success in both sectors

- We will prioritise funding on 4* research

- We will prioritise funding for collaboration to increase Scotland's research competitiveness

- We will invest in the next generation of research leaders

- We will invest through innovation centres to support the growth of Scotland's key economic sectors

- We will establish Innovation Scotland

- We will invest to develop commercialisation expertise within universities

- We will work with Scottish Enterprise, Scotland Development International, Highlands and Islands Enterprise to stimulate sustainable economic growth

SFC Key Measures of Success

- Income from knowledge exchange activity
- Increase in the take-up of Innovation Vouchers
- Return on investment from Innovation Vouchers

- Volume of WSUMs delivered by colleges
- Number of total funded places delivered in universities
- Volume of college employability learners
- Proportion of college leavers entering employment 6 mth course completion

- Proportion of SUMs delivered to 16-19 year olds in colleges

- Proportion of graduates entering positive destinations
- Proportion of strategic places utilised in Undergraduate Skills for Growth Places
- Proportion of strategic places utilised for Highly Skilled Workforce TPG places

- Increase in the amount and % share of UK related research income

- Income leverage from Innovation Centres
- Income from knowledge exchange activity
- Increase in the take-up of Innovation Vouchers
- Return on investment from Innovation Vouchers

Scottish Government

National Outcome

We have tackled the significant inequalities in Scottish Society

We reduce the local and global environmental impact of our consumption and production

Our public services are high quality, improving efficient and responsive to local people's needs

National Indicator

Improve the skills profile of the population
 Increase the proportion of young people in learning, training and work
 Increase the proportion of graduates in positive destinations

Reduce Scotland's Carbon footprint

Improve people's perceptions of the quality of public services
 Improve the responsiveness of public services

Scottish Funding Council

SFC Priority Outcome

Access for people from the widest range of backgrounds

Sustainable colleges and universities

A well informed public

SFC Strategy

- We will require colleges and universities to meet the additional support needs of learners including those from care backgrounds and those with profound and complex needs
- We will invest to tackle the diversity of access issues across the college and university sector
- We will invest in targeted additional access places in our most selective universities
- We will promote good practice in college admissions and require universities to support contextualised admissions

- We will invest to reduce carbon emissions
- We will contribute to the maintenance of the sectors' estate

- We will adhere to SPFM
- We will act in an open and transparent way, demonstrate public accountability through timely publication of annual reports and accounts with unqualified audit opinion
- We will manage a procurement strategy to achieve appropriate alignment with best practice and ensure procurement policies are adhered to when committing programme funds
- We will be a provider of national statistics
- We will measure our progress and promote our success against our strategy

SFC Key Measures of Success

- Number and proportion of university learners from SIMD40%
- Proportion of WSUMs delivered to college learners from SIMD10%
- Number and proportion of articulating learners
- Uptake of additional access strategic places
- Increase in the number of learners disclosing protected characteristics

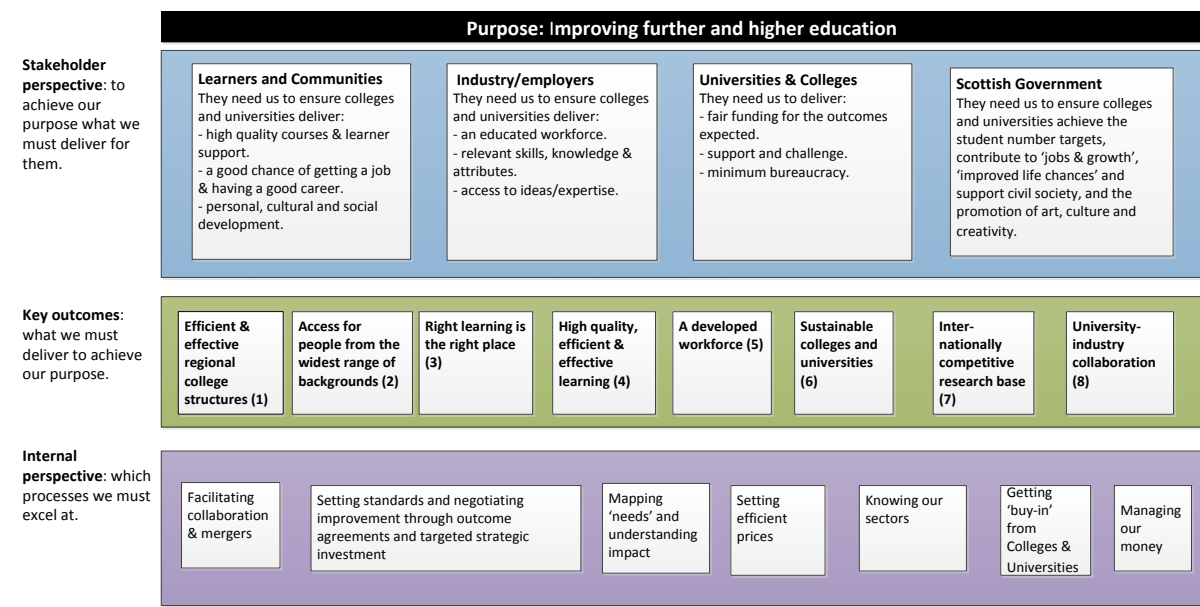
- College sector carbon footprint
- University sector carbon footprint

- Achieve unqualified audit report
- % of college and university programme funds re-profiled
- Retain status as a national statistics provider
- liP status
- Balance of running cost and programme cost expenditure

To achieve these outcomes we have prioritised our key stakeholders, identified what we must deliver for them and developed our internal processes to create added value through mutually beneficial relationships.

This is set out in Figure 2 below.

Figure 2: Key stakeholders, outcomes and processes



What progress has been made?

Overall, we have seen colleges deliver more courses for more young people and achieve better outcomes for learners whilst making efficiency savings. Universities have made progress with access, levered increased income from work with industry and have made effective use of the targeted additional places invested in new provision.

We know there is more we can do to lower university emissions and to increase Scotland's share of charitable research income and we will respond to both of these over the course of the next year.

Our progress against each outcome is set out in more detail in the tables below.

This is followed by a consideration of our organisational progress.

Delivering outcomes for the Scottish Government

Outcome 1			Outcome 2			Outcome 3		
Efficient and effective regional college structures			Access for people from the widest possible range of backgrounds			The right learning is in the right place		
Key Measures of success	AY 2012-13	Trend	Key Measures of success	AY 2012-13	Trend	Key Measures of success	AY 2012-13	Trend
Achieve £50m efficiency by 2015-16	£35m	↑	Increase the number and proportion of university learners from 40% SIMD	29% (AY11-12)	↑	University total funded places delivered	139,339	↑
Achieve college WSUM (Weighted Student Unit of Measurement) activity target	2,144,015	↑	Increase the proportion of WSUMS delivered to college learners from 10% SIMD	16%	↑	Proportion of SUMS delivered for 16-19 year olds	50%	↑
			Increase the number and proportion of articulating learners	3464	↑	Achieve uptake of all additional strategic places	4786 FTE (95%) (AY13-14)	↑
			Achieve target for use of additional strategic access places	611 (84%) (AY13-14)				
<p>Commentary</p> <p>In the past year significant progress has been made toward the achievement of this outcome. Colleges have delivered more activity whilst supporting a major programme of structural change.</p> <p>As part of their AY 2012-13 outcome agreements college regions agreed to deliver 2,109,958 WSUMs (WSUMs – is the unit we use to measure college activity, see below)*. Overall, colleges exceeded this and delivered 2,144,015 WSUMs - 34,057 WSUMs above their target.</p> <p>In this time, thirteen college regions were established, the majority made up of a single college. A total of ten college mergers were completed and, following the decision by Coatbridge College to join the New College Lanarkshire merger, one further merger took place in April 2014. A table showing the new regional structure is given in Annex 2.</p>			<p>Commentary</p> <p>Over the last year universities have made progress in widening access.</p> <p>The percentage of learners from the most deprived postcodes going to university has increased and more of these learners are being retained. In addition, university recruitment of pupils from schools where few pupils go to university has also increased.</p> <p>However, there is more that we can do and so to support the university effort we invested in more places within our most selective universities for learners from the most deprived 40% postcodes - 84% of which have been taken up.</p> <p>To support more efficient learner progression from college into degree level study we invested in 1020 associate student places for learners. These are guaranteed university places which enable a learner to start a course in</p>			<p>Commentary</p> <p>We continue to engage with the sectors to develop a coherent college and university system which leads to improved outcomes for the people of Scotland.</p> <p>We want universities to enrol enough learners to meet or exceed the Scottish Government target for the number of places on courses. In AY 2012-13, they exceeded the target as there were 139,339 enrolments of taught postgraduate and undergraduate students eligible for funding against a total Scottish Government target of 125,737 allocated funded places.</p> <p>To deliver Scottish Government priorities for higher education, we invested in a total of 5033 (FTE) new places which resulted in 4,786 (FTE) university enrolments in AY 2013-14.</p> <p>These consisted of places for:</p>		

