



Scottish Funding Council
Promoting further and higher education

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

Financial Year 2009-10

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Foreword

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John F McClelland CBE
Chair

It would be appropriate to say that the period covered by this report has been a test of our ability to respond to challenges and to support colleges and universities at a time of change for learners, employers and the economy.

The framework in which we were able to develop our activities over the year was laid out in our new Corporate Plan which we published in June 2009. This gives us a long-term focus on a clear set of priorities and also sets out a model for partnership working. You will find more information on the council's corporate plan in the opening sections of this report.

Prioritisation has been one of the key principles pursued this year. One of the actions we prioritised was a review of our work in employability and enterprise. During the middle part of the year we consulted with a wide range of interested parties to answer the question "how do we best serve Scotland's employability needs in the context of economic change?". It was perhaps a measure of how important a question this is to people that we had over seventy responses and hosted a series of very productive and well-attended seminars. These provided a wealth of information, insights and ideas that enabled us to produce *Learning to Work Two*, a strategy and action plan that gives us the platform we need to create benefits for learners, educators and employers.

The economic downturn continued to present us with practical challenges relating to the increase in demand for further and higher education. Our funding for student support in colleges, for example, was put under considerable pressure. An increase of 9.3 per cent announced in the Main Grant Letter in April 2009 brought the fund to its highest ever level of £79 million. Despite this, colleges reported facing shortfalls in their budgets as early as October and we responded by allocating a further £11.9 million before the end of 2009. Additional funding was also made available when the Scottish Government provided us with an

extra £7.7 million to help colleges working with young people in parts of Scotland worst hit by the recession. Meanwhile, we continued our two-year initiative to support extra courses for the recently-unemployed in colleges across Scotland through the Partnership Action for Continuing Employment (PACE) programme.

It was vital this year that we continued our commitment to both research and knowledge exchange as activities with clear economic and academic value. In knowledge exchange our new Innovation Voucher Scheme provided up to £5,000 to universities working on projects with small and medium sized enterprises. In the first six months of the scheme we supported 27 individual projects and established new research and development relationships in several sectors of the Scottish economy. We have since extended the scheme to colleges and have recently announced an increase in our investment in it from £300,000 to £500,000 as we head towards 100 funded projects.

Research pooling is an area in which Scotland's universities continue to pioneer new and collaborative approaches to developing their competitive edge. This year we announced a major investment of £17.4 million in Scotland's latest research pool. The Marine Alliance for Science and Technology for Scotland (MASTS) was launched in November with a seven-year budget of £75 million and 10 university partners. We also contributed £15.7 million to a £48 million fund that will continue the work of the successful physics alliance (SUPA) for a further seven years.

You will find a full summary of our main activities on pages 4 to 8 of this report. If it reads as an account of a highly active year in the life of the Scottish Funding Council then the impression would be accurate. The pace at which the Council has worked during and since the period of this report has been unprecedented. At the same time we have applied the same quality of care to our decision-making that, I believe, has come to characterise our work as a funding council.

I hope you will find much to interest and inform you in the following pages and trust that our commitment to Scotland's future prosperity and well-being is borne out by the activities described there. I will leave the evidence of good governance and sound financial management to speak for itself in the detail of our published accounts.

Chief Executive and Accountable Officer's Report

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

The Council's main statutory responsibilities are to secure:

- coherent provision by the college and university sectors of high quality further and higher education; and
- the undertaking of research.

The Council does this by:

- developing policies and strategies which support Scottish Government priorities, meet its statutory duties, and contribute to the Council's vision and Corporate Plan objectives for further and higher education;
- implementing policies and strategies through its investment of public funds in colleges and universities;
- ensuring that the quality of teaching is enhanced and assessed – working with colleges, universities, student representative bodies and the quality assessment agencies (Her Majesty's Inspectorate of Education (HMIE) in the college sector and the Quality Assurance Agency (QAA) in the university sector);
- monitoring the financial health and sustainability of colleges and universities in order to safeguard the interests of learners, the public investment of funds, and the reputation of further and higher education in Scotland;
- collecting, evaluating and publishing relevant statistical data and other evidence about further and higher education; and

- providing advice to the Scottish Government on further and higher education and other relevant issues.

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

Corporate Plan priorities

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

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

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

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

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

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

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

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

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

Outcome 5 – Collaboration: Working with Scotland's colleges and universities, we will support academic or institutional collaboration in different forms – whether on a geographical, subject, sectoral/cross-sectoral or other basis – where the end is to secure accessible,

coherent, efficient and effective provision, internationally competitive research, and the efficient and effective operation of colleges and universities (see Outcome 7).

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

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

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

Review of activities

The Council's main activities over the year in support of its Corporate Plan priorities included:

- distributing £1,914 million for the support of teaching and learning, research and other activities in Scotland's colleges and higher education institutions;
- developing and announcing major investments – within the overall allocation – through the Council's Horizon Fund for Universities and its Strategic Funds for Colleges aimed at bringing enhanced economic, social, cultural and other benefits to Scotland;
- investing nearly £275 million – included within the total allocation – in the estates of colleges and universities, including an announcement of a £5.2 million investment in a new Marine Skills Centre as part of the New Campus Glasgow project;
- promoting employability and enterprise with the publication of an Action Plan (*Learning to Work Two*) and by providing higher education institutions with strategic funding to help them develop graduate employability;
- providing additional revenue funding of £7.7 million to help colleges respond to the economic downturn;

- establishing a joint Skills Committee with Skills Development Scotland, which works with stakeholders to address shortages of relevant skills in specific areas of the country and within specific industry sectors,
- promoting social inclusion and widening access to learning for people from less advantaged backgrounds;
- within the overall distribution of funds, providing £94 million to colleges for student bursaries, childcare and hardship funds;
- promoting knowledge exchange and business innovation, including funding to colleges and universities for an Innovation Voucher Scheme aimed at stimulating links with Small and Medium-Sized Enterprises (SMEs);
- enhancing the research competitiveness of Scottish higher education institutions by investing jointly, with other partners, in proposals to pool resources in key areas of research in Scotland, including the announcements of a contribution of £15.7 million towards a £48 million investment in the Scottish Universities Physics Alliance (SUPA) and a contribution of £17.4 million towards a £74.7 million investment in Marine Science;
- promoting improvements in the quality of learning provision through a focus on continuous quality enhancement;
- supporting governance, leadership and management in colleges and universities;
- undertaking a programme of strategic dialogue meetings with individual colleges and universities with the aim of strengthening relationships between the Council and the governing bodies and senior management teams of colleges and universities;
- working in partnership with a wide range of other stakeholder and partner bodies, including Skills Development Scotland, Scottish Enterprise, Highlands and Islands Enterprise, NUS Scotland, STUC, NHS Education for Scotland, the UK research councils and other UK funding bodies, and the representative bodies for colleges and universities;
- publishing information, data and evidence about further and higher education and research in Scotland;
- publishing the Council's first Gaelic Language Plan and a new Single Equality Scheme and Action Plan; and

- undertaking an organisational review and completing the first phase of the review by introducing a revised organisational structure designed to better serve the Council's future role and priorities.

Corporate governance

The Council is accountable to the Scottish Government for its stewardship and management of its affairs.

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

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

The Council reorganised its committees during 2009-10 and now has seven committees. Four of these committees provide advice to the Council on policy, strategy and funding issues. These are the Access and Inclusion Committee, Investment Committee, Research and Knowledge Transfer Committee, and the Skills Committee. The other three committees are concerned with the Council's organisational functions and performance of its regulatory role. These are the Audit and Compliance Committee, the Quality, Equalities and General Purposes Committee, and the Remuneration Committee.

Details of the remits and memberships of all the Council committees are given on our website www.sfc.ac.uk. Council members' attendance for all previous and current committee meetings in 2009-10 is given on page 11.

The Council is advised on finance, risk and internal control matters by its Audit and Compliance Committee. The Committee's responsibilities include: overseeing the Council's financial monitoring of institutions, value for money, monitoring the Council executive's management of the Council's Risk Register, the review of internal

controls and other internal audit matters, consideration of the Council's Annual Report and Accounts and oversight of the management of the Council's compliance with legislation and regulation. A description of the Council's audit process and risk management is given on page 18.

The Quality, Equalities and General Purposes Committee oversees the Council's statutory function to ensure that provision is made for assessing and enhancing the quality of fundable further and higher education, taking account of the Council's related statutory duty to secure coherent provision of a high quality of further and higher education. The Committee is also responsible for the oversight of: the Council and the executive in relation to the Council's equality and diversity agenda; and the functioning of the executive.

The Council annually assesses its performance and considers the implications of this assessment for improving its effectiveness. The process involves both a questionnaire sent to all members of the Council's Board (completed anonymously) as well as one-to-one interviews with each member by the Chair.

