

MANAGEMENT STATEMENT

&

FINANCIAL MEMORANDUM

between

**SCOTTISH GOVERNMENT AND
THE SCOTTISH FURTHER AND HIGHER
EDUCATION FUNDING COUNCIL**

January 2006

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COUNCIL**

MANAGEMENT STATEMENT/FINANCIAL MEMORANDUM

INTRODUCTION

1. This management statement (MS) and associated financial memorandum (FM) have been drawn up by the Scottish Government Enterprise, Transport and Lifelong Learning Department (The Department) in consultation with the Scottish Further and Higher Education Funding Council (The Council), an executive NDPB based at:

Donaldson House,
97, Haymarket Terrace,
Edinburgh EH12 5HD.

2. Within the terms of the legislation establishing the Council, the management statement sets out the broad framework within which the Council will operate. In particular:

- the rules and guidelines relevant to the exercise of the Council's functions, duties and powers;
- the process for establishing the Council's overall aims;
- the planning framework within which objectives, targets and budgets in support of the Council's aims and Scottish Ministers' wider strategic objectives are developed and agreed;
- the conditions under which any public funds are paid to the Council; and
- how the Council will account for its performance.

3. The associated financial memorandum sets out in greater detail certain aspects of the financial framework within which the Council is required to operate.

4. The MS/FM do not convey any legal powers or responsibilities.

5. The MS/FM shall be reviewed and updated periodically by the Department, normally at least every three years.

6. The Council, or the Department, may propose amendments to the MS/FM at any time. Any such proposals by the Council shall be considered in the light of the Scottish Ministers' policy aims and operational factors. The Department shall determine what changes, if any, are to be incorporated in the MS/FM. Legislative provisions shall take precedence over any part of the MS/FM.

7. The Council shall satisfy the conditions and requirements set out in the MS/FM, together with all relevant requirements in the Scottish Public Finance Manual (SPFM) and such other conditions as the Scottish Ministers or the sponsor Department may from time to time impose. Any question regarding the interpretation of the MS/FM shall be resolved by the Department after consultation with the Council.

8. Copies of the MS/FM shall be placed in the Scottish Parliament Reference Centre and provided to the Public Services Delivery Group in an electronic format for inclusion in the Scottish Government internet and intranet websites. Copies shall also be made available to members of the public on request and published on the Council's website.

**SCOTTISH GOVERNMENT AND
THE SCOTTISH FURTHER AND HIGHER EDUCATION FUNDING
COUNCIL**

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1. FUNCTIONS, DUTIES AND POWERS

1.1 Founding legislation: status

1.1.1 The Council is established as a body corporate under the Scottish Further and Higher Education (Scotland) Act 2005 (the Act). The constitution of the Council is set out in Schedule 1 of the Act. The Council does not carry out its functions on behalf of the Crown.

1.2 Functions

1.2.1 The Council's functions are set out in the Act. These are principally concerned with the funding of further and higher education and research in Scotland. The Council shall strive for effectiveness and efficiency in exercising its functions, and shall seek to achieve the highest standards of public sector administration and management.

1.2.2 In exercising its functions, the Act requires the Council to have regard to certain matters. These may be summarised as:

- skills needs in Scotland, social and cultural issues, and issues affecting the economy in Scotland
- the desirability of achieving sustainable development;
- the UK and international context in which any fundable bodies carry out their activities;
- the educational and related needs of students and potential students of fundable bodies;
- equal opportunities; and
- collaboration and consultation with a range of partners, including representatives of staff and of students of the fundable bodies.

1.2.3 The Act gives Ministers the power by order to impose requirements on the Council with regard to the exercise of its functions. Ministers will normally consult the Council first before taking a decision to impose any requirements on the Council.

1.3 Duties

1.3.1 It is the general duty of the Council to exercise its functions for the purposes of securing the:

- coherent provision by the fundable bodies (as a whole) of high quality fundable further education and fundable higher education; and
- undertaking of research among the fundable bodies.