<p>We continue to work to support the effective operation of multi-college regions in Glasgow, Highlands and Islands and Lanarkshire.</p> <p>Through this programme of structural change we expect colleges to demonstrate the £50M saving by delivering an increased amount of activity while managing a real terms reduction in funding. The combination of these two things will produce a real terms saving of around £50M by AY 2015-16.</p> <p>In the case of individual mergers we are actively collecting evidence that they have been managed effectively, that the student experience is maintained and that mergers have been used to reduce costs.</p>	<p>college and complete it within university as part of one continuous programme of degree study. 98% of these places have been taken-up by the sector.</p> <p>We also continued to invest in articulation hubs to improve articulation between colleges and universities. All but one of the five hubs increased the number of learners articulating from 3,023 learners in AY 2011-12 to 3,469 in 2012-13, an increase of 14.8%. Of these a total of 94% were retained. Of the 3,464 learners, 822 (24%) were from the 20% most deprived postcodes and 95% of these were retained in their first year of university study.</p> <p>Underpinning our access effort in colleges, and recognising the diversity of learners we have continued to invest in initiatives which support participation in further and higher education for a wide range of groups. In this time, the proportion of SUMs delivered to those learners from the 10% most deprived postcodes increased to 15.9% in 2012-13 (2011-12: 15.8%).</p> <p>We have increased the total amount of college student support, up to £103m for AY 2013-14 which is an increase of 2.5% on AY 2012-13. We have also completed a review of uptake to better target support where it is most needed.</p> <p>Finally, we have responded to the Post 16 Act which was introduced in 2013 and are preparing for the new triennial reviews which will inform the sectors' progress on widening access in the future.</p>	<ul style="list-style-type: none"> • Widening Access: (Allocation: 727, Enrolments: 611) • Greater regional Coherence: (Allocation: 80, Enrolments: 80) • Community Education: (Allocation: 60, Enrolments: 60) • British Sign Language: (Allocation: 24, Enrolments: 24) • Undergraduate Skills for Growth: (Allocation:342, Enrolments: 342) • Taught Postgraduate: (Allocation: 815, Enrolments: 692) • Articulation: (Allocation: 1,020, Enrolments: 996) • Crichton Campus: (Allocation: 165, Enrolments: 165) • UHI: (Allocation: 1,200, Enrolments: 1,200) • STEM: (Allocation: 600, Enrolments: 600) <p>In some cases the enrolments exceeded the allocations of funded places. The above figures only show if the funded places were filled.</p> <p>The figures for taught postgraduate enrolments are FTEs, however, some institutions regard their places as having been filled if the headcount enrolments matched their allocation of funded places even if their FTE enrolments were lower.</p> <p>In AY 2012-13, to support the Scottish Government's Opportunities for All, we successfully negotiated that 50% of college full-time provision was delivered to learners aged 16-19 year olds.</p>
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*Full-Time Equivalent (FTEs) and Weighted Student Unit of Measurement (WSUMs) are used to measure student activity in our HEIs and Colleges. Full time students equal 1 FTE and part time students FTEs are derived on a pro rata basis. WSUMs are used in our college sector and measure the volume of planned learning hours weighted for the costs of delivering across subject areas. You can find more information at:

- <http://www.sfc.ac.uk/communications/Statisticalpublications/2014/CollegePerformanceIndicators201213.aspx>
- <http://www.sfc.ac.uk/communications/Statisticalpublications/2014/BaselineReportforAcademicYear201213.aspx>

Outcome 4			Outcome 5			Outcome 6		
High quality, efficient and effective learning			A developed workforce			Sustainable colleges and universities		
Key Measures of success	AY 2012-13	Trend	Key Measures of success	AY 2013-14	Trend	Key Measures of success	AY 2012-13	Trend
Increase the proportion of FT HE college learners gaining recognised qualifications	70%	↑	Increase the proportion of college leavers achieving employment 6 months post course	*		Reduce College sector's carbon footprint	**	
Increase the proportion of FT FE college learners gaining recognised qualifications	65%	↑	Increase the proportion of graduates entering positive destinations	*		Reduce University sector's carbon footprint	350,000 tonnes pa	Emissions up
Increase the proportion of FT undergraduates retained	89.4% (AY11-12)	↑	Achieve target for use of additional Undergraduate Skills for Growth places	342 (100%)		% of institutions that demonstrate long-term financial sustainability	100%	
Increase the proportion of college leavers achieving positive destination	*		Achieve target for use of additional Highly Skilled Workforce TPG places	692 (85%)		% of institutions that demonstrate effective governance	100%	
Number of unqualified college Education Scotland reports	5/9							
*This will be completed for the start of AY 2015-16.								
<p>Commentary</p> <p>We think we are making good progress toward the achievement of this outcome in both sectors.</p> <p>In the college sector, in the past academic year, successful completion rates on both FE and HE full-time courses have increased.</p> <p>This is a continuation of a positive trend – both are up by nearly 11% over the four years from 2008-09. We expect this to continue and, using outcome agreements have negotiated further increases over the coming years.</p> <p>Retention has also increased within the university</p>			<p>Commentary</p> <p>We want colleges and universities to engage with employers to help learners get a job, keep a job and develop a career.</p> <p>In colleges, this is an area of our strategy where we are currently improving our evidence base and are working to establish a national leaver destination survey to provide consistent data on the number of college leavers entering employment on completion of their course.</p> <p>In terms of college engagement with employers, in AY 2012-13, despite the economic downturn, 39% of working age enrolments at college were linked to industry courses – the same as the previous year - and there was an increase</p>			<p>Commentary</p> <p>We think this is an area of our strategy where we need to do more in both sectors to identify new and effective interventions on carbon emissions.</p> <p>Over the last year we invested in three projects as part of a new carbon reduction programme which will reduce emissions by around 32,500 tonnes annually from 2015, which should mean we will exceed our target on university carbon emissions by the end of 2015.</p> <p>Supporting this, we engaged EAUC Scotland to encourage institutions to implement climate change action plans through the mechanism of the Climate</p>		

<p>sector and, in overall terms, sat at just under 90% in 2011-12.</p> <p>The quality of learning in colleges and universities is reviewed in four year cycles by Education Scotland (ES) and the Quality Assurance Agency Scotland (QAA) respectively.</p> <p>Following changes to the quality arrangements in 2013, ES and QAA now provide 'effectiveness' statements to report a judgement on quality based on effective, limited effectiveness and not effective (replacing the previous 'confidence' judgements).</p> <p>Launching a new four year quality cycle in 2013, ES focussed on tackling small pockets of performance risk and delivered four risk-based bespoke external reviews.</p> <p>In three of the four targeted colleges, ES reported that learner progress and outcomes were below the national average. These judgements relate to the restricted area of activity examined and are therefore <u>not</u> an overall assessment of the colleges' whole quality system. In response, all these colleges have produced action plans to rectify the issues identified and these plans are now being managed as part of the outcome agreement engagement.</p> <p>QAA published reports on four Enhancement Led Institutional Reviews (ELIR) during the financial year. These were for Queen Margaret University, the Royal Conservatoire of Scotland, the University of Dundee and the University of Aberdeen. All four institutions were judged to have effective</p>	<p>in the proportion of courses where employers paid the full cost of the course.</p> <p>To get more young people involved in high quality vocational courses, in response to the recommendations made in 2013 by the Wood Commission, we approved funding for 6 new college projects.</p> <p>Working with the college sector to deliver the ambitions of the Wood Commission will be one of our top priorities over the next year.</p> <p>To ensure college and university provision is most appropriately aligned to sectoral and regional skills needs we progressed work with the production of new Regional Skills Assessments and Skills Investments Plans (SIP's).</p> <p>In this year we completed a regional skills investment plan for the Highlands and Islands, jointly with SDS, and we completed SIP's in four of the Government's key economic sectors. This evidence base will be used in to inform future outcome agreement negotiations with the sectors.</p> <p>To provide additional vocational and <i>into</i>-employment training places within colleges we secured nearly £6m from the European Structural Fund. Work completed in 2013-14 will also result in an expansion of vocational training opportunities in colleges from AY2014-15 in the South West of Scotland and provide additional places for learners aged 15-29.</p> <p>For universities, we have continued to negotiate improved outcomes for entrepreneurial and employability, such as through the Scottish Institute for Enterprise (SIE).</p> <p>We support the Scotgrad enterprise training and through</p>	<p>Commitment for Scotland, which all institutions have signed.</p> <p>** We are also working with Zero Waste Scotland to establish a new baseline for the college sector carbon footprint following the structural change in the sector.</p> <p>Over the last year we are confident that all colleges and universities have demonstrated medium term financial sustainability and effective governance, although some colleges face financial challenges.</p> <p>We assess the financial sustainability and governance of the institutions through analysing their annual accounts and supporting documentation, and the financial forecasts. The analysis includes reference to the following measures: operating surplus as a percentage of total income; reliance on public sector income; and borrowing and liquidity (net cash expenditure days).</p> <p>How colleges report their financial accounts will change from 1 April 2014 as a result of their reclassification as public bodies by the Office of National Statistics. The biggest impact of this will be that colleges will no longer be able to maintain financial reserves.</p> <p>Over the last year we have undertaken extensive work to manage the consequences of this change which will introduce new financial sustainability and governance challenges.</p> <p>To help manage the transition we have established the ONS Project Board and supported the creation of Arm's Length Foundations.</p> <p>Managing the implications of ONS in the college sector</p>
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<p>arrangements for managing academic standards and the student learning experience.</p>	<p>this we hope to maintain if not improve on the current success rate of 82% of interns in positive destinations post placement.</p> <p>We also plan to increase the number of graduates and postgraduates that start businesses in Scotland so that by 2016, 850 companies will have been assessed and 35 accepted into the SE growth pipeline process.</p> <p>As part of our ICT Skills investment plan we have agreed to extend one of our university work placement schemes to create an additional 700 plus work placements a year for the next two academic years and we will target this support towards 550 graduates in the Scottish Enterprise area and 200 graduates in the Highlands and Islands area. SIE will also make available a programme of workshops for up to 5000 students via undergraduate classes and provide training in delivering enterprise education workshops to 50 teaching staff.</p> <p>Finally, in 2013, we concluded the review of our investment in <i>Learning to Work 2</i> and will use this to guide future strategic investment in the university sector.</p> <p>All of this effort should mean the number of HE and FE students in Scotland in all disciplines who have access to enterprise and employability skills training will increase.</p>	<p>will be one of our key priorities in the year ahead.</p>
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Outcome 7			Outcome 8		
Internationally competitive research base			University-industry collaboration		
Key Measures of success	AY 2012-13	Trend	Key Measures of success	AY 2012-13	Trend
Maintain amount and % share of UK related research income	13.7%	↑	Achieve target for knowledge exchange income leverage	£436m	↑
			Increase take-up of innovation vouchers	170	↑
<p>Commentary</p> <p>To support research excellence, in the last year we continued to focus our research investment on world leading and internationally excellent research. The impact of this will be known later in the year when the outcome from the Research Excellence Framework (REF) is published in November 2014. All Scottish institutions were successful in meeting the submission deadline to the REF.</p> <p>To demonstrate the competitiveness of Scotland's research we measure its share of UK related research income, based on income from Research Councils (RCUK), charitable sources and European funds.</p> <p>In recent years, Scotland's share of UK related research income has been moving gently upward, with actual income rising from £574m in 2008-09 to £639m in 2012-13.</p> <p>Our share of the income from UK Research Councils alone is up by 0.5%, to a relatively good 15.7% in 2012-13.</p> <p>However, these increases have been offset by a decline in Scotland's share of charitable income and the fact that European income has remained flat at around 12%, in part, reflecting the end of funding from</p>			<p>Commentary</p> <p>We think we've made good progress through outcome agreements and strategic investment to support greater university-industry collaboration to enhance the exploitation of the Scottish research base.</p> <p>We measure our progress according to the total volume of income generated from this activity, including from industry, consultancy, contract income, licensing and proof of concept income.</p> <p>In 2012-13, the total income secured by the sector from knowledge exchange has continued to rise and at £436m is a 13% improvement on last AY (£387m).</p> <p>To further improve the effectiveness of our investment, our research and knowledge exchange committee is reviewing the metrics for the Knowledge Transfer Grant and the allocation of the funding for AY 2014-15.</p> <p>A key part of our KE strategy is the creation of Innovation Centres: demand-led business university clusters in key industry sectors. Funding of up to £110M (AY2012-17) has been committed to the IC programme. £80M of this is for the first 5 years to create eight ICs: Stratified Medicine Scotland; Digital Health Institute; Centre for Sensors and</p>		