Openness and transparency

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

The Freedom of Information (Scotland) Act 2002 requires every Scottish public authority to adopt and maintain a Publication Scheme, and publish information in accordance with that scheme. A copy of the Council's Publication Scheme can be found on the Council's website www.sfc.ac.uk.

Continuous improvement

The Council and its staff are committed to the continuous improvement of the performance of the organisation. The Council is a member of Quality Scotland and is recognised as an organisation that is 'Committed to Excellence' under the European Foundation for Quality Management in Excellence Model. During 2009-10, the Council commissioned Ekos to undertake an independent survey of its stakeholders to gain their views on the Council's effectiveness and performance. The outcomes of the survey have been published on the Council's

website and will inform the organisation's quality enhancement plans and its communications strategy.

Equal opportunities

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

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

Investors in People

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

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

Employee involvement

Staff involvement is actively encouraged as part of day-to-day management. Staff are kept advised of the Council's activities through de-briefings following Council meetings, regular meetings between staff and management and through seminars on the work of colleagues and stakeholders. Information on the activities of the Council and its various committees is available to all staff. Formal and informal consultation with the trade union is carried out on a regular basis.

Sustainability report

The Council signalled its commitment to support the Scottish Government's policy on sustainable development by creating an Environmental Working Group (EWG) from volunteers across the Council's executive. The Council started from a good baseline with several 'green measures' in place.

The Working Group developed an environmental policy along with realistic and achievable objectives and targets. These covered the Council's internal operations as well as promotion of sustainable development in Scotland's colleges and universities.

The objectives and targets can be split into four broad headings:

- energy;
- resource use – waste;
- travel; and
- biodiversity.

The intranet, staff newsletter and noticeboards are used to provide information on environmental achievements, promote energy efficient practices and behaviour by all staff, and encourage staff to practice the “4 Rs” – reduce, reuse, repair and recycle.

Energy

Figures show our energy usage during 2009 has increased slightly by 2.5%. Our total usage this year equates to 312 tonnes of CO₂ (2008: 364). We are working towards reducing this figure through continuous monitoring of our energy consumption, with ‘walk-around audits’ being completed to ensure previously implemented energy reducing measures are still in place and being applied. Our ‘Switch Off’ campaign continues and has been embraced by staff.

Resource – waste

From our baseline figures for 2004-05, our paper consumption has now fallen by 43%. This is a further 22% reduction on 2008-09 figures. Recycling of paper in 2009-10 fell slightly to 7.7 tonnes (2008-09: 11.4 tonnes) because of the reduced paper purchase.

In 2006-07 we introduced recycling facilities for aluminium cans and plastic bottles. During the period we have recycled 15kg of aluminium cans (2008-09: 10.5kgs) and 70.5kgs of plastic bottles (2008-09: 60kgs), giving a saving on waste to landfill.

During 2009, the Council introduced recycling of Tetra drink cartons. In the six months to 31 March 2010 we have recycled 30kg.

Facilities to recycle glass and business cardboard were also introduced during 2009, however, this is managed by the building manager and includes all tenants in the building, therefore, we can only note our participation.

Travel

In 2006-07 we introduced the use of City Single and Airlink bus tickets. This is also in line with our reduction of taxi use within Edinburgh. A statement noting our commitment to sustainable travel is set out on our website and on all travel and subsistence claim forms.

Social and community issues

We took part in our second Water of Leith Big Annual Clean Up, which is arranged by The Water of Leith Conservation Trust. Sixteen staff volunteered to take part in helping to clean up sections of the river. We aim to continue our support and participate in future years.

We continue to ensure our plant life on our external balconies is suitable to attract and encourage more wildlife. Our commitment is ongoing to ensure all chemicals, such as cleaning agents, we use are eco-friendly and do not cause harm to the environment.

Remuneration Report

The sections marked ‘*’ in this Remuneration Report have been audited by Audit Scotland. The other sections of the Remuneration Report were reviewed by Audit Scotland to ensure that they were consistent with the financial statements.

Remuneration policy

A Remuneration Committee reviews and determines, 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 as presented by the Scottish Government in relevant guidance.

Current membership consists of the Chair of the Council and five 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 payable to the Chief Executive.

Members of the Council are appointed by Scottish Ministers and have a collective responsibility for the proper conduct of the Council’s affairs. Council membership during 2009-10 is detailed on page 10.

***Council membership for the period 1 April 2009 to 31 March 2010**

Professor Peter Holmes and Alan Tripp joined the Council on 3 October 2005 and their appointments were extended for two years and one year respectively on 3 October 2008. Jim Martin resigned from the Council on 30 April 2009. John McClelland and Dr Janet Lowe were initially appointed to the Council on 3 October 2005 and reappointed for four years on 3 October 2009. Professor Tariq Durrani and Alan Tripp's appointments ended on 2 October 2009. Professor Jim Gallacher joined the Council on 3 October 2005 and his appointment was extended for one year on 3 October 2009. Robin Crawford, Audrey Cumberford and Professor Albert Rodger joined the Council on 3 October 2009.

Member	Appointment end date	Remuneration Year ended 31 March 2010 £	Remuneration Year ended 31 March 2009 £
John McClelland CBE (Chair)	2 October 2013	46,488	45,760
Mark Batho		(see page 12)	(see page 12)
Ian Adam	2 October 2011	11,556	11,376
Rowena Arshad OBE	2 October 2008	–	6,513
Dr Lindsay Burley	15 October 2010	11,556	11,376
Robin Crawford	2 October 2013	5,778	–
Audrey Cumberford	2 October 2013	5,778	–
Professor Tariq Durrani OBE	2 October 2009	5,688	11,376
Professor Jim Gallacher	2 October 2010	11,556	11,376
Professor Peter Holmes OBE	2 October 2010	11,556	11,376
Alison Jarvis	16 November 2012	11,556	4,266
Dr Janet Lowe CBE	2 October 2013	11,556	11,376
Jim Martin	Resigned 30 April 2009	948	11,376
Dr Dominic McKay	9 December 2011	11,556	11,376
Paul McKelvie OBE	9 December 2011	11,556	11,376
Ian Murning TD	2 October 2011	11,556	11,376
Professor Albert Rodger	2 October 2013	5,778	–
Alan Stannett	9 December 2011	11,556	11,376
Alan Tripp	2 October 2009	5,688	11,376
Alexander Watson OBE	15 October 2010	11,556	11,376

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

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Salary and allowances	323	402
Social security costs	29	39
Other pension costs	28	103
	380	544

Council members' attendance at meetings

Council members attending Council and Committee meetings	Council 7 in year	Quality, Equality & General Purposes 2 in year	Audit & Compliance 3 in year	Capital Investment 3 in year	Investment 2 in year	Research & Knowledge Transfer 6 in year	Skills 4 in year	Quality Learning & Teaching 2 in year	Chair's 2 in year	Remun- eration 4 in year	Access & Inclusion 4 in year
John McClelland CBE	7c	2c				2c			2c	4c	
Mark Batho	6	2							2		
Ian Adam	6		3c			2	5				
Dr Lindsay Burley	7	2	3				3/4	2		2/2	
Robin Crawford	3/3										
Audrey Cumberford	3/3										2/2
Professor Tariq Durrani OBE	2/4					2/2					
Professor Jim Gallacher	6					2					4c
Professor Peter Holmes OBE	7					2	6c				
Alison Jarvis	6	2								2/2	3
Dr Janet Lowe CBE	5			3	2		4c				
Jim Martin	0/0										
Dr Dominic McKay	6			3		5					
Paul McKelvie	7	2					3/4			2/2	
Ian Murning TD	7			3c	1						
Professor Albert Rodger	2/3					3/3					
Alan Stannett	6	2	3					2		2/2	
Alan Tripp	3/4		1/1						2	2/2	
Alexander Watson OBE	4	2						2c		2/2	

c = Chairperson

In addition to the above, Council members chair other forums, take part in strategic dialogue meetings at institutions, serve on other working parties and attend meetings on behalf of the Council.

*Chief Executive

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

The Chief Executive is an ordinary member of the Principal Civil Service Pension Scheme (PCSPS). The employer's contribution to the scheme amounted to 24.3% of the Chief Executive's pensionable salary.

***Senior staff**

The remuneration of senior staff is uplifted annually to 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.

David Gani, Director of Research and Innovation, resigned from the Executive on 4 December 2009.