1.4 Powers

1.4.1 The Act confers various powers on the Council. In particular, the Council may:

- make grants, loans or other payments to the governing body of any fundable body;
- attach terms and conditions to these grants, loans or payments; and
- do anything which appears to be necessary or expedient for the purpose of - or in connection with - the discharge of their functions, to the extent that they can within the definition of the Act.

1.5 Responsibilities

Strategic

1.5.1 To work with Scotland's colleges and universities to develop a coherent and responsive system of tertiary education in Scotland.

1.5.2 To monitor fundable bodies - and assess potential fundable bodies - against the criteria contained in the Act and, where appropriate, advise Scottish Ministers on changes to the list of fundable bodies.

1.5.3 To promote activities and support innovations that improve the learning experience for students.

1.5.4 To promote the use of a credit and qualifications framework among Scotland's colleges and universities.

1.5.5 To improve access to further and higher education - particularly from groups who are under-represented among learners - by encouraging and supporting colleges and universities.

1.5.6 To facilitate strategic developments that improve the sectors' capacity to meet Scotland's teaching, learning, research and other needs.

1.5.7 To support a high quality flexible and internationally competitive research capacity in Scotland's higher education institutions.

1.5.8 To improve the economic, social and cultural benefits to Scotland of education, research and innovation by supporting links and knowledge transfer between colleges and universities and the private and public sectors.

1.5.9 To promote sound governance and the highest standards of management by colleges and universities.

Funding and investment

1.5.10 To adopt and apply arrangements for the distribution of funds made available by the Scottish Parliament for Scotland's colleges and universities, and keep these arrangements under review to ensure that they continue to meet the Council's statutory responsibilities and policy objectives.

1.5.11 To identify and assess the expenditure required to meet Ministers' policy priorities and the need for high quality teaching, learning and research in Scotland;

1.5.12 To promote value for money and Best Value.

1.5.13 To promote best practice in estate management and capital investment.

Quality and Performance Assessment

1.5.13 To secure a system or systems for assessing the quality of learning and teaching provision within Scotland's colleges and universities, and to promote a process of continuous quality enhancement in learning and teaching.

1.5.14 In partnership with the other higher education UK funding bodies, to secure a system for assessing the quality of research within Scotland's higher education institutions, and to promote a process of continuous quality improvement in research in these institutions.

1.5.15 To collect, develop and publish in an accessible form the appropriate statistical, performance and financial information on Scotland's colleges and higher education institutions.

Financial Appraisal and Monitoring

1.5.16 To operate internal administrative and monitoring systems in relation to the application of programme and running cost resources, in line with the financial memorandum between the Department and the Council.

1.5.17 To monitor the administration by Scotland's colleges and universities of funds provided by the Council and their general financial performance and health, in line with the financial memoranda between the Council and the fundable bodies.

Advice

1.5.18 To provide Scottish Ministers with such information and advice as they may require as regards the provision of further and higher education, and as the Council thinks fit to provide.

Working Relationships

1.5.19 To establish and maintain close working relationships with the fundable bodies in Scotland, the other UK funding bodies, the Scottish Qualifications Authority, Scottish Enterprise and Highlands and Islands Enterprise, Government Departments and other external bodies with an interest in tertiary education, including, where appropriate, those listed in section 22 of the Act.

1.6 Funding of research infrastructure

1.6.1 Only fundable bodies designated as higher education institutions under section 44 of the 1992 Further and Higher Education (Scotland) Act will be eligible:

- for submission to the UK Research Assessment Exercise;
- to receive core and strategic funding for research infrastructure, including any funding derived from assessments of research quality.

1.7 Classification

1.7.1 For policy/administrative purposes the Council is classified as an executive non-departmental public body (NDPB).

1.7.2 For national accounts purposes the Council is classified to the central government sector

1.7.3 References to this Council include, where appropriate, all its subsidiaries and joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there shall be a document setting out the arrangements between it and the Council.

2. AIMS, OBJECTIVES AND TARGETS

2.1 The sponsor Department determines the Council's performance framework in the light of the Scottish Minister's wider strategic aims.

2.2 The Council's aims, objectives and key targets shall be agreed through the Council's corporate planning process and published in the Council's corporate plan, which is approved by Ministers. (Section 4 below).