<p>European Framework Programme 7.</p> <p>For the year ahead we will be working with the sector to continue to exploit the benefits of research pooling, to achieve more from charitable income sources and to identify what else we can do to continue to increase the competitiveness of Scotland's research base.</p>	<p>Imaging Systems; Industrial Biotechnology IC; Oil and gas IC; Data Lab; Aquaculture; and Construction. In AY2013-14 we have supplemented this investment with a budget of £14M for capital equipment and £2M for taught postgraduate places in ICs.</p> <p>We also invest through innovation vouchers to support university engagement with SME's and their work within the business gateway. The number of SFC Innovation Vouchers has continued to increase - 170 in 12/13; 167 in 11/12; and 102 in 10/11 – and we will review the economic impact of the programme in 2014.</p> <p>To support the sharing and exploitation of our investment to develop intellectual property (IP), all universities have made a commitment to deliver Easy Access to IP within their outcome agreements, making it available to those who can exploit it, quickly and efficiently through simple licensing.</p>
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How well are we doing?

Below we have set out our organisational progress in terms of our efficiency, people and sustainability.

Efficiency, openness and transparency	People and corporate responsibility	Sustainability
<p>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.</p> <p>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: http://www.sfc.ac.uk/aboutus/our_conduct/</p> <p>The volume of information requests remained steady with 39 recorded information requests between 1 April 2013 and 31 March 2014. There were two reviews but no cases were appealed to the Scottish Information Commissioner. General enquiries through the website email account increased to 230 during 2013-14 (2012-13: 150).</p> <p>In terms of efficiency, in the last year the Council’s running cost expenditure remained at 0.5% of programme cost expenditure.</p> <p>In terms of transparency, we adhere to the Scottish Public Finances Manual (SPFM) and the Council</p>	<p>The Council takes its corporate responsibility seriously, has buy-in from its staff and is committed to making it an integral part of whatever we do.</p> <p>As an organisation managing change, over the past year we have invested in the wellbeing of our employees and committed to doing more to support staff.</p> <p>We have invested around 1% of our running costs on staff engagement activity over the last year and in our most recent staff survey we exceeded the Central Government benchmark for staff engagement.</p> <p>We concluded the second phase of staff engagement on our corporate values and embedded the actions arising in a set of performance expectations for the Chief Executive’s Group and for Group heads.</p> <p>We committed to whole organisation staff training and development and updated our operational planning process so that the whole organisation was brought together to plan together.</p> <p>We also made progress with our commitment to upgrade the working environment.</p> <p>We are committed to providing excellent working</p>	<p>The Council developed a Carbon Management Plan (CMP) with support from the Carbon Trust early in 2011.</p> <p>A Corporate and Social Responsibility Policy, covering issues like sustainable procurement, social responsibility and health and wellbeing of staff was implemented this year.</p> <p>Next we will refresh our Carbon Management Plan and work with Zero Waste Scotland and NUS on this in 2014.</p> <p>We worked with our Sustainable Development Coordination Group to reduce water and energy consumption, and minimising waste through resource efficiency plans and activities. Through this group we have strengthened our commitment to the Climate Change Act</p> <p>We adhere to the principles of the Sustainable Procurement Action plan for Scotland, encourage biodiversity, use environmentally friendly cleaning solutions, minimise paper use and maximise recycling.</p>

<p>received an unqualified audit report and retained its status as a national statistics provider.</p> <p>The Council is committed to equality of opportunity and human rights in its employment and operational practices. The Council published its equality outcomes and mainstreaming report in response to the Equality Act 2010 and the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012. This material can be found at the following link: http://www.sfc.ac.uk/about_conduct_equal.aspx</p> <p>The Council was awarded Investors In People (IIP) accreditation in July 2010 and has worked over the last year to maintain the high standards required to retain it.</p>	<p>conditions for staff to enable them to achieve a healthy work/life balance - flexible working, childcare vouchers, cultural activity subsidies, bicycle loan, subsidised on-site acupuncture.</p> <p>We continued our policy to support volunteering through the provision of three days' paid leave per year and our commitment to supporting various charities.</p>	
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Sustainability Report

		2013/14		2012/13	
			CO ₂ (tonnes per annum)		CO ₂ (tonnes per annum)
Energy	Scope 2	209,696kWh	114.63	399,069kWh	218.16
Waste	Scope 3	2,331 bags	12.78	4635 bags	19.93
Travel	Scope 3	199,444 miles	30.38	147,511 miles	22.73

Energy

Overall our energy usage during 2013/2014 has reduced. Our total usage this year was 114.63 tonnes of CO₂ (2012/13: 218.16). Floor level metering has been installed by the landlord and the individual tenant monitoring of consumption was provided for the first time this year. Variations in CO₂ usage have resulted from the more accurate recording and we will monitor it closely in the coming year to ensure consistency of results.

Information Systems

Information Systems have virtualised our server farm, reducing our server estate from 28 physical servers to 8. They have also introduced a bank of virtual PCs for remote working, thus providing more energy savings by removing the need to have 30 or more physical PCs powered on for remote working. This migration towards a virtualised server and desktop estate continues to provide savings on power consumption and as a result, savings on CO₂ emissions. Our 8 physical server hosts are located locally in our Server Room and remotely at our rack in the new Saughton Data Centre. This topology gives us a significant improvement in backup ICT resilience and continuity. Going forward we will be experimenting with dynamic power saving within our new virtualised environment to further reduce power consumption and CO₂ emissions.

Waste

Our paper consumption in 2013-14 was 517,500 sheets. This is a reduction on 2012-13 (545,000) of 5%. Recycling of paper in 2013/14 was 4.94 tonnes (2012/13: 4.85 tonnes). During 2013/14 we recycled 22.5kgs of aluminium cans (2012/13: 40.5kgs) and 130.5kgs of plastic bottles and tetra drinks cartons (2012-13: 162kgs), giving a saving on waste to landfill. Facilities are still in place to recycle glass and business cardboard, however these services are run by the landlord for all tenants of the

building and we have no data for these. Total waste for 2013/14 was 12.78 tonnes, of which 5.05 tonnes (38.5%) was recycled, an increase of 13.5% on 2012-13.

Water

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

Travel

Travel has increased 35% from 2012-13 due to more interactive relationships between Outcome Agreement Managers and their institutions and SFC staff being members of national policy committees.

Remuneration Report for the year ended 31 March 2014

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

Remuneration policy

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

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

Chair and Council members

The remuneration of the Chair and Council members is reviewed annually by the Scottish Government. There is no performance-related element apart from that which may be offered to the Chief Executive. In 2013-14 Chief Executives of NDPBs were subject to a pay freeze.

Members of the Council are appointed by Scottish Ministers and have a collective responsibility for the proper conduct of the Council's affairs. Council membership during 2013-14 is detailed on page 39.

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

	Year ended 31 March 2014 £'000		Year ended 31 March 2013 £'000
Salary and allowances	345		312
Social security costs	32		28
Other pension costs	36		28
	413		368

***Council membership for the period 1 April 2013 to 31 March 2014**

Member	Appointment start date	Appointment end date	Remuneration year ended 31 March 2014 £	Remuneration year ended 31 March 2013 £
Professor Alice Brown (Chair)	3 October 2013	2 October 2017	23,244 ¹	-
John McClelland CBE (Chair)	3 October 2005	2 October 2013	18,104 ²	34,866
Laurence Howells	26 April 2013		See page 25	see page 25
Mark Batho	8 September 2008	31 July 2013	see page 25	See page 25
Dr Lindsay Burley CBE	16 October 2006	15 October 2013	6,260 ³	11,556
Robin Crawford	3 October 2009	2 October 2017	11,556	11,556
Audrey Cumberford	3 October 2009	2 October 2017	11,556	11,556
Alison Jarvis	17 November 2008	3 October 2015	11,556	11,556
Professor Maggie Kinloch	16 March 2012	3 October 2015	11,556	12,038 ⁶
Dr Janet Lowe CBE	3 October 2005	2 October 2013	5,778 ⁴	11,556
Paul McKelvie OBE	10 December 2007	3 October 2015	16,425 ⁵	19,902 ⁵
Professor Anton Muscatelli	16 March 2012	3 October 2015	11,556	12,037 ⁶
Dr Keith Nicholson	16 March 2012	3 October 2015	11,556	12,037 ⁶
Professor Albert Rodger	3 October 2009	2 October 2017	11,556	11,556
Alan Stannett	10 December 2007	3 October 2015	11,556	11,556
Marlene Wood	16 March 2012	3 October 2015	11,556	12,038 ⁶

As at 31 March 2014 there were 12 council members of whom 5 were females and 7 were males.