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

Salary entitlements (in bands of £5,000)

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Mark Batho , Chief Executive (from 8 September 2008)	110-115 (a)5-10	60-65
Roger McClure , Chief Executive (from 1 March 2002 until 30 April 2008)	–	95-100
Martin Fairbairn , Senior Director – Institutions and Corporate Services (from 1 July 2009) (Director of Governance and Management: Appraisal and Policy from 1 June 2004 to 30 June 2009)	95-100	80-85
Laurence Howells , Senior Director – Skills, Research and Knowledge Exchange (from 1 July 2009) (Director of Learning Policy and Strategy 17 August 1998 to 30 June 2009; Interim Chief Executive from 1 May until 7 September 2008)	95-100	100-105
Riona Bell , Director – Finance and Corporate Services (from 20 July 2009) (Director of Funding from 8 February 2004 to 19 July 2009)	80-85	80-85
David Gani , Director – Research and Innovation (from 25 February 2002 to 4 December 2009)	(b)70-75	95-100
John Kemp , Director – Strategic Development (from 21 August 2009) (Interim Director – Learning Policy and Strategy from 1 May until 30 November 2008)	(c)45-50	40-45

Compensation for early retirement under PCSCS

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Roger McClure , Chief Executive (from 1 March 2002 until 30 April 2008)		
– lump sum	–	55
– annual payment	–	13

(a) includes a bonus of £5,610, pending Scottish Government approval

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

(c) full year equivalent salary £70,000-75,000

***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 31/03/10 and related lump sum £'000	CETV at 31/03/10 £'000	CETV at 31/03/09 £'000	Real increase in CETV £'000
Mark Batho , Chief Executive	2.5-5 12.5-15	45-50 135-140	927	789	86
Roger McClure , Chief Executive (until 30 April 2008)	– –	– –	–	883	–
Riona Bell , Director	0-2.5 –	15-20 –	343	289	37
Martin Fairbairn , Senior Director	0-2.5 10-12.5	20-25 60-65	322	240	65
David Gani , Director	0-2.5 2.5-5	10-15 35-40	266	216	8
Laurence Howells , Senior Director	0-2.5 2.5-5	35-40 110-115	744	666	23
John Kemp , Director (from 13/5/08 until 29/11/08) and 21/08/09 to date)	0-2.5 –	10-15 –	203	155	26

Under the terms of the PCSPS the normal retirement age is 60.

Senior staff of the executive are in the 'Classic Scheme', 'Classic Plus Scheme' or 'Premium Scheme', which are part of the PCSPS.

Columns 3 and 4 of the table show the members' cash equivalent transfer values (CETVs) accrued at the beginning and the end of the reporting period.

Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Civil service pensions

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

From 30 July 2007, these employees may be in one of four defined benefit schemes: either a 'final salary' scheme (**Classic**, **Premium** or **Classic Plus**) or a 'whole career' scheme (**Nuvos**). The statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **Classic**, **Premium**, **Classic Plus** and **Nuvos** are increased annually in line with changes in the Retail Price Index (RPI). Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **Classic** and 3.5% for **Premium**, **Classic Plus** and **Nuvos**. Benefits in **Classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **Premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **Classic**, there is no automatic lump sum. **Classic Plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **Classic** and benefits for service from October 2002 worked out as in **Premium**. In **Nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **Classic**, **Premium** and **Classic Plus** and 65 for members of **Nuvos**.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Council is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

For 2009-10, employer's contributions of £991,429, (2008-09 £893,156) 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's Actuary reviews employer contributions every four years following a full scheme valuation. From 2010-11, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 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 £6,483 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 £52, 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 £6,431.

Signed on behalf of the Council



M T S Batho
Accountable Officer

Date: 5 July 2010

Management Commentary

for the year ended 31 March 2010

Income statement

The Council's funding grant disbursements and operating costs for the year ended 31 March 2010 are contained in the attached accounts, prepared under a direction issued by the Scottish Ministers in accordance with paragraph 17 of Schedule 1 to the Further and Higher Education (Scotland) Act 2005. The accounts comply with the accounting principles and disclosure requirements of the Government Financial Reporting Manual (FReM).

SFC's net expenditure for the year was £1,919,111,000 (2008-09: £1,765,256,000).

Grants are disbursed and expenditure incurred in relation to SFC's Corporate Plan priorities as set out on page 4.

The running cost expenditure of SFC for the year was £8,666,000 (2008-09: £8,857,000) being staff costs of £5,507,000 (2008-09: £5,455,000) (note 4), other operating charges of £3,047,000 (2008-09: £3,294,000) (note 5), depreciation of £56,000 (2008-09: £52,000) (note 6) and amortisation costs of £56,000 (2008-09: £56,000) (note 7).

Other operating income totalled £4,680,000 (2008-09: £9,766,000). This relates mainly to the clawback of grant income from institutions of £4,400,000 (2008-09: £8,976,000).

The SFC running cost budget is managed to allow the SFC to meet the efficiency gain targets of the Scottish Government Efficient Government programme. These are monitored by the SFC's sponsor department. The SFC 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 consist of two neighbouring sites, one leased directly by SFC, the other leased by the Scottish Ministers (as statutory successors to the Secretary of State for the Environment) and sub-let to SFC.

Expenditure on capital assets, all for information technology equipment, during the period totalled £22,000 (2008-09: £111,000).

Intangible assets

The Council's intangible assets are IT software and software licences. Expenditure during the period totalled £73,000 (2008-09: £48,000).

Non-current assets

Recoverable grants due after one year increased to £8,946,000 (2008-09: £8,674,000).

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 2010 shows a cash balance of £1,513,000 (2008-09: £791,000).

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

Pension provision

A pension provision of £92,000 has been set up to account for the early retirement costs of five members of staff.

Other payables

The Council is due to pay the Scottish Government £837,000 over five financial years. This relates to the clawback of funds and recoverable grant from Robert Gordon University (see note 17).

Capital and reserves

The balance on reserves, amounting to £27,816,000 (2008-09: £25,729,000) comprises a surplus on grant-in-aid for distribution of £16,170,000 (2008-09: £15,033,000) and surplus on running cost reserves of £854,000 (2008-09: £572,000), together with a balance of £10,792,000 (2008-09: £10,124,000) on the Institution Advances Reserve.

Funds for distribution to institutions

The Council was funded on a financial year basis but distributed 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 therefore 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. The funds are then distributed as part of the funding provided to institutions for the remaining portion of the current academic 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 2010 indicated that 82.9% (2008-09: 86.5%) of invoices were paid within 10 days of the presentation of a valid invoice.

Financial reporting standards

The 2008 Budget announced that, from 2009-10, the annual financial statements of government departments and other entities in the public sector will be prepared using International Financial Reporting Standards adapted as necessary for the public sector. SFC has applied international standards from 1 April 2009 and the 2008-09 comparative figures have been restated accordingly.

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 Council members

The register of interests for Council members of the Council can be found at www.sfc.ac.uk.

Audit

The audit of the accounts of the SFC has been undertaken by Audit Scotland, appointed by the Auditor General for Scotland. The audit fee from 1 April 2009 to 31 March 2010 is £75,000 (2008-09: £69,925). No non-audit services were supplied during the year.

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

Audit process and risk management

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

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

Principal risks and uncertainties facing the Council

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

- risks associated with policy/funding formulation, development and implementation. In particular, risks associated with the review of formula funding for teaching and learning and the development and operation of the Horizon Fund;
- external risks associated with colleges and universities experiencing a significant negative impact on their financial health or business generally as a result of the economic downturn;
- progressing the various aspects of college sector developments in Glasgow, including the planned Glasgow city centre estates project, the curriculum review, the merger of three of the colleges and the role of other colleges (including Stow College); and
- internal organisational/business risks resulting from errors or delays in payments to colleges or universities which might undermine confidence in the Council's operations.

In relation to this latter risk, the Council keeps under constant review its guidance on what institutions can categorise as fundable activity and their arrangements to provide the Council with sufficient assurance that they are adhering to grant conditions. In the light of evidence from a recent college-specific review, during the year we sought and received assurance from college sector principals that specific aspects of what can be categorised as fundable activity are being interpreted correctly.

Forward look

Grant-in-aid funding for 2010-11 has been determined by Scottish Ministers and the SFC has issued grant letters to both the colleges and the universities. The financial situation beyond this period is uncertain because of the overall budget cuts announced by the new UK government and how they will affect the further and higher education sectors.

The Council has developed a new approach to its future funding of certain capital projects. This will allow the Council to maximise its available capital funding and increase the number of projects which can be supported in the short to medium term, by spreading grant payments over a longer period of time. Use of this new approach requires Scottish Government approval and the availability of a continuing capital baseline from the Scottish Government which is sufficient to support the future grant payments.

Personal data

There were no reported incidents of loss of personal data by the Council during the year (2008-09: none).

Sickness absence data

The 12-month rolling absence figure for the SFC was 3.7% as at 31 March 2010 (2008-09: 3.4%).