3. RESPONSIBILITIES AND ACCOUNTABILITY

3.1 The Scottish Ministers

3.1.1 The Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities and performance of the Council. Their responsibilities include:

- approving the Council's strategic objectives and the policy and performance framework within which the Council will operate (as set out in this management statement and the associated financial memorandum);
- keeping the Parliament informed about the Council's performance;
- approving the resource budget and the associated grant in aid requirement to be paid to the Council, and securing the necessary Parliamentary approval;
- carrying out responsibilities specified in the Act including appointments to the Council, approving the terms and conditions of Council members, approving the appointment of the Chief Executive, approving terms and conditions of staff, and laying of the annual report and accounts before the Parliament; and
- making changes to the list of fundable bodies as proposed or approved by the Council.

3.2 The Departmental Accountable Officer

3.2.1 The Head of the sponsor Department is designated as the sponsor Department's '*Accountable Officer*' by the Principal Accountable Officer for the Scottish Administration. He/she is responsible for the overall organisation, management and staffing of the sponsor Department and for ensuring that there is a high standard of financial management in the Department as a whole.

3.2.2 In particular the Department Accountable Officer shall ensure that:

- the Council's strategic aims and objectives support the Scottish Minister's wider strategic aims;
- the financial and other management controls applied by the Department to the Council are appropriate and sufficient to safeguard public funds and for

ensuring that the Council's compliance with those controls is effectively monitored ("public funds" include not only any funds provided to the Council by the Scottish Ministers but also any other funds falling within the stewardship of the Council, including gifts, bequests and donations);

- the internal controls applied by the Council conform to the requirements of regularity, propriety and good financial management; and
- any funding provided to the Council is within the scope and the amount authorised by Budget Act.

3.2.3 The responsibilities of a Departmental Accountable Officer are set out in more detail in the Memorandum to Accountable Officers from the Principal Accountable Officer: see Annex 1 of the section on Accountability in the Scottish Public Finance Manual (SPFM).

3.3 The sponsor team in the Department

3.3.1 Within the Department, the Further and Adult Education Division (FAED) - working closely with the Higher Education and Science Division (HESD) - is responsible for sponsorship of the Council. The sponsor team within FAED, in consultation with the Department's Accountable Officer, is:

- the primary source of advice to Scottish Ministers on the discharge of their responsibilities in respect of the Council; and
- the primary point of contact for the Council in dealing with the Department.

The sponsor team shall carry out its duties under a senior officer who shall have primary responsibility for overseeing the activities of the Council.

3.3.2 Where appropriate, the sponsor team shall work closely with the relevant staff in the Council's executive and draw on their expertise as necessary to carry out its duties.

3.3.3 On the basis of advice from FAED, HESD, Funding for Learners Division (FFLD) and, as appropriate other divisions with relevant policy responsibilities, the sponsor team shall advise the Scottish Ministers on:

- an appropriate framework of objectives and targets for the Council in the light of the Scottish Minister's wider strategic aims;
- an appropriate budget for the Council in the light of the Scottish Ministers' overall public expenditure priorities; and
- how well the Council is achieving its strategic objectives and whether it is delivering value for money.

3.3.4 The Sponsor team within FAED will be the initial point of contact for all Sponsorship matters. If issues cannot be resolved between the sponsor team and the appropriate Council officials, the matter will be referred to the Chief Executive of the Council, or Deputy Chief Executive if the Chief Executive is unavailable, and the Head of FAED.

3.3.5 In support of the Department Accountable Officer the sponsoring team shall:

Performance and risk management:

- monitor the Council's activities on a continuing basis through an adequate and timely flow of information from the Council on performance, budgeting, control and risk management, including early sight of the Council's Statement on Internal Control;
- address in a timely manner any significant financial or other problems arising in the Council which may materially affect the Council's performance and its ability to contribute to the priorities of Scottish Ministers;
- ensure that the activities of the Council and the risks associated with them are properly and appropriately taken into account in the Scottish Government's risk assessment and management systems; and
- ensure that appointments to the Council are made timeously and in accordance with the Commissioner for Public Appointments Code of Conduct.