Council members attendance at meetings are given on page 39.

¹ Full year equivalent salary £46,488

² Full year equivalent salary £34,866

³ Full year equivalent salary £11,556

⁴ Full year equivalent salary £11,556

⁵ Following John McClelland's appointment to the role of Chair of Skills Development Scotland, Paul McKelvie took on some of John McClelland's engagements to allow for a small reduction in the Chair's weekly time commitment to the Council, and their remuneration was adjusted accordingly

⁶ Reflects payment from 16 March 2012

Chief Executive

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

Both the former Chief Executive and the Interim Chief Executive are ordinary members 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**

Single total figure of remuneration										
	Salary (£'000)		Bonus payments (£,000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £'000) ⁷		Total (£'000)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Mark Batho Chief Executive ⁸ (to 31/7/14)	60-65	125-130	-	-	-	-	-24,000	4,198	35-40	130-135
Laurence Howells Senior Director ⁹	115-120	105-110	-	-	-	-	91,000	4,629	205-210	110-115
Martin Fairbairn Senior Director	110-115	105-110	-	-	-	-	27,000	13,394	135-140	120-125
Band of highest paid employee's total remuneration									115-120	125-130
Median total									34,002	32,487
Ratio									3.45	3.95

⁷ The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

⁸ Mark Batho resigned as Chief Executive with effect from 31 July 2013. FTE salary for 2013-14 was in the range of £115,000 to £120,000. In line with our accounting policy, the 2012-13 figure includes an accrual for the balance of annual leave as at 31 March 2013.

⁹ Laurence Howells was appointed Interim Chief Executive from 26 April 2013 and 2013-14 salary includes an extra responsibility allowance. FTE was in the range of £110,000 to £115,000.

*** 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 £'000	Total accrued pension at pension age as at 31 March 2014 and related lump sum £'000	CETV at 31 March 2014 £'000	CETV at 31 March 2013 or start date £'000	Real increase in CETV £'000
Mark Batho Chief Executive	0-2.5 plus lump sum of 0-2.5	50-55 plus lump sum of 160-165	1,143	1,098	-2
Martin Fairbairn Senior Director	0-2.5 plus lump sum of 2.5-5	25-30 plus lump sum of 85-90	492	441	18
Laurence Howells Senior Director	2.5-5 plus lump sum of 12.5-15	45-50 plus lump sum of 145-150	1,055	911	83

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 notional 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 2013-14, employer's contributions of £827,672 (2012-13: £791,573) were payable to the PCSPS at one of four rates in the range of 16.7% to 24.3% of pensionable pay, based on salary bands.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2012-13 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £3,211 (2012-13: £5,019) 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 £211 (2012-13: £367), 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 £3,211 (2012-13: £5,019).

Signed on behalf of the Council

A handwritten signature in dark ink that reads "Laurence Howells". The signature is written in a cursive style with a large initial 'L'.

Laurence Howells
Accountable Officer

Date: 27 June 2014

Management Commentary

for the year ended 31 March 2014

Statement of Comprehensive Net Expenditure

The Council's funding grant disbursements and operating costs for the year ended 31 March 2014 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 (FRoM).

The Council's net expenditure for the year was £1,692,604,000 (2012-13: £1,694,875,000). Grants are disbursed and expenditure incurred in relation to the Council's Strategic Plan priorities.

The running cost expenditure of the Council for the year was £7,817,000 (2012-13: £7,967,000) being staff costs of £5,321,000 (2012-13: £5,641,000) (note 4), other operating charges of £2,292,000 (2012-13: £2,090,000), depreciation of £57,000 (2012-13: £104,000) (note 6) and amortisation costs of £147,000 (2012-13: £132,000) (note 7).

Other operating income totalled £34,914,000 (2012-13: £15,124,000). This relates mainly to the clawback of grant income from institutions of £17,519,000 (2012-13: £6,800,000), other grant income of £14,298,000 (2012-13: £1,027,000) and European Social fund income of £3,012,000 (2012-13: £7,258,000).

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

Statement of financial position

Property, plant and equipment

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

Expenditure on capital assets during the year totalled £30,000 (2012-13: £12,000).

Intangible assets

The Council's intangible assets are IT software and software licences. Expenditure during the year totalled £103,000 (2012-13: £104,000).

Current Assets

Trade and other receivables decreased to £4,891,000 (2012-13: £10,196,000). This is largely the result of a change to the way in which we pay student support and other grants which are now paid out on a monthly profile rather than in a lump sum at the start of the academic year and so the related prepayment values have been reduced considerably.

Non-current assets

Recoverable grants due after one year decreased to £3,642,000 (2012-13: £5,123,000) due to repayments.

Cash balance

The SFC 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 2014 shows a cash balance of £5,301,000 (2012-13: £2,362,000). The increased balance reflects the SFC retaining funds to deal with potential cash flow requests from colleges as a result of the new way in which incorporated college grant-in-aid is disbursed due to the ONS reclassification.

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

Capital and reserves

The balance on reserves, amounting to £11,257,000 (2012-13: £17,126,000) comprises a balance on grant-in-aid for distribution of £11,257,000 (2012-13: £17,126,000). This movement on reserves arises from an excess of expenditure over income.

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 2014 indicated that 87% (2012-13: 82.5%) of invoices were paid within 10 days of the presentation of a valid invoice and 98.7% (2012-13: 97.6%) of invoices were paid within 30 days.

At the year end, our trade payables balance (that is to say, the amount owing to our suppliers) was £3,790. Comparing this balance with the aggregate amount invoiced by suppliers in year (£2,026,966), and expressing this as a number of days, gives an indication of the average time we take to pay our bills: for the year ended 31 March 2014 our figure for 'creditor days' was 0.68 days (2012-13: 2.29).

Pension liabilities

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

Company directorships and other significant interests held by Board members

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

Audit

The audit of the accounts of the Council has been undertaken by Grant Thornton, appointed by the Auditor General for Scotland. The audit fee from 1 April 2013 to 31 March 2014 was £67,500 (2012-13: £68,500). No non-audit services were supplied during the year.

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

Forward look

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

Financial year	College programme funding (£m)	University programme funding (£m)	College and university capital funding (£m)	SFC Administration (£m)
2014-15	521.7	1,060.9	61.4	7.9
2015-16	525.7	1,062.5	36.0	7.9

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

2013-14 saw further progress in the management of Outcome Agreements with colleges and universities. Outcome Agreements are a key tool for the achievement of SFC’s national ambitions for the sectors and the contribution they make to the Scottish Government’s Strategic Objectives, including its post-16 education agenda. SFC will continue to lead and support change in further and higher education, which improves the life chances of learners and supports jobs, growth and sustainability.

SFC will continue to focus on access, skills and employability and on the right learning in the right place, building on recent progress. Working with the college sector to deliver the ambitions of the Wood Commission will be one of SFC’s top priorities over the next year. SFC will continue to seek opportunities to invest in knowledge exchange with industry, including ground-breaking Innovation Centres, and will seek ways in which to lower university emissions and to increase Scotland’s share of charitable research income.

The restructuring of the college sector has seen the creation of new regional groupings, and a significant number of mergers. Added to this are new regional structures and governance arrangements brought in by the Post 16 Education (Scotland) Act 2013, and changes to budgeting and accounting as a result of the UK Office of National Statistics decision to reclassify incorporated further education colleges. SFC has supported the colleges through this transition, and will continue to provide support and monitor delivery as the changes bed in, with a view to enabling colleges to continue their focus on sustainable provision and delivering on their Outcome Agreements.

Personal data

There were no reported incidents of loss of personal data by the Council during the year (2012-13: none).

Sickness absence data

The 12-month rolling absence figure for the Council was 3.53% as at 31 March 2013 (2012-13: 4.65%). This reflects a reduction in the instance of long term sickness absence.

A handwritten signature in black ink that reads "Laurence Howells". The signature is written in a cursive, flowing style.

Laurence Howells
Accountable Officer

Date: June 2014

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 2014 in the form, and on the basis, determined by Scottish Ministers. The accounts are prepared on an accruals basis and must give a true and fair view of the Council's state of affairs at 31 March 2014 and of its income and expenditure, and cash flows for the financial year.