M T S Batho
Accountable Officer

Date: 5 July 2010

Statement of Council's and Accountable Officer's responsibilities

Under paragraph 17 of Schedule 1 to the Further and Higher Education (Scotland) Act 2005, SFC is required to prepare a statement of accounts in respect of the year ended 31 March 2010 in the form and on the basis determined by the Scottish Ministers. The accounts are prepared on an accruals basis and must give a true and fair view of the Council's state of affairs at 31 March 2010 and of its income and cash flows for the financial year.

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

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

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

Statement on internal control

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

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

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

The process within the SFC accords with guidance from the Scottish Ministers provided in the SPFM and has been in place for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts.

Risk and control framework

All bodies to which the SPFM is directly applicable must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM. The Council's approach to risk management was last revised in 2009 and revisions to this were approved by the Audit and Compliance Committee in August 2009.

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

- identifies the high-level business risks to the Council;
- assesses the overall impact on the work of the Council if any of the risks materialise;
- describes the controls or actions in place to manage or mitigate each risk;
- assesses the strength of the controls in place;
- assesses the residual probability of each risk occurring; and
- sets out a management plan and timetable for managing active risks.

The Council has delegated to its Audit and Compliance Committee the supervision of the risk register on behalf of the Council. However, the register is reviewed annually by the Council.

Information risks are identified and managed under the leadership of the Senior Director, Institutions and Corporate Services, who has been appointed as the Senior Information Risk Owner (SIRO). A Security Policy Framework has now been agreed and training on information security will be rolled out during 2010. All information assets have been identified and are recorded in the SFC asset register.

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

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

Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by:

- the Council's Audit and Compliance Committee, which monitors the extent to which the Council's risk management strategy is operating efficiently;
- the annual review of the effectiveness of the systems of internal control;
- the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework;
- the line management process within the organisation;
- the annual meeting between me, as Accountable Officer of SFC, and the head of our sponsor directorate at the Scottish Government to review the risk register and our process for risk management;
- the work of the internal auditors, contracted to KPMG, who submit to the Council's Audit and Compliance Committee regular reports which include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;
- comments made by external auditors in their management letters and other reports; and
- certificates of assurance provided to me by the executive managers in accordance with the guidance contained within SPFM.

For the year to 31 March 2010, the Head of Internal Audit reported completion of all reviews in the Audit Plan. Internal audit were of the opinion that the Council's systems provided a reasonable basis for maintaining control and that the control framework provided reasonable assurance regarding the effective and efficient achievement of the Council's objectives. This opinion is based on recommendations in the audit reports being satisfactorily implemented.

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



M T S Batho
Accountable Officer

Date: 5 July 2010

Independent Auditor's Report

Independent Auditor's Report to the Scottish Further and Higher Education Funding Council, the Auditor General for Scotland, and the Scottish Parliament

I have audited the financial statements of the Scottish Further and Higher Education Funding Council for the year ended 31 March 2010 under the Further and Higher Education (Scotland) Act 2005. These comprise the Income Statement, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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 123 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.

Respective responsibilities of the Council, Accountable Officer and Auditor

The Council and Accountable Officer are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Further and Higher Education (Scotland) Act 2005 and directions made thereunder by the Scottish Ministers. The Accountable Officer is also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of the Council's and Accountable Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 2005 and directions made thereunder by the Scottish Ministers. I report to you whether, in my opinion, the information which comprises only the Review of Activities section within the Chief Executive and Accountable Officer's Report, and the Management Commentary, included in the Annual Report are consistent with the financial statements. I also report whether in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

In addition, I report to you if, in my opinion, the Council has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Council's compliance with Scottish Government guidance and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risks and controls or to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Foreword from the Chairman, the Chief Executive and Accountable Officer's Report excluding the Review of Activities, and the unaudited part of the Remuneration Report included in the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Council and Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

Financial statements

In my opinion

- the financial statements give a true and fair view, in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers, of the state of affairs of the Scottish Further and Higher Education Funding Council as at 31 March 2010 and of the net operating surplus, changes in taxpayers' equity and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 2005 and directions made thereunder by the Scottish Ministers; and
- information which comprises only the Review of Activities section within the Chief Executive and Accountable Officer's Report, and the Management Commentary, included in the Annual Report are consistent with the financial statements.

Regularity

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



Fiona Kordiak, CPFA
Audit Scotland
Osborne House
1/5 Osborne Terrace
Edinburgh
EH12 5HG

Date: 9 July 2010

Income Statement

for the year ended 31 March 2010

	Notes	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000 (restated)
Expenditure			
Grants paid to HEIs and other bodies	3	1,211,115	1,138,419
Grants paid to colleges and other bodies	3	702,723	624,328
Staff costs	4	5,507	5,455
Depreciation	6	56	52
Amortisation	7	56	56
Other operating charges	5	4,334	6,713
		1,923,791	1,775,023
Deduct other operating income			
Income from HEIs and colleges	9	(4,400)	(8,976)
Other grants	10	(280)	(790)
		(4,680)	(9,766)
Expenditure less other operating income		1,919,111	1,765,257
Interest receivable		–	(1)
Notional cost of capital		897	845
Expenditure before Taxation		1,920,008	1,766,101
Corporation tax charge		–	–
Expenditure after Taxation		1,920,008	1,766,101
Reversal of notional cost of capital		(897)	(845)
Expenditure for the year		1,919,111	1,765,256
Funded by:			
Grant-in-aid		1,887,140	1,735,659
Other Scottish Government grants		1,650	1,435
Other Government grants		32,407	24,426
		1,921,197	1,761,520
Surplus transferred to reserves – 2009 (deficit)		2,086	(3,736)
		1,919,111	1,765,256

There are no recognised gains and losses other than those recorded above.

The notes on pages 29 to 44 form part of these accounts.

Balance Sheet

as at 31 March 2010

	Notes	31 March 2010 £'000	31 March 2009 £'000 (restated)	1 April 2008 £'000
Non-current assets				
Property, plant and equipment	6	73	107	49
Intangible assets	7	69	52	60
Trade and other receivables	11	8,946	8,674	8,940
Total non-current assets		9,088	8,833	9,049
Current assets				
Trade and other receivables	11&12	22,940	22,102	26,570
Cash and cash equivalents	13	1,513	791	6,596
Total current assets		24,453	22,893	33,166
Total assets		33,541	31,726	42,215
Current liabilities				
Trade and other payables	14	23	16	55
Other liabilities	14	5,181	5,981	12,695
Total current liabilities		5,204	5,997	12,750
Non-current assets plus net current assets		28,337	25,729	29,465
Non-current liabilities				
Other payables	17	521	–	–
Total non-current liabilities		521	–	–
Assets less liabilities		27,816	25,729	29,465
Taxpayers' equity				
Institution advances reserve		10,792	10,124	9,191
General reserves		17,024	15,605	20,274
Total taxpayers' equity		27,816	25,729	29,465

Signed on behalf of the Council



M T S Batho
Accountable Officer

Date: 5 July 2010



John F McClelland CBE
Chair

Date: 7 July 2010

The notes on pages 29 to 44 form part of these accounts.

Statement of Cash Flows

for the year ended 31 March 2010

	Notes	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000 (restated)
Cash flows from operating activities			
Net operating costs		(1,919,111)	(1,765,256)
Depreciation charges	6&7	112	108
(Increase)/decrease in trade and other receivables		(1,109)	4,734
(Decrease) in trade and other payables		(272)	(6,753)
Net cash outflow from operating activities		(1,920,380)	(1,767,167)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(22)	(111)
Purchase of intangible assets	7	(73)	(48)
Net cash outflow from investing activities		(95)	(159)
Cash flows from financing activities			
Interest received		–	1
Grant-in-aid		1,887,140	1,735,659
Other Scottish Government grants		1,650	1,435
Other Government grants		32,407	24,426
Net cash inflow from financing activities		1,921,197	1,761,521
Net increase (decrease) in cash and cash equivalents		722	(5,805)
Cash and cash equivalents at 1 April 2009		791	6,596
Cash and cash equivalents at 31 March 2010		1,513	791
Net increase/(decrease) in cash		722	(5,805)

The notes on pages 29 to 44 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2010

	Notes	Grant for distribution £'000	Running costs £'000	Institution advance reserve £'000	Total £'000
Balance at 31 March 2008		20,027	502	9,191	29,720
Changes in accounting policy		–	(255)	–	(255)
Restated balance at 1 April 2008		20,027	247	9,191	29,465

Changes in Taxpayers' Equity 2009-10

Balance as at 1 April 2009		15,033	572	10,124	25,729
Net expenditure		(1,910,445)	(8,666)	–	(1,919,111)
Additional institution advance		(2,118)	–	2,118	–
Transfers between reserves		1,450	–	(1,450)	–
Scottish Government grant-in-aid funding	8	1,878,194	8,947	–	1,887,141
Other Scottish Government grants	10	1,650	–	–	1,650
Other Government grants	8	32,407	–	–	32,407
Balance at 31 March 2010		16,171	853	10,792	27,816

Changes in Taxpayers' Equity 2008-09

Balance as at 1 April 2008		20,027	247	9,191	29,465
Net expenditure		(1,756,402)	(8,854)	–	(1,765,256)
Additional institution advance		(1,184)	–	1,184	–
Transfers between reserves		251	–	(251)	–
Scottish Government grant-in-aid funding	8	1,726,480	9,179	–	1,735,659
Other Scottish Government grants	10	1,435	–	–	1,435
Other Government grants	8	24,426	–	–	24,426
Balance at 31 March 2009		15,033	572	10,124	25,729

The notes on pages 29 to 44 form part of these accounts.