In preparing the accounts the Council is required to comply with the requirements of the *Government Financial Reporting Manual* and, in particular, to:

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

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

Annual Governance Statement 2013-14

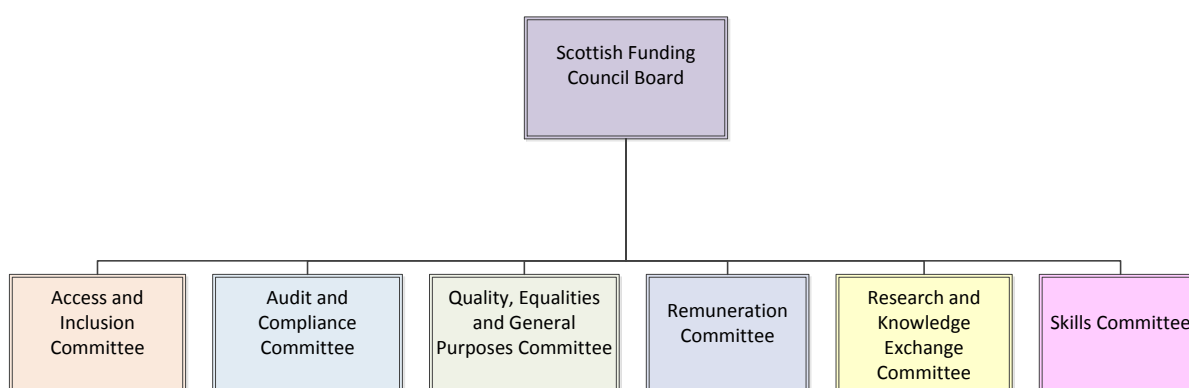
Introduction

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievements of the Scottish Funding Council's policies, aims and objectives. The *Memorandum to Accountable Officers of other Public Bodies* sets out these responsibilities.

The Annual Governance Statement is designed to supplement the information provided in the financial statements. It sets out the governance structures, risk management and internal control processes that have been operating in the Scottish Funding Council during the year 2013-14 and reports my assessment of the effectiveness of these arrangements.

Governance structure

The following diagram outlines the Council's governance structure.



Skills Committee is a joint committee with Skills Development Scotland.

The Quality, Equalities and General Purposes Committee operated until 15 March 2014.

Members of the Council's Board are appointed by Scottish Ministers and have a collective responsibility for the proper conduct of the Council's affairs. Members have full and timely access to all relevant information to enable them to perform their roles effectively. Members' roles and responsibilities are described in the *Code of Conduct for members of the Scottish Further and Higher Education Funding Council*. A register of members' interests is available on the Council's website at www.sfc.ac.uk/about_the_council/council_board_committees/council_membership/council_membership.aspx

Board effectiveness

The Council reviews its performance annually and considers the implications of this assessment for improving its effectiveness. Every three years this exercise is externally facilitated. For 2013-14, the approach involved: a questionnaire sent to all members of the Board (completed anonymously); one-to-one interviews with each member by the Chair; and a discussion and review by the Board collectively. Overall the conclusion of the review was that the Board has this last year been effective in the discharge of its responsibilities. Areas of particular strength were:

- The effectiveness of business, strategy meetings and workshops, including members' participation, the way they are chaired and organised
- Focus on the priorities set by the Scottish Government
- Clear direction to the Board's committees
- Strong working relationship between the Board and the executive.

The review identified the following areas where improvement is needed:

- Further information on stakeholder views and strategy and policy issues from other parts of the UK and beyond
- To consider the nature of the Council's committees and their relationship with the Board.

Towards the end of 2013-14, the Council carried out a review of the role of the Board and its committees. The conclusion of which removes, and reallocates the work of, the Quality, Equalities and General Purposes Committee and strengthens the relationship between the Board and its committees through the introduction of a new Strategic Performance Management Framework.

As part of the annual review of the Board's effectiveness, the Board is asked to rate the effectiveness of the Council as a corporate body. The conclusion from the review for 2013-14 is that the Council has performed effectively.

Committees of Council

The Council has established six committees to advise it on specific responsibilities or undertake specific functions. Three of the committees have responsibility for policy, strategy, and funding in relation to outcome agreements with colleges and universities: Access and Inclusion Committee, Skills Committee, and the Research and Knowledge Exchange Committee. The other three committees are responsible for organisational or regulatory matters: Audit and Compliance Committee, Quality, Equalities and General Purposes Committee, and the Remuneration Committee. The Skills Committee and the Research and Knowledge Exchange Committee are established under statute.

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

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

The **Research and Knowledge Exchange Committee** has a role to respond to, recommend, and advise the Council on research and knowledge exchange strategy, policy and funding issues relevant to the development of outcome agreements with Scottish universities and colleges (taking into account the international dimension). The Committee’s main areas of advice include strengths, weaknesses, opportunities and threats in research and innovation, and advice on the prioritisation in the use of the Council’s resources. The Committee also works with the national enterprise agencies and other stakeholders to give Council advice on innovation and support of knowledge exchange, which contributes to sustainable economic growth.

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

During 2013-14 the purpose of the **Quality, Equalities and General Purposes Committee** was to oversee 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 was also responsible for the oversight of the Council and the executive in relation to the Council’s equality and diversity agenda and the overall functioning of the executive. As noted above, its work was reallocated towards the end of 2013-14.

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

Chief Executive and provide guidance to the Chief Executive in relation to the selection and appointment of directors.

Each committee provides an annual report to the Council reviewing their activities and their effectiveness during the year. For 2013-14 each committee reported that it had met the terms of its remit and performed effectively.

Further details of the remits and memberships of all the Council committees are given on the Council's website at [www.sfc.ac.uk/about the council/council board committees/council committees/council committees.aspx](http://www.sfc.ac.uk/about_the_council/council_board_committees/council_committees/council_committees.aspx). Council members' attendance at Board and committee meetings in 2013-14 is shown below.

Council members' attendance at meetings

Council members attending Council and Committee meetings	Council 8 in year	Quality, Equality and General Purposes 4 in year	Audit and Compliance 6 in year	Research and Knowledge Exchange 5 in year	Skills 4 in year	Remuneration 4 in year	Access and Inclusion 3 in year
Professor Alice Brown	4c of 4	2c of 2				2c of 2	
John McClelland CBE	4c of 4	2c of 2				2c of 2	
Laurence Howells	7 of 7	4	5				
Mark Batho	0 of 1						
Professor Anton Muscatelli	6				1 of 1		
Dr Lindsay Burley CBE	3 of 4	2 of 2			2 of 2	2 of 2	
Robin Crawford	8		6c				
Audrey Cumberford	7				0 of 2		1
Alison Jarvis	7	4				4	3c
Dr Janet Lowe CBE	4 of 4				2 of 2		
Dr Keith Nicholson	3		5	3			
Paul McKelvie	7	4			4c	4	
Professor Maggie Kinloch	7						2
Professor Albert Rodger	6			5c			
Alan Stannett	8	3	5			3	
Marlene Wood	7		6				
c = Chairperson							

In addition to the above, Council members chair other forums, serve on other working parties and attend meetings on behalf of the Council and, for some members, time spent on travel is a significant commitment, resulting for some members in a combined time commitment of 2 - 2.5 days per meeting . Appointment start and end dates are given on page 22.

Assessment of corporate governance

I can confirm that corporate governance has been exercised throughout the year in accordance with the principles for good governance set out the terms of the SPFM, the Management Statement and Financial Memorandum and associated good practice guidance.

Risk management

The Council's risk management strategy is to:

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

The Council has delegated responsibility for the on-going review of the effectiveness of our risk management arrangements to its Audit and Compliance Committee. The corporate risk register is reviewed at each meeting by the Audit and Compliance Committee and biannually by the Council Board.

The Senior Director, Institutions and Corporate Services, is the Senior Information Risk Owner (SIRO). Day-to-day management of information risks is the responsibility of the Information Security and Access Officer. All information assets have been identified and are recorded in the Council's data asset register. There have been no breaches of data security during 2013-14.

Whilst, as Accountable Officer, I remain ultimately responsible for managing and implementing the Council's risk management strategy on a day-to-day basis, and for reporting to the Audit and Compliance Committee, delegation of responsibility for

managing the key risks in the register is essential if risk management is to be effective. The risk register, therefore, identifies 'owners' for each risk; these are mainly within the senior staff of the Council's executive, chosen for their expertise in the particular areas of risk.

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

Risk profile

Throughout 2013-14 the Council has managed between 8 and 10 corporate level risks. These risks fall into the following broad categories: implementation of the Government's regionalisation reforms across FE colleges; implementation of the changes resulting from the ONS reclassification of FE colleges; achievement of student numbers in FE and HE and implementation of a new funding model for FE; on-going development of outcome agreements; institutional governance and sustainability; and internal capacity.

The thread running through these risks is 'change' and capacity of institutions and the Council to successfully manage what has been, and will continue to be significant change management programme. The effective management of these risks has underpinned delivery of the Council's key objectives over the year.

All of the above risks will continue into 2014-15 and therefore will require close monitoring and strong management.

Internal audit

Internal audit is a key independent source of assurance. The strategic and annual planning of internal audit reviews is risk based, meaning their work is targeted to the areas identified as greatest risk and strategic importance. Internal audit carried out seven reviews in 2013-14, none of which identified any major control weakness. Implementation of internal audit recommendations is closely monitored and reported to each meeting of the Audit and Compliance Committee. In addition, our internal auditor carries out an independent review of progress with implementation to validate the executive's monitoring and reporting. With a few minor exceptions, all internal audit recommendations have been implemented.

Significant issues

There are no significant issues to report

Review of the effectiveness of the system of internal control

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

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

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

My review of internal control is informed by:

- The Council's Audit and Compliance Committee, which assesses the effectiveness of assurances in relation to the systems of governance, risk management and internal control
- The executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework
- The line management process within the organisation
- Regular meetings between Council staff and our sponsor directorate at the Scottish Government to review the risk register and our process for risk management
- The work of the internal auditors, contracted to Scott-Moncrieff for the year to 31 March 2014, who submit to the Council's Audit and Compliance Committee regular reports which include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement
- Comments made by external auditors in their management letters and other reports
- Certificates of assurance provided to me by the executive managers in accordance with the guidance contained within the SPFM.

For the year to 31 March 2014, the Head of Internal Audit reported completion of all reviews in the Audit Plan. Internal Audit was 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.

On the basis of the assurances provided from the sources of assurance outlined above, I can confirm that sound systems of governance, risk management and internal control, consistent with the requirements of the SPFM, have operated for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts.

A handwritten signature in black ink that reads "Laurence Howells". The signature is written in a cursive, slightly slanted style.

Laurence Howells
Accountable Officer

Date: 27 June 2014

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

I have audited the financial statements of Scottish Further and Higher Education Funding Council (the Council) for the year ended 31 March 2014 under the Further and Higher Education (Scotland) Act 2005. The financial statements comprise the Statement of Financial Position, the Statement of Comprehensive Net Expenditure the Statement of Cash Flow, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2013/14 Government Financial Reporting Manual (the 2013/14 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, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Council and the Council's Members as a body, for our audit work, for this report, or for the opinions we have formed.

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. My 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 me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

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

addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 2005 directions made thereunder by the Scottish Ministers of the state of the Councils affairs as at 31 March 2014 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 2013/14 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 my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Opinion on other prescribed matters

In my opinion:

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

Matters on which I am required to report by exception

I am required to report to you if, in my 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

- I have not received all the information and explanations I require for my audit;
or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.

A handwritten signature in black ink that reads "Gary Devlin" followed by "Grant Thornton UK LLP" in a smaller, less distinct script.

Gary Devlin, for and on behalf of Grant Thornton UK LLP

7 Exchange Crescent

Edinburgh

EH3 8AN

Date 27 June 2014

**Statement of Comprehensive Net Expenditure
for the year ended 31 March 2014**

	Notes	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Expenditure			
Grants paid to HEIs and other bodies	3	1,179,946	1,135,929
Grants paid to colleges and other bodies	3	539,499	565,867
Staff costs	4	5,321	5,641
Depreciation	6	57	104
Amortisation	7	147	132
Other operating charges	5	2,548	2,326
		<u>1,727,518</u>	<u>1,709,999</u>
Income			
European Social Fund income – colleges	9	(3,012)	(7,258)
European Social Fund income – SFC	9	(85)	(39)
Income from HEIs and colleges	10	(17,519)	(6,800)
Other grants	11	(14,298)	(1,027)
		<u>(34,914)</u>	<u>(15,124)</u>
Net expenditure		1,692,604	1,694,875
Total comprehensive expenditure for the year		<u>1,692,604</u>	<u>1,694,875</u>
Funded by:			
Grant-in-aid	8	1,675,216	1,675,452
Other Scottish Government grants	11	1,180	1,180
Other Government grants	8	10,339	10,431
		<u>1,686,735</u>	<u>1,687,063</u>
(Deficit)transferred to reserves		<u>(5,869)</u>	<u>(7,812)</u>
		<u>1,692,604</u>	<u>1,694,875</u>

There are no recognised gains and losses other than those recorded above
The notes on pages 52 to 72 form part of these accounts

**Statement of Financial Position
as at 31 March 2014**

	Notes	31 March 2014	31 March 2013
		£'000	£'000
Non-current assets			
Property, plant and equipment	6	54	81
Intangible assets	7	104	148
Trade and other receivables	12	3,642	5,123
Total non-current assets		3,800	5,352
Current assets			
Trade and other receivables	12&13	4,891	10,196
Cash and cash equivalents	14	5,301	2,362
Total current assets		10,192	12,558
Total assets		13,992	17,910
Current liabilities			
Trade and other payables	15	4	13
Other liabilities	15	2,731	771
Total current liabilities		2,735	784
Assets less liabilities		11,257	17,126
Taxpayers' equity		11,257	17,126

The financial statements on pages 47 to 51 were approved by Council on 27 June 2014 and signed on its behalf by:

Laurence Howells

Alice Brown

Laurence Howells
Accountable Officer

Professor Alice Brown CBE
Chair

Date: 27 June 2014

Date: 27 June 2014

Authorised for issue on 27 June 2014

The notes on pages 52 to 72 form part of these accounts.

Statement of Cash Flows

for the year ended 31 March 2014

	Notes	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Cash flows from operating activities			
Net operating costs		(1,692,604)	(1,694,875)
Depreciation and amortisation charges	6&7	204	236
Decrease in long term debtors		1,481	602
Decrease in trade and other receivables		5,305	10,326
Increase/(decrease) in trade and other payables		1,951	(1,455)
Net cash outflow from operating activities		<u>(1,683,663)</u>	<u>(1,685,166)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(30)	(12)
Purchase of intangible assets	7	(103)	(104)
Net cash outflow from investing activities		<u>(133)</u>	<u>(116)</u>
Cash flows from financing activities			
Grant-in-aid		1,675,216	1,675,452
Other Scottish Government grants	11	1,180	1,180
Other Government grants		10,339	10,431
Net cash inflow from financing activities		<u>1,686,735</u>	<u>1,687,063</u>
Net increase in cash and cash equivalents		<u>2,939</u>	<u>1,781</u>
Cash and cash equivalents at 1 April 2013		2,362	581
Cash and cash equivalents at 31 March 2014		5,301	2,362
Net increase in cash		<u>2,939</u>	<u>1,781</u>

The notes on pages 52 to 72 form part of these accounts

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2014

	Note	Total £'000
Changes in Taxpayers' Equity 2013-14		
Balance as at 1 April 2013		17,126
Net expenditure		(1,692,604)
Scottish Government grant-in-aid funding	8	1,675,216
Other Scottish Government grants	11	1,180
Other Government grants	8	10,339
Balance at 31 March 2014		11,257
Changes in Taxpayers' Equity 2012-13		
Balance as at 1 April 2012		24,938
Net expenditure		(1,694,875)
Scottish Government grant-in-aid funding	8	1,675,452
Other Scottish Government grants	11	1,180
Other Government grants	8	10,431
Balance at 31 March 2013		17,126

General reserves include £4,472,000 (2013:£6,052,000) in respect of recoverable grants advanced to institutions (note 12).

The notes on pages 52 to 72 form part of these accounts.

Notes to the Accounts

for the year ended 31 March 2014

1 Basis of Accounts

As the Scottish Funding Council is an NDPB the format of its accounts is covered by the 2013-14 *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

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

Furniture and fittings	5 years
Information technology and other equipment	3 years

Intangible assets

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

Taxation

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. Grant-in-aid received is treated on a cash basis.

ESF and ERDF income are treated on an accruals basis.

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

Grants payable

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

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

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

Loans

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

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

Statement of comprehensive net expenditure

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

Operating lease charges

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

Pension costs and other post-retirement benefits

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

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

Short-term employee benefits

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

Financial guarantees

In accordance with IAS 39, financial guarantees are considered for recognition as liabilities. See note 20.

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 most recently available accounts for institutions are to 31 July 2013. Grants to institutions for the period from 1 August 2013 to 31 March 2014 are yet to be verified by institutions and their auditors that grant-in-aid receipts from the Council have been used for their intended purpose. Any material differences arising, which are related to the regularity of grant-in-aid for the period covered by these accounts, will be subject to adjustment in subsequent financial years. Subject to the above, grant-in-aid receipts received from the sponsor department have been applied for their intended purpose.

- b) Grants to institutions to finance capital expenditure may be subject to repayment in full, or in part, if the assets purchased are disposed of at a later date. The Council has discretion to allow the proceeds or part of the proceeds of such sales to be retained by the relevant institution to finance new capital projects.

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

Grants paid to HEIs and other bodies	Year ended	Year ended
	31 March	31 March
	2014	2013
	£'000	£'000
Recurrent grants	1,135,154	1,084,766
Capital grants	44,792	51,163
	<u>1,179,946</u>	<u>1,135,929</u>

Grants paid to colleges and other bodies

Recurrent grants	401,946	440,406
Bursary payments	104,128	97,452
Capital and major works	33,425	28,009
	<u>539,499</u>	<u>565,867</u>

4 Staff costs (excluding Chief Executive)

a) **Salaries and related costs**

	Year ended 31 March 2014			2013
	Directly employed staff	Seconded and agency staff	Total	Total
	£'000	£'000	£'000	£'000
Cost of employing staff:				
Wages and salaries	4,068	122	4,190	4,547
Social security costs	337	5	342	352
Other pension costs	780	9	789	742
	<u>5,185</u>	<u>136</u>	<u>5,321</u>	<u>5,641</u>
Average number of FTE employees	<u>99</u>	<u>2</u>	<u>101</u>	<u>106</u>

The Council employed 68 females and 48 males as at 31 March 2014. Both the Chief Executive and the Senior Director are male employees.

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 2014, £9,739 (2012-13: £11,031) was outstanding and this related to 11 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

	2013-14	2012-13
Exit package cost band	Total number of exit packages by cost band	Total number of exit packages by cost band
£10,000-25,000	-	5
£25,000-50,000	-	8
£50,000-75,000	-	5
£100,000-£150,000	-	-
Total number of exit packages	-	18
Total resource cost/£	-	683,593

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

5 Other operating charges

	Year ended 31 March 2014			2013
	Running	Sectoral	Total	Total
	cost	expenditure		
	£'000	£'000	£'000	£'000
Operating leases – property rental	470		470	470
Accommodation costs	400		400	396
Council members' remuneration	413		413	368
Other support costs	519		519	480
Publication costs	25		25	16
Staff recruitment and training	200		200	93
Travel and subsistence				
– Council members	10		10	13
– Staff	79		79	69
Legal costs	71		71	118
External Audit fee	27	41	68	69
Consultancy costs	-	215	215	197
Equipment and consumables	51		51	21
Hospitality costs				
– Council members	2		2	4
– Staff	10		10	5
Conference expenditure	4		4	3
Committee costs	11		11	4
	2,292	256	2,548	2,326

Sectoral expenditure has been used to meet operating charges where the benefit is to institutions within the Scottish further and higher education sectors. £215,000 (2012-13: £197,000) 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 and professional services.