Notes to the Accounts

for the year ended 31 March 2010

1 Basis of Accounts

As the Scottish Funding Council is a Non-Departmental Public Body (NDPB) the format of its accounts is covered by the 2009-10 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 SFC for the purpose of giving a true and fair view has been selected. The particular policies adopted by SFC are described below. They have been applied consistently in dealing with items that are considered material to the accounts. Grant-in-aid received for revenue and capital purposes is regarded as financing and is credited to the income and expenditure reserve.

The 2009-10 accounts represent the first set of annual accounts to be prepared under an IFRS basis of accounting replacing the previous UK GAAP basis. There is one minor adjustment of £255,000 to holiday accrual resulting from this change in the basis of accounting in the figures shown in the Income Statement and the Balance Sheet.

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.

Contributions due to or from the Scottish Government are treated on a cash basis in line with agreed practice.

Property, plant and equipment

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 measured initially at purchase cost and are amortised on a straight-line basis over estimated useful lives of three years.

Government grants

Government grants receivable in respect of Council running costs and used for capital expenditure are credited to reserves.

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. SFC 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

Financial assistance by way of grants can be given to any fundable body in furtherance of the objectives of the Council.

The Council pays grants either on the basis of monthly instalments, which take into account the pattern of the institution's receipts and payments, or on receipt of claims from institutions. The basis used is determined by the type of grant being paid.

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.

Income Statement

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 income statement in the period to which they relate.

Notional cost

Cost of capital:

In line with the *Government Financial Reporting Manual* the Council has included a notional cost for cost of capital.

The Council's financing structure does not include specific interest bearing debt. However, to ensure that the income statement bears an appropriate charge for the use of capital in the period, a notional interest charge is included. This charge is calculated in accordance with Treasury guidance: a 3.5% rate of return on average net assets employed excluding bank and cash balances with the Paymaster General's Office which are non-interest bearing.

Pension costs and other post-retirement benefits

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded multi-employer defined benefit scheme, but the 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 it 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. As a result, an accrual has been made for holidays earned but not taken. The opening balances have been restated for IFRS compliance.

Financial guarantees

Prior to 31 March 2009 a financial guarantee was accounted for as a contingent liability. In accordance with IAS 39 it is considered for recognition as a liability with effect from 1 April 2009. See note 14.

3 Grants paid to institutions and other bodies

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

The financial year of institutions ends on 31 July. Included in these accounts, therefore, are grants to institutions for the period from 1 August 2009 to 31 March 2010 where it is yet to be verified by institutions and their auditors that grant-in-aid receipts from SFC have been used for their intended purpose. Any material differences arising, which are related to the regularity of grant-in-aid for the period covered by these accounts, will be subject to adjustment in subsequent financial years. Subject to the above, grant-in-aid receipts received from the sponsor department have been applied for their intended purpose.

- b) Grants to institutions to finance capital expenditure may be subject to repayment in full, or in part, if the assets purchased are disposed of at a later date. 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 the Scottish Government Lifelong Learning Directorate (SGLLD)

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Grants paid to HEIs and other bodies		
Recurrent grants	1,045,287	1,008,800
Capital grants	165,828	129,619
	1,211,115	1,138,419
Grants paid to colleges and other bodies		
Recurrent grants	488,212	445,803
Bursary payments	93,826	83,026
Capital and major works	108,688	84,046
Education Maintenance Allowances	11,997	11,453
	702,723	624,328

4 Staff costs (excluding Chief Executive)

a) Salaries and related costs

	Year ended 31 March 2010			2009
	Directly employed staff £'000	Seconded staff £'000	Total £'000	Total £'000 (restated)
Cost of employing staff:				
Wages and salaries	4,158	37	4,195	4,206
Social Security costs	327	2	329	327
Other pension costs	977	6	983	922
	5,462	45	5,507	5,455
Average number of full-time equivalent (FTE) employees	118	–	118	124

b) Loans

Interest free loans are payable to staff for the purchase of season travel tickets and bicycles. The loans are repayable through the SFC's payroll over the period of the duration of the ticket or, in the case of bicycles, 12 months. As at 31 March 2010, £8,409 was outstanding and this related to nine members of staff. This amount is included in the other debtors figure in note 12.

5 Other operating charges

	Year ended 31 March 2010			2009
	Running cost £'000	Sectoral expenditure £'000	Total £'000	Total £'000
Research Assessment Exercise	–	–	–	888
Consultancy costs	81	1,199	1,280	2,625
Operating leases – property rental	563	–	563	571
Accommodation costs	611	–	611	561
Council members' remuneration	380	–	380	544
Other support costs	740	28	768	535
Publication costs	112	7	119	212
Staff recruitment and training	133	–	133	202
Travel and subsistence				
– Council members	13	–	13	16
– Staff	115	–	115	134
Legal costs	156	–	156	152
External Audit Fee	29	46	75	70
Equipment and consumables	53	–	53	38
Hospitality costs				
– Staff	35	–	35	45
– Council members	6	–	6	6
Conference expenditure	4	7	11	83
Committee costs	16	–	16	31
	3,047	1,287	4,334	6,713

Sectoral expenditure has been used to meet operating charges where the benefit is to institutions within the Scottish further and higher education sectors. £1,199,000 (2008-09: £2,402,000) of this expenditure relates to consultancy services and their associated costs. These consultancy services are commissioned in accordance with the conditions of an agreement between the Council and its sponsor department that covers the use of funds for distribution to acquire consultancy services.

The largest of these consultancies was for college sector estates management including the Glasgow Colleges project.

6 Property, plant and equipment

	Furniture & fittings £'000	ICT £'000	Other equipment £'000	Total £'000
Historic cost				
As at 1 April 2009	209	757	112	1,078
Additions	–	22	–	22
Disposals	22	219	6	247
As at 31 March 2010	187	560	106	853
Depreciation				
As at 1 April 2009	198	661	112	971
Provided during the year	4	52	–	56
Disposals	22	219	6	247
As at 31 March 2010	180	494	106	780
Net Book Amount				
As at 31 March 2010	7	66	–	73
As at 1 April 2009	11	96	–	107
Historic cost				
As at 1 April 2008	209	678	112	999
Additions	–	111	–	111
Disposals	–	32	–	32
As at 31 March 2009	209	757	112	1,078
Depreciation				
As at 1 April 2008	193	645	112	950
Provided during the year	4	48	–	52
Disposals	–	32	–	32
As at 31 March 2009	197	661	112	970
Net Book Amount				
As at 31 March 2009	12	96	–	108
As at 1 April 2008	16	33	–	49

7 Intangible assets

Intangible assets comprise IT software and software licences

	IT £'000	Software licences £,000	Total £'000
Cost			
As at 1 April 2009	417	75	492
Additions	58	15	73
Disposals	45	11	56
As at 31 March 2010	430	79	509
Amortisation			
As at 1 April 2009	370	70	440
Provided during the period	48	8	56
Disposals	45	11	56
As at 31 March 2010	373	67	440
Net Book Amount			
As at 31 March 2010	57	12	69
As at 1 April 2009	47	5	52
Cost			
As at 1 April 2008	378	66	444
Additions	39	9	48
Disposals	–	–	–
As at 31 March 2009	417	75	492
Amortisation			
As at 1 April 2008	322	62	384
Provided during the period	48	8	56
Disposals	–	–	–
As at 31 March 2009	370	70	440
Net Book Amount			
As at 31 March 2009	47	5	52
As at 1 April 2008	54	6	60

8 Government grant-in-aid received

	£'000	Year ended 31 March 2010 £'000	£,000	Year ended 31 March 2009 £'000
a) Funds for distribution to institutions				
Funds from Scottish Government for distribution:				
– HEIs and other bodies	1,176,234		1,097,872	
Funds from DBIS for SRIF	32,407	1,208,641	24,426	1,122,298
Funds from Scottish Government for distribution:				
– Colleges and other bodies	688,240		617,565	
– Education Maintenance Allowances	13,719	701,959	11,043	628,608
		1,910,600		1,750,906
b) Funds for Council running costs				
Funds from Scottish Government		8,947		9,179

9 Income from HEIs and colleges

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Widening Access grant clawback	148	111
Advance repayment	985	–
Financial penalties clawback	14	593
Breach of consolidation clawback	719	222
Fee Waiver clawback	297	1,158
PACE clawback	158	–
Bursary clawback	97	2,831
Student support clawback	582	1,561
Capital grant clawback	1,400	2,500
	4,400	8,976

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, non-priority full-time and sandwich undergraduates by more than 10%. The penalty for breaches of consolidation is the withdrawal of part of the Main Teaching Grant, equivalent to the estimated fee income generated by the student numbers in excess of the 10% threshold above the indicative number.