6 Property, plant and equipment

	Furniture and fittings £'000	ICT £'000	Other equipment £'000	Total £'000
Historic cost				
At 1 April 2013	221	490	66	777
Additions	-	30	-	30
Disposals	-	40	-	40
At 31 March 2014	221	480	66	767
Depreciation				
At 1 April 2013	157	473	66	696
Provided during the year	33	24	-	57
Disposals	-	40	-	40
At 31 March 2014	190	457	66	713
Net Book Value				
At 31 March 2014	31	23	-	54
At 1 April 2013	64	17	-	81
Historic cost				
At 1 April 2012	221	754	66	1,041
Additions	-	12	-	12
Disposals	-	276	-	276
At 31 March 2013	221	490	66	777
Depreciation				
At 1 April 2012	125	680	63	868
Provided during the year	32	69	3	104
Disposals	-	276	-	276
At 31 March 2013	157	473	66	696
Net Book Value				
At 31 March 2013	64	17	-	81
At 1 April 2012	96	74	3	173

7 Intangible assets

Intangible assets comprise IT software and software licences

	IT £'000	Software licences £'000	Total £'000
Cost			
At 1 April 2013	778	115	893
Additions	103	-	103
At 31 March 2014	881	115	996
Amortisation			
At 1 April 2013	643	102	745
Provided during the year	135	12	147
At 31 March 2014	778	114	892
Net Book Value			
At 31 March 2014	103	1	104
At 1 April 2013	135	13	148
Cost			
At 1 April 2012	677	112	789
Additions	101	3	104
At 31 March 2013	778	115	893
Amortisation			
At 1 April 2012	523	90	613
Provided during the year	120	12	132
At 31 March 2013	643	102	745
Net Book Value			
At 31 March 2013	135	13	148
At 1 April 2012	154	22	176

8 Government grant-in-aid received

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
a) Funds from Scottish Government for:		
HEI and other bodies	1,089,899	1,081,075
Colleges and other bodies	510,998	517,538
Capital	66,650	69,170
Council running costs	7,669	7,669
	<u>1,675,216</u>	<u>1,675,452</u>
b) Funds from Department for Business Innovation and Skills for Research Capital	<u>10,339</u>	<u>10,431</u>

9 Income from ESF

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
ESF income received – colleges	2,473	7,045
ERDF income received	539	213
	<u>3,012</u>	<u>7,258</u>
ESF income received - SFC	85	39
	<u>3,097</u>	<u>7,297</u>

10 Income from HEIs and colleges

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Clawback from colleges	15,372	6,602
Clawback from HEIs	2,147	198
	<u>17,519</u>	<u>6,800</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.

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

11 Other grants

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Other grant income		
HEFCE	13,050	-
Income from Arts and Humanities Research Council (AHRC)	-	150
Other grant income	1,248	877
	<u>14,298</u>	<u>1,027</u>
Other Scottish Government grant income		
Income for Sabhal Mòr Ostaig	1,180	1,180
	<u>1,180</u>	<u>1,180</u>

The SFC received funds from HEFCE through the UK Research Partnership Investment Fund which allows UK HEIs to compete for funding to support investment in higher education research facilities. The successful HEIs to bid were the Universities of Dundee, Glasgow and Strathclyde.

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 2014 £'000	31 March 2013 £'000
(a) Balances due within one year:		
Robert Gordon University	-	103
West Lothian College	346	346
Stow College	316	311
Lews Castle College	168	169
	<u>830</u>	<u>929</u>
(b) Balances due after one year:		
West Lothian College	3,159	4,155
Stow College	147	463
Lews Castle College	336	505
	<u>3,642</u>	<u>5,123</u>

Recoverable grants are interest-free advances to institutions which will be recovered by making reduced payments to the institutions in forthcoming years. In terms of the Council's accounts, when such advances are paid a short and long term debtor is created, taking account of the agreed payment timetable.

Arrangements for the repayment of the advances have been agreed, with the repayment period over sixteen years for West Lothian £5,540,000, repayment commenced March 2011. The repayment was renegotiated in March 2014 with the college repaying an additional £650,000 and the loan repayment term being extended to July 2034.

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

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

13 Trade and other receivables

	31 March 2014 £'000	31 March 2013 £'000
Prepayments and accrued income	2,497	467
Institutions clawback	63	-
Other HEI balances	1,076	2,488
Other college balances	353	2,346
Scottish Government	11	-
Other debtors	61	-
European Social Fund	-	3,967
	4,061	9,268
Balances due within one year (from note 12a)	830	928
Total balances due within one year	4,891	10,196

14 Cash and cash equivalents

	31 March 2014 £'000	31 March 2013 £'000
Funds held at Government Banking Service accounts	5,199	2,323
Funds held at commercial banks	102	39
	5,301	2,362

15 Trade and other payables

	31 March 2014 £'000	31 March 2013 £'000
Trade payables	4	13
Pension provision	37	58
The Scottish Government	-	103
Other HEI balances	1,560	52
Other college balances	786	244
HEFCE	-	42
Total other liabilities	<u>2,731</u>	<u>771</u>
Total current liabilities	<u>2,735</u>	<u>784</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 2014 £'000	31 March 2013 £'000
Grant for distribution		
Recurrent grant	322,968	330,614
Capital grants	<u>10,191</u>	<u>6,106</u>
	<u>333,159</u>	<u>336,720</u>

Grants committed to be paid to colleges and other bodies	31 March 2014 £'000	31 March 2013 £'000
Grant for distribution		
Recurrent grant	166,194	110,099
Bursary payments	33,706	23,612
Capital grants	1,578	9,034
	201,478	142,745

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 2014 £'000	31 March 2013 £'000
Equipment		
Not later than one year	12	12
Later than one year and not later than five years	10	22
	22	34
Buildings		
Not later than one year	470	470
Later than one year and not later than five years	940	1,410
	1,410	1,880

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

18 Related party transactions

The Council is a NDPB sponsored by the Scottish Government.

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

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

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

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

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

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

The Register of Interests for the Council Members is available on the Council website at [www.sfc.ac.uk/about the council/council board committees/council membership/council membership.aspx](http://www.sfc.ac.uk/about_the_council/council_board_committees/council_membership/council_membership.aspx)

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

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

19 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
2013-14				
Balances with other Central Government bodies	127	-	-	-
Balances with bodies external to Government	4,764	3,642	2,735	-
At 31 March 2014	4,891	3,642	2,735	-

2012-13

Balances with other Central Government bodies	4,092	-	145	-
Balances with bodies external to Government	6,104	5,123	639	-
At 31 March 2013	10,196	5,123	784	-

20 Financial instruments

As the cash requirements of the Scottish Funding Council are met through grant-in-aid provided by the Scottish Government, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Council's expected purchase and usage requirements and the Council is, therefore, exposed to little credit, liquidity or market risk.

The Council has provided a guarantee for an amount up to £8,900,000 to underwrite the loan support liability for Coatbridge College to Lloyds Banking Group. The balance of principal outstanding on the loan at 31 March 2014 was £5.81 million (as at 31 March 2013: £6.8 million).

The Council has provided a guarantee for an amount of up to £25,000,000 to underwrite the loan support liability for The Glasgow School of Art to Barclays Bank PLC. The balance of principal outstanding on the loan at 31 March 2014 was £23.8m.

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 guarantees and the indemnity. The risk to the Council of realising payment is considered to be insignificant therefore there is no monetary impact in the Council's accounts.

Direction by the Scottish Ministers

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

Aileen McKechnie

Signed by the authority of the Scottish Ministers

Dated: 14 December 2005

Annex 1: Analysis of funds paid to institutions and other bodies

Distribution of grant-in-aid from the Scottish Government

Grants paid to colleges and other bodies

College	Recurrent grant	Student Support payment	Capital grants	Total Year ended 31.3.14	Total Year ended 31.3.13
	£'000	£'000	£'000	£'000	£'000
Forth Valley	18,273	3,664	2,478	24,415	25,041
West Lothian	7,961	1,961	569	10,491	11,045
Dumfries and Galloway	7,437	2,269	584	10,290	10,885
Borders	6,097	1,848	423	8,368	8,991
Edinburgh	40,808	10,573	3,869	55,250	65,764
Inverness	6,802	2,185	838	9,825	11,943
Lews Castle	2,307	327	141	2,775	2,100
Moray	4,702	2,137	280	7,119	7,482
North Highland	5,976	1,448	351	7,775	9,542
Perth	5,857	2,196	334	8,387	8,744
Orkney	1,201	104	110	1,415	1,591
Shetland	1,521	87	116	1,724	1,843
West Highland	1,779	263	1,421	3,463	1,731
Ayrshire	29,902	10,093	2,655	42,650	44,052
West	38,459	10,068	2,581	51,108	53,274
Glasgow Clyde	30,491	7,586	1,922	39,999	40,791
Glasgow Kelvin	22,950	4,998	1,620	29,568	29,244
City of Glasgow	25,365	5,599	3,024	33,988	39,110
Fife	33,939	8,574	2,101	44,614	41,021
New College	22,620	6,443	1,862	30,925	31,704
Coatbridge	6,584	2,020	1,574	10,178	10,817
South Lanarkshire	7,574	2,444	442	10,460	8,667
Dundee and Angus	26,122	7,193	1,605	34,920	34,361
North East	29,043	7,851	2,123	39,017	40,883
SRUC	7,300	1,910	-	9,210	12,699
Newbattle	528	267	2	797	948
Sabhal Mor Ostaig	1,725	19	400	2,144	2,031
Total grant distributed to colleges	393,323	104,128	33,425	530,876	556,303