10 Other grants

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Other grant income		
Income for Scottish Bioinformatics Research Network	30	60
Income for Nursing, Midwifery and Allied Health Profession Research Capacity and Capability Partnership Scheme (NMHAP)	–	230
Other grant income	250	500
	280	790
Other Scottish Government grant income		
Income for Sabhal Mòr Ostaig	1,250	1,250
Income for Scottish Centre for Criminal Justice Research	400	–
Income for Scottish Bioinformatics Research Network	–	150
Income for Strategic Priority Investment in Research and Innovation Translation (SPIRIT)	–	35
	1,650	1,435

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.

11 Trade and other receivables: recoverable grants

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Balances due within one year:			
Lewis Castle College	–	–	51
Reid Kerr College	–	400	200
West Lothian College	480	319	–
James Watt College	1,000	750	–
Stow College	366	–	–
	1,846	1,469	251
Balances due after one year:			
Reid Kerr College	–	–	400
West Lothian College	5,716	6,196	5,540
James Watt College	1,250	2,250	3,000
Stow College	1,459	–	–
Robert Gordon University	521	228	–
	8,946	8,674	8,940

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

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

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

The Council is clawing back £837,000 over four academic years (five financial years) from Robert Gordon University because of under enrolment in its Nursing and Midwifery course (see note 17). This money is due to the Scottish Government and will be recovered by the Scottish Government through making reduced grant-in-aid payments to the SFC. Repayment commenced July 2009.

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

Arrangements for the repayment of the advances have been agreed, with the repayment periods over three years (James Watt), commenced July 2009, over three years (West Lothian £956,000), commenced July 2009, and sixteen years (West Lothian £5,540,000), repayment commencing July 2011.

12 Trade and other receivables

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Other debtors	29	76	46
Prepayments and accrued income	1,481	1,212	925
Institutions clawback	2,300	4,618	8,597
NHS Education for Scotland	2	53	47
Education Maintenance Allowances	–	274	502
Other HEI balances	3,250	4,988	5,445
Other college balances	12,866	8,494	8,279
Part Time Fee Waiver	1,124	872	794
Higher Education Funding Council for England (HEFCE)	42	46	1,684
	21,094	20,633	26,319

13 Cash and cash equivalents

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Funds held at Government Banking Service accounts	1,511	784	6,590
Funds held at commercial banks	2	7	6
	1,513	791	6,596

14 Trade and other payables

	31 March 2010	31 March 2009 £'000 (restated)	1 April 2008 £'000
Trade creditors	23	16	55
Accruals	850	1,211	958
Education Maintenance Allowances	–	466	285
Other HEI balances	683	1,173	1,074
Other college balances	1,507	2,994	10,106
Higher Education Funding Council for England (HEFCE)	2,141	137	272
	5,204	5,997	12,750

The Council provided a guarantee for an amount up to £500,000 to underwrite the pension liability for APUC (Advanced Procurement for Universities and Colleges) to the USS (Universities Superannuation Scheme) for the period ending 31 July 2010. The Council received agreement from the Scottish Government to issue this guarantee. The risk to the Council of realising this payment is considered to be insignificant therefore there is no monetary impact in the Council's accounts.

15 Capital and non-capital commitments

The level of funding for academic institutions is determined on the basis of the academic year; 1 August to 31 July each year. SFC'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. The descriptions have been amended to allow comparison against note 3.

Grants committed to be paid to HEIs and other bodies

	31 March 2010 £'000	31 March 2009 £'000
Grant for distribution		
Recurrent grant	365,257	360,570
Capital grants	21,540	22,281
	386,797	382,851

Grants committed to be paid to colleges and other bodies

	31 March 2010 £'000	31 March 2009 £'000
Grant for distribution		
Recurrent grant	175,237	150,942
Bursary payments	24,189	24,253
Capital grants	30,797	17,544
	230,223	192,739

Longer term commitments

The following information relates to long-term future commitments against selected recurrent and capital grant lines. These commitments are subject to change and are dependant on the outcome of the Spending Review, revised priorities and budget structures within SFC.

Grants committed to be paid to HEIs and other bodies

	2010-11 £'000	2011-12 £'000	2012-13 £'000	2013-14 £'000	2014-15 £'000
Grant for distribution					
Recurrent grant	13,119	12,061	11,841	11,691	11,674
Capital grants	18,400	3,000	–	–	–

Grants committed to be paid to colleges and other bodies

	2010-11 £'000	2011-12 £'000	2012-13 £'000	2013-14 £'000	2014-15 £'000
Grant for distribution					
Recurrent grant	8,294	5,415	4,286	4,216	4,136
Capital grants	47,900	10,200	2,000	2,000	2,000

16 Commitments under leases

Operating leases

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

Obligations under operating leases comprise:

	31 March 2010 £'000	31 March 2009 £'000
Equipment		
Not later than one year	24	84
Later than one year and not later than five years	27	36
Later than five years	–	–
	51	120
Buildings		
Not later than one year	545	561
Later than one year and not later than five years	1,840	1,840
Later than five years	920	1,073
	3,305	3,474

The premises in Edinburgh occupied by the executive consists of two neighbouring sites, one leased directly by SFC, the other leased by the Scottish Ministers (as statutory successors to the Secretary of State for the Environment) and sub-let to SFC.

17 Other payables falling due in more than one year

	31 March 2010	31 March 2009 £'000	1 April 2008 £'000
Scottish Government	521,000	–	–

The Council is clawing back £837,000 over four academic years from Robert Gordon University because of under enrolment in its Nursing and Midwifery course (see note 11). This money is due to the Scottish Government and will be recovered by the Scottish Government through making reduced grant-in-aid payments to the SFC.

18 Related party transactions

The Council is a Non-Departmental Public Body sponsored by the Scottish Government.

SGLLD, as the sponsor department, is regarded as a related party. SFC 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 further and higher education institutions 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 12 and 14.

In addition, the Council had various material transactions with other publicly funded bodies during the period, including the Scotland's Colleges, HMIE, the Joint Information Systems Committee (JISC), and the Higher Education Academy.

The payments to Scotland's Colleges relate to an on-going Service Level Agreement (SLA). The transactions with HMIE relate to an SLA which requires HMIE to perform specific functions with regard to quality assurance and quality improvement of learning and teaching. Payments to JISC relate to the Council's contribution to the annual costs of JISC which is jointly funded by the English and Welsh Education Funding Councils. Finally, the 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 is a Governor of Edinburgh Napier University and an Honorary Senior Lecturer at the University of Edinburgh;
- Robin Crawford is member of the Court of the University of Strathclyde;
- Audrey Cumberland is a Vice-Principal at Reid Kerr College;
- Professor Tariq Durrani was a Professor of Signal Processing at the University of Strathclyde and in September 2009 appointed as Research Professor in the Centre for Excellence in Signal and Image Processing at the University of Strathclyde;
- Professor Jim Gallacher is Emeritus Professor of Lifelong Learning in the Centre for Research in Lifelong Learning, a joint initiative of the Universities of Glasgow Caledonian and Stirling. He is also Honorary Professor of the UHI Millennium Institute and the University of Stirling. He is a member of the Board of the Glasgow College of Nautical Studies and the Shadow Board for New College Glasgow. He is an Honorary Fellow at Glasgow Metropolitan College;
- Professor Peter Holmes was Pro-Vice Principal at the University of Glasgow and now serves in an honorary capacity as a senior advisor and is a member of the Advisory Committee of the Institute of Aquaculture (University of Stirling);
- Dr Janet Lowe is a member of the Court of the University of Dundee, Honorary Professor at the University of Stirling and a member of the Open University (Scotland) Advisory Group. She was Chair of the Advisory Group for the Centre for Research in Lifelong Learning, a joint initiative of Glasgow Caledonian University and the University of Stirling. She was Principal of Lauder (now Carnegie) College, former Board member at SFEU and Scottish Enterprise and former member of Court at Heriot-Watt University;
- Dominic McKay is a former visiting professor at Glasgow Caledonian University;

- Ian Murning is a former lecturer at Edinburgh Napier University;
- Professor Albert Rodger is Vice-Principal and Head of the College of Physical Sciences at the University of Aberdeen;
- Alan Stannett was Chairman of Barony College Board of Management until March 2009; and
- Alexander Watson is an Honorary Fellow at the University of Abertay. He was Chairman of the Board of Management of Angus College until July 2009.

In addition, the following Council members declared related information in the Register of Interests:

- John McClelland is a Vice-President of the Royal Society of Edinburgh and was Chair of Technology Ventures Scotland Ltd;
- Mark Batho is a Board member of Community Enterprise in Strathclyde (CEiS);
- Dr Lindsay Burley has acted as a mediator to clients in the further and higher education sectors as a partner of Eskhill & Co and is a Board member of NHS Education for Scotland;
- Robin Crawford is a Director of Erskine Hospital;
- Professor Tariq Durrani is a Vice-President of the Royal Society of Edinburgh;
- Professor Peter Holmes is Fellowship Secretary and member of the Royal Society of Edinburgh. He chaired the Scottish Government Strategic Science Advisory Panel;
- Alison Jarvis is an independent assessor for the Office of the Commissioner for Public Appointments in Scotland (OCPAS);
- Dr Janet Lowe is a Board member of Skills Development Scotland, a Fellow of the Royal Society of Edinburgh and a trustee of the Carnegie Trust for the Universities of Scotland;
- Ian Murning is Principal of Murning Associates, Chartered Surveyors, which carries out occasional estate management tasks for Edinburgh Napier University;
- Paul McKelvie is a member of the UK Commission for Employment and Skills' Qualification Advisory Group;
- Professor Albert Rodger is a Fellow of the Institution of Civil Engineers, Director of the Northern Research Partnership in Engineering, and Chief Executive of the National Subsea Research Institute; and
- Alexander Watson is Chair of the Board of NHS Tayside.

During the year, other than through their employment, none of the other Council members have 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 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
2009-10				
Balances with other Central Government bodies	129	–	2,350	521
Balances with Public Corporations and Trading Funds	57	–	–	–
Balances with NHS bodies	2	–	–	–
Balances with bodies external to Government	22,752	8,946	2,854	–
At 31 March 2010	22,940	8,946	5,204	521
2008-09				
Balances with other Central Government Bodies	160	–	335	–
Balances with Public Corporations and Trading Funds	57	–	–	–
Balances with NHS bodies	53	–	–	–
Balances with bodies external to Government	21,832	8,674	5,662	–
At 31 March 2009	22,102	8,674	5,997	–

20 Financial instruments

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

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 (FRM) 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 SGLLD

Grants paid to colleges and other bodies

College	Recurrent Grant £'000	Bursary Payment £'000	Capital Grants £'000	EMA £'000	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Aberdeen College	27,814	5,767	6,930	390	40,901	31,943
Adam Smith College	24,913	4,605	3,368	731	33,617	27,948
Angus College	8,902	2,101	690	338	12,031	10,214
Anniesland College	10,810	1,750	15,250	242	28,052	32,988
Ayr College	11,380	2,642	1,179	372	15,573	12,907
Banff & Buchan College of FE	8,335	1,868	3,072	222	13,497	10,516
The Barony College	2,619	428	292	48	3,387	2,819
Borders College	7,733	2,133	624	321	10,811	17,985
Cardonald College	15,031	3,581	1,181	270	20,063	17,564
Carnegie College	10,977	2,117	1,395	505	14,994	12,823
Central College Glasgow	8,897	1,531	1,259	194	11,881	10,526
Clydebank College	12,262	2,185	914	357	15,718	13,774
Coatbridge College	8,506	1,702	8,294	198	18,700	10,275
Cumbernauld College	7,250	1,590	1,118	239	10,197	8,182
Dumfries & Galloway College	9,711	1,951	704	398	12,764	10,995
Dundee College	21,831	4,151	7,156	498	33,636	26,443
Edinburgh's Telford College	22,986	4,382	1,854	439	29,661	25,358
Elmwood College	6,269	1,387	531	194	8,381	7,130
Forth Valley College	22,387	3,052	9,076	414	34,929	25,483
Glasgow College of Nautical Studies	7,549	886	6,738	171	15,344	8,245
Glasgow Metropolitan College	18,252	3,113	2,107	290	23,762	20,561
Inverness College	8,323	2,259	1,745	268	12,595	10,152
James Watt College of Further & Higher Education	31,323	6,170	3,715	979	42,187	35,294
Jewel & Esk College	13,205	2,138	3,877	298	19,518	14,260
John Wheatley College	8,461	1,326	611	182	10,580	9,018
Kilmarnock College	11,333	2,818	1,777	397	16,325	14,429
Langside College	10,750	2,398	9,313	191	22,652	27,939
Lewis Castle College	2,692	269	232	43	3,236	2,874
Moray College	5,845	1,637	489	243	8,214	7,182
Motherwell College	18,457	3,992	1,290	527	24,266	41,484
North Glasgow College	9,513	1,922	808	181	12,424	11,096
North Highland	7,743	1,270	577	140	9,730	8,013
Oatridge Agricultural College	3,090	734	302	101	4,227	3,574
Perth College	7,181	1,887	592	248	9,908	8,412
Reid Kerr College	16,009	3,534	2,155	428	22,126	18,634
South Lanarkshire College	8,427	1,240	645	245	10,557	7,350
Stevenson College Edinburgh	17,793	3,692	2,293	225	24,003	20,152
Stow College	8,038	1,620	1,253	94	11,005	10,663

Grants paid to colleges and other bodies *continued*

	Recurrent Grant £'000	Bursary Payment £'000	Capital Grants £'000	EMA £'000	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
College <i>continued</i>						
West Lothian College	8,926	1,699	1,577	376	12,578	8,998
Orkney Islands Council	1,579	41	174	–	1,794	1,570
Shetland Islands Council	1,753	65	174	–	1,992	1,642
Sabhal Mòr Ostaig	2,036	21	–	–	2,057	1,953
Newbattle Abbey College	629	172	–	–	801	565
Total grant distributed to colleges	477,520	93,826	107,331	11,997	690,674	609,933
Other organisations						
Scotland's Colleges	2,430	–	–	–	2,430	2,172
University of Abertay	572	–	–	–	572	409
Edinburgh Napier University	223	–	–	–	223	188
University of the West of Scotland	737	–	–	–	737	567
Robert Gordon University	–	–	–	–	–	8
HEFCE	3,658	–	–	–	3,658	2,817
Open University	–	–	–	–	–	133
HMIE	946	–	–	–	946	1,272
New Campus Glasgow Ltd	–	–	806	–	806	5,463
APUC	650	–	303	–	953	–
SQA	83	–	–	–	83	150
Other	1,393	–	248	–	1,641	1,216
Total grant distributed to other organisations	10,692	–	1,357	–	12,049	14,395
Total grant distributed	488,212	93,826	108,688	11,997	702,723	624,328

Grants paid to HEIs and other bodies

	Recurrent Grant £'000	Capital Grants £'000	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
University or college				
University of Aberdeen	77,757	18,793	96,551	87,190
University of Abertay Dundee	19,483	4,284	23,767	20,090
University of Dundee	79,818	10,370	90,188	88,725
University of Edinburgh	166,628	31,717	198,345	188,957
Edinburgh College of Art	9,940	951	10,891	10,220
University of Glasgow	147,657	20,544	168,200	161,754
Glasgow Caledonian University	66,047	6,590	72,637	70,089
Glasgow School of Art	10,217	1,509	11,726	11,016
Heriot-Watt University	38,954	5,311	44,265	42,705
Edinburgh Napier University	55,328	5,761	61,089	58,346
Open University in Scotland	22,065	1,904	23,969	22,500
Queen Margaret University	14,164	1,496	15,660	16,082
Robert Gordon University	41,712	4,154	45,866	43,314
Royal Scottish Academy of Music & Drama	7,742	1,133	8,875	6,924
University of St. Andrews	40,436	6,441	46,877	44,449
University of Stirling	41,477	4,816	46,293	45,404
University of Strathclyde	92,222	11,207	103,429	100,008
UHI Millennium Institute	24,685	5,005	29,690	26,504
University of the West of Scotland	67,193	19,531	86,724	71,686
Scottish Agricultural College	6,704	2,485	9,189	4,598
Ayr/University West of Scotland	119	–	119	–
Dumfries & Galloway/Bell	–	–	–	736
Total grant distributed to institutions	1,030,348	164,002	1,194,350	1,121,297
Other organisations				
HEFCE	7,534	1,668	9,202	8,932
QAAHE	1,423	–	1,423	1,504
HE Academy – T&L Innovation	1,552	–	1,552	2,126
Scottish Institute for Enterprise	560	–	560	560
ESRC	1,536	–	1,536	729
JANET	–	–	–	1,054
Scotland's Colleges	127	–	127	254
APUC	651	–	651	–
Other	1,556	158	1,714	1,963
Total grant distributed to other organisations	14,939	1,826	16,765	17,122
Total grant distributed	1,045,287	165,828	1,211,115	1,138,419