Other organisations	Recurrent grant	Bursary payment	Capital grants	Total Year Ended 31.3.14		Total Year ended 31.3.13
	£'000	£'000	£'000	£'000		£'000
Education Scotland	1,045			1,045		1,231
JISC	2,940			2,940		-
HEFCE	-			-		3,456
Colleges Scotland	1,050			1,050		1,775
Other	3,588	-	-	3,588		3,102
Total grant distributed to other organisations	8,623	-	-	8,623		9,564
Total grant distributed	401,946	104,128	33,425	539,499		565,867

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 31.3.14	Total Year ended 31.3.13
	£'000	£'000	£'000	£'000
Aberdeen	79,380	2,054	81,434	81,462
Abertay Dundee	20,865	426	21,291	20,144
Dundee	89,310	10,097	99,407	84,553
Edinburgh	195,340	6,766	202,106	198,719
Glasgow	158,106	4,952	163,058	161,226
Glasgow Caledonian	66,940	1,213	68,153	66,938
Glasgow School of Art	13,347	6,270	19,617	20,298
Heriot-Watt	41,754	1,344	43,098	40,619
Edinburgh Napier	57,385	961	58,346	57,711
Open University in Scotland	23,661	512	24,173	25,022
Queen Margaret Edinburgh	14,916	306	15,222	15,002
Robert Gordon	44,412	2,400	46,812	42,321
Royal Conservatoire of Scotland	9,766	98	9,864	9,732
St Andrews	45,870	1,394	47,264	45,239
Stirling	40,304	689	40,993	38,515
Strathclyde	102,797	2,643	105,440	102,770
Highlands and Islands	33,428	820	34,248	30,475
West of Scotland	66,742	1,055	67,797	65,137
SRUC	13,532	792	14,324	12,875
Cardonald College				16
Ayr/UWS				-
Total grant distributed to institutions	1,117,855	44,792	1,162,647	1,118,771

Other organisations	Recurrent grant	Capital Grants	Total year ended 31.3.14	Total year Ended 31.3.13
	£'000	£'000	£'000	£'000
JISC	6,225		6,225	-
HEFCE	700		700	7,430
QAA	1,803		1,803	1,352
HE Academy	1,573		1,573	1,656
RSE	2,150		2,150	2,350
Technology Strategy Board	950		950	1,144
Other	3,898		3,898	3,224
Total grant distributed to other organisations	17,299	-	17,299	17,156
Total grant distributed	1,135,154	44,792	1,179,946	1,135,929

Colleges are organised around 13 regions of which 10 regions contain a single regional college, and 3 are multi college regions

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

1. Argyll College is not a separate fundable body and is funded through North Highland College.

2. Barony, Elmwood and Oatridge Colleges merged with the Scottish Agricultural College on 1 October 2012 to form SRUC a higher education institution focussed on rural and land-based education.

3. Newbattle Abbey College and Sabhal Mor Ostaig are funded directly by the SFC.

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Cha mhòr nach ionann an ùine san dà mhios dheug de bhliadhna ionmhasail 2013-14 eadar an cathraiche romham, Iain MacIllFhaolain, agus mo chur-an-dreuchd fhìn san Dàmhair 2013. Tha e iomchaidh, ma-tà, gun tòisich mi le bhith a' moladh nan rudan a choilean Iain na ochd bliadhna mar Chathraiche air SFC. Rè an ama sin, thug Iain a' bhuidheann bho a tùs ann an 2005 chun na h-ìre gun robh comas agus creideas aice pàirt riatanach a ghabhail san ath-leasachadh air foghlam adhartach 's àrd-ìre a tha a' dol an-dràsta . Gu dearbha, 's e an cuspair a tha a' ceangal a' chiad leth 's an leth mu dheireadh de 2013-2014 an dòigh san robh Comhairle Maoineachaidh na h-Alba a' cumail taic ri colaistean 's oilthighean mun àm seo de dh'atharrachadh agus ag obair gus na cothroman foghlaim 's cosnaidh aig luchd-ionnsachaidh air feadh na h-Alba a mheudachadh.

'S e an Litir Iùil bho Rùnaire a' Chaibineit airson Foghlaim agus Ionnsachaidh Fhad-bheatha aon de na rudan a bhios a' toirt cumadh agus togail do ar cuid obrach mar bhuidheann phoblach. Na litir airson 2013-14, dh'aithnich Rùnaire a' Chaibineit gun robh adhartas nach beag ga dhèanamh a dh'ionnsaigh ath-leasachaidh air foghlam adhartach 's àrd-ìre ann an Alba. Thug e fa-near gu h-àraidh an obair a rinneadh le SFC agus colaistean gus lìonra ùr de cholaistean roinneil a chruthachadh. Ann an raon nan oilthighean, dh'iarr Rùnaire a' Chaibineit air a' Chomhairle Mhaoineachaidh cuideam a leigeil air aon de na prìomhachasan as motha aig Riaghaltas na h-Alba a thaobh foghlaim – a bhith a' leudachadh inntrigeadh do na h-oilthighean. Dh'iarr e

oirnn cuideachd taic a chumail ri stèidheachadh nan Ionadan Ùr-ghnàthachais a bhios a' tarraing còmhla an eòlais 's fiosrachadh aig oilthighean 's gnothachasan air leas gnìomhachais, tionnsgalachd 's na h-eaconamaidh ann an Alba.

Gus a' bhuidhe aig an airgead a tha i a' tasgadh ann am prìomhachasan Rùnaire a' Chaibineit a shealltainn 's a mheasadh, thug SFC air oilthighean 's colaistean aontachadh mu dheidhinn nam builean aca. Bha dùilean mòra anns an litir iùil a thaobh èifeachdas nan aontaidhean buileachaidh seo airson 2013-14 agus tha mi toilichte a ràdh gun do choilean na sgiobaidhean againn na chaidh iarraidh orra le bhith ag obair ann an compàirteachas le colaistean 's oilthighean. Air sgàth an cuid obrach, dh'fhoillsich sinn san Dùbhlachd 2013 stòras ùr luach £10 millean airson 2,000 àite oilthighe a bharrachd a thabhann. Bha 700 de na h-àiteachan ùra seo gan amas air luchd-ionnsachaidh à sgìrean bochda na h-Alba. Chuireadh 1,000 àite eile an tairgse luchd-ionnsachaidh a bha a' gluasad bho chùrsa colaiste gu cùrsa oilthighe agus chaidh 300 àite a shuidheachadh airson sgeama for-cheuma *Skills for Growth*.

A bharrachd air seo, ro dheireadh na bliadhna 2013, chaidh againn air na ciad tasgaidhean ann am prògram adhartach luach còrr is £100 millean fhoillseachadh gus Ionadan Ùr-ghnàthachais Albannach a stèidheachadh. Ro mheadhan na bliadhna 2014, bidh sinn air a' chiad ochd Ionadan Ùr-ghnàthachais ainmeachadh, le raointean gnìomhachais leithid saidheansan beatha, slàinte, lùtha agus obair-togail nan cois. Bidh àite fìor chudromach aig na h-ionadan seo airson 's gum faigh Alba a' bhuanachd as fheàrr a tha comasach às a' cheangal eadar sàr-rannsachadh oilthighe is leasachadh bathair agus seirbheis ann an gnìomhachas.

B' iad aontaidhean buileachaidh agus an dàimh thorrach aig SFC ri raon nan colaistean a b' adhbhar cuideachd don deach roinneileadh nan colaistean air adhart rè na bliadhna 2013-14. Air 1 Lùnastal 2013, chaidh ceithir colaistean ùra a stèidheachadh bhon cho-aonadh a rinn deich ionadan foghlaim a bharrachd. Air 1

Samhain chaidh ceithir colaistean roinneil eile a chruthachadh. Mar thoradh air seo, thug sinn ceum mòr a dh'ionnsaigh raon-colaiste nas treasa 's nas èifeachdaiche le prìomh aire air sgilean 's comas-cosnadh an luchd-ionnsachaidh a tha ann.

Fhuaras dearbhadh eile air cho luachmhor 's a tha SFC do raon nan colaistean ann an 2013-14 leis na rinn sinn gus taic-airgid fhaighinn bho Mhaoin Shòisealta na h-Eòrpa agus am maoineachadh co-ionann a chuir sinn rithe. B' e a' bhuil air seo gun robh stòras de £13 millean ann gus còrr is 3,500 àite colaiste a bharrachd a chruthachadh. Air ainmeachadh leis an Leas-Phrìomh Mhinistear aig a' cholaiste ùr, West College Scotland, bhathar a' cuimseachadh air na h-àiteachan san robh iarrtas mòr air sgilean sònraichte, ag amas air òigridh a chuideachadh gus obair fhaighinn agus air ath-thrèanadh a thoirt don fheadhainn aig a bheil obair mu thràth.

Mar as àbhaist, chan eil rùm gu leòr an seo tuairisgeul a thoirt air a h-uile rud a choilean SFC, na raointean agus ar compàirtichean rè na bliadhna, no gu dearbha, gus bruidhinn air na dùbhlain a bhios far comhair, 's sinn a' cumail oirnn a' leasachadh foghlam adhartach 's àrd-ìre. Bu toil leam, ge-tà, aithne a thoirt do obair àrd-oifigear an SFC airson a bhith a' comharrachadh 's a' mìneachadh a leithid de chùisean don bhòrd air dhòigh 's gun d' fhuaras air bruidhinn orra 's an toirt fa-near gu h-èifeachdach nar co-dhùnidhean ro-innleachdail. Mu dheireadh, mo thaing do bhuill a' bhùird agus do bhuill-chathraichean nan comataidhean airson an taic neolasachail a thug iad do obair Comhairle Maoineachaidh na h-Alba ann an 2013-14. Mar an Cathraiche ùr air an SFC, tha mi a' coimhead air adhart ri obair còmhla riuthasan, ris an luchd-obrach 's ris na compàirtichean againn, is sinn a' cur ri clachan-stèidh daingeann gus Alba a dhèanamh na sàr-àite airson luchd-ionnsachaidh.