Glossary of abbreviations

The abbreviations used throughout this report and accounts are explained below:

APUC	Advanced Procurement for Universities and Colleges
CEiS	Community Enterprise in Scotland
CERES	Centre for Education for Racial Equality in Scotland
CETV	Cash Equivalent Transfer Value
DBIS	Department for Business, Innovation and Skills
EWG	Environmental Working Group
FReM	Government Financial Reporting Manual
HMIE	Her Majesty's Inspectorate of Education
IiP	Investors in People
JISC	Joint Information Systems Committee
NDPB	Non-departmental Public Body
NMHAP	Nursing, Midwifery and Allied Health Professions Research Capacity and Capability Partnership Scheme
NUS	National Union of Students
PACE	Partnership Action for Continuing Employment
PCSPS	Principal Civil Service Pension Scheme
QAA	Quality Assurance Agency
SFC	Scottish Further and Higher Education Funding Council
SGLLD	Scottish Government Lifelong Learning Directorate
SIRO	Senior Information Risk Officer
SLA	Service Level Agreement
SME	Small and Medium-sized Enterprises
SPFM	Scottish Public Finance Manual
SRIF	Science Research Investment Fund
SRRF	Strategic Rationalisation and Restructuring Fund
STUC	Scottish Trades Union Congress
SUPA	Scottish Universities Physics Alliance
USS	Universities Superannuation Fund

Facal-toisich



John F McClelland CBE
Cathraiche

Bhiodh e iomchaidh a ràdh gu bheil an t-àm ris a bheilear a' dèiligeadh san aithisg seo air a bhith na dheuchainn air ar comas coinneachadh ri dùbhlain is taic a thoirt do cholaistean is oilthighean aig àm a tha air a bhith caochlaideach do luchd-ionnsachaidh, luchd-fastaidh is don eaconamaidh.

Chaidh am frèam-obrach san robh e comasach dhuinn ar gnìomhan a leasachadh thar na bliadhna a mhìneachadh sa Phlana Corporra ùr againn a chaidh fhoillseachadh san Ògmhios 2009.

Tha seo a' toirt dhuinn fòcas fad-ùine air prìomhachasan soilleir is cuideachd a' toirt dhuinn modal airson a bhith ag obair an com-pàirteachas. Gheibh sibh tuilleadh fiosrachaidh mu phlana corporra na comhairle sna ciad earrannan den aithisg seo.

'S e prìomhasachadh aon de na prìomh phrionnsabalan a bha sinn a' sireadh am bliadhna. B' e measadh air ar n-obair a thaobh comas fastaidh is iomairt aon de na gnìomhan dhan tug sinn prìomhachas. Rè meadhan na bliadhna, rinn sinn co-chomhairleachadh le raon fharsaing de bhuidhnean le ùidh sa chuspair is dh'iarr sinn orra ceist a fhreagairt "ciamar as fheàrr a fhrithheilas sinn feumalachdan fastaidh na h-Alba ann an co-theacsa an atharrachaidh eaconamaich?". 'S dòcha gun robh e na thomhais air cho cudromach 's a bha a' cheist do dhaoine gu do fhreagair còrr air seachdadh i agus chùim sinn sreath de cho-chonaltraidhean a bha air leth feumail is air an deagh fhriththeadh. Thug iad seo dhuinn beairteas de dh'fhiosrachadh, lèirsinn is bheachdan a rinn e comasach dhuinn *Ionnsachadh airson Obair Dhà*, fhoillseachadh, ro-innleachd agus plana gnìomh a tha a' leigeil dhuinn stèidh a shocrachadh a dh'fheumas sinn airson sochairean a chruthachadh do luchd-ionnsachaidh, luchd-foghlaim agus luchd-fastaidh.

Chùim crìonadh an eaconamaidh air a' toirt dùbhlain phrathaigeach dhuinn leis mar a leudaich iarrtasan airson foghlam adhartach is àrd-ìre. Thàinig am maoin againn

airson taic do dh'oileanaich ann an colaistean fo chuideam mhòr. Thug an t-àrdachadh de 9.3 sa cheud, a chaidh ainmeachadh san Litir airson Prìomh Tabhartas sa Ghiblean 2009, an ìre de mhaoineachadh chun ìre as àirde a-riamh aig £79 millean. A dh'aindeoin seo, bha colaistean ag aithris gun robh gainne maoin orra a thaobh am buidseatan co tràth ris an Dàmhair agus fhreagair sinn iad le bhith a' roinn a-mach £11.9 millean a barrachd ro deireadh 2009. Chaidh maoineachadh a bharrachd fhaighinn cuideachd an uair a thug Riaghaltas na h-Alba dhuinn £7.7 millean a bharrachd gus cuideachadh cholaistean a bha ag obair le òigridh sna roinnean de dh'Alba a bu mhotha a dh'fhuiling mar thoradh air a' chrìonadh san eaconamaidh.

Ach, lean sinn oirnn leis an iomairt dà-bhliadhna againn gus taic a chumail ri cùrsaichean a bharrachd, airson daoine a chaill an obair o chionn ghoirid, ann an colaistean air feadh na h-Alba tron phrògram Com-pàirteachas Gnìomh airson Obair Leantainneach (PACE).

Bha e deatamach am bliadhna gun do lean sinn air adhart le ar dealas a thaobh rannsachaidh is co-roinn eòlais mar ghnìomhan le luach soilleir eaconamach is acadaimigeach. Ann an co-roinn eòlais, thug an Sgeama Bileag-theist Ùr-ghnàthachadh ùr againn suas ri £5,000 do dh'oilthighean a bha ag obair air pròiseactan an co-bhoinn ri iomairtean beaga is meadhanach.

Sa chiad sia mìosan den sgeama thug sinn taic do 27 pròiseact fa-leth is stèidhich sinn rannsachadh ùr is ceanglaichean leasachaidh ann an iomadh roinn de dh'eaconamaidh na h-Alba. Tha sinn on uair sin air an sgeama a leudachadh gu colaistean is tha sinn air an airgead seilbh againn a leudachadh o chionn ghoirid bho £300,000 gu £500,000 is tha sinn an ìmpis 100 pròiseact a mhaoineachadh.

Tha co-roinn rannsachaidh na raon sa bheil oilthighean na h-Alba a' leantainn orra a' feuchainn a-mach dhòighean-obrach ùra is chom-pàirteachail ann a bhith a' leasachadh taobh farpaiseach an cuid obrach.

Am bliadhna, dh'ainmich sinn seilbh mhòr de £17.4 millean sa cho-roinn rannsachaidh as ùire an Alba.

Chaidh Caidreachas na Mara airson Saidheans is Teicneòlas na h-Alba (MASTS) a chuir air bhog san t-Samhain le buidseat seachd-bliadhna de £75 millean agus 10 oilthighean a' com-pàirteachadh ann.

Chuir sinn cuideachd £15.7 millean ann am maoin de £48 millean a chumas a' dol obair shoirbheachail a' chaidreachas fiosaigeach (SUPA) airson seachd bliadhna eile.

Gheibh sibh làn chunntas air ar prìomh ghnìomhan air duilleagan 4 gu 10 den aithisg seo.

Ma tha an aithisg seo a' toirt seachad beachd air bhliadhna air leth trang ann am beatha Chomhairle Mhaoineachaidh na h-Alba, 's e sin dha-rìribh firinn na cùise. Tha an t-astar aig a bheil a' Chomhairle air a bhith ag obair rè àm na h-aithisg seo agus on uair sin gun choimeas.

Aig an aon àm, tha sinn air an aon ìre de chùram a thoirt do na co-dhùnaidhean againn, a tha mise den làn bheachd, a tha na chomharra air ar n-obair mar comhairle maoinachaidh.

Tha mi an dòchas gun lorg sibh mòran sna duilleagan a leanas anns am bi ùidh agaibh is a bheir fiosrachadh dhuibh agus tha mi den bheachd gu bheil ar dealas a thaobh soirbheas is seasmhachd na h-Alba air a dhearbhadh leis na gnìomhan a tha air am mìneachadh ann.

Leigidh mi leis an fhianais de dheagh riaghladh air a' bhuidhinn is rianachd èifeachdach air an ionmhas a bhith air fhaicinn sa mhion-fhiosrachadh a tha foillsichte sna cunntasan airgid againn.

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