Communication with the Council:

- inform the Council of relevant Scottish Government policy in a timely manner; advise on the interpretation of that policy; and issue specific guidance to the Council as necessary;
- bring concerns about the activities of the Council to the attention of Chair, and where necessary, to the full Council, and require explanations and assurances from the Chair or Council that appropriate action has been taken.

3.4 The Chair of the Council

3.4.1 The non-executive Chair is appointed in line with the Code of Practice issued by the Commissioner for Public Appointments for a term of up to four years.

3.4.2 The Chair is responsible to the Scottish Ministers. The Chair shall aim to ensure that the Council's policies and actions support the wider strategic policies of the Scottish Ministers; and that the Council's affairs are conducted with probity and high standards of governance. The Chair shares with other Council members

the corporate responsibilities set out in paragraph 3.5.2, and in particular for ensuring that the Council fulfils the aims and objectives set by the Scottish Ministers.

3.4.3 The Chair has a particular leadership responsibility on the following matters:

- securing the approval of the Council's strategy and communicating that strategy to colleges, universities and other stakeholders;
- ensuring that the Council, in reaching decisions, takes proper account of guidance provided by the Scottish Ministers or the Department;
- promoting the efficient and effective use of staff and other resources;
- encouraging high standards of propriety;
- representing the views of the Council to the general public.

3.4.4 The Chair shall also:

- ensure that all members of the Council, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities, and receive appropriate induction training, including on the financial management and reporting requirements of public sector bodies and on any differences which may exist between private and public sector practice;
- advise the Scottish Ministers of the needs of the Council when vacancies arise, with a view to ensuring a proper balance of necessary expertise;
- assess the performance of individual Council members on an annual basis;
- review annually the performance of the Chief Executive; and
- sign the Council's accounts.

Ethical Standards In Public Life etc (Scotland) Act 2000.

3.45 The Chair shall also ensure that Council Members are fully aware of Council's Code of Conduct approved by the Scottish Ministers.

3.4.6 Communications between the Council and the Scottish Ministers shall normally be through the Chair. The Chair shall ensure that the other Council members are kept informed of such communications.

3.5 The Council's members

3.5.1 The Council's non-executive members are appointed in line with the Code of Practice issued by the Commissioner for Public Appointments for a term of up to four years

3.5.2 The members have a corporate responsibility for ensuring that the Council fulfils the aims and objectives set by the Scottish Ministers and for promoting the

efficient and effective use of staff and other resources by the Council: see the relevant section of the SPFM. To this end, and in pursuit of its wider corporate responsibilities, the Council shall:

- establish the overall strategic direction of the Council within the policy, planning and resources framework determined by the Scottish Ministers;
- ensure that the Scottish Ministers are kept informed of any changes which are likely to impact on the strategic direction of the Council or on the attainability of its targets, and determine the steps needed to deal with such changes;
- ensure that any statutory or administrative requirements for the use of public funds (ie all funds falling within the stewardship of the Council) are complied with; that the Council operates within the limits of its statutory authority and any delegated authority agreed with the Department, and in accordance with any other conditions relating to the use of public funds;
- ensure that, in reaching decisions, the Council takes into account relevant guidance issued by the Scottish Ministers or the Department;
- ensure that the Council receives and reviews regular financial information concerning the management of the Council; is informed in a timely manner about any concerns about the activities of the Council; and provides positive assurance to the Department that appropriate action has been taken on such concerns;
- demonstrate high standards of corporate governance at all times, including by setting up and using an independent audit committee - in accordance with the guidance on Audit Committees in the SPFM - to help the Council address the key financial and other risks facing it;
- provide commitment and leadership in the development and promotion of Best Value principles throughout the organisation;
- appoint with the Scottish Ministers' approval a Chief Executive to the Council and, in consultation with the Department, set performance objectives and remuneration terms linked to these objectives for the Chief Executive which give due weight both to the proper management and use of public monies and to the delivery of outcomes in line with Scottish Ministers' priorities.

3.5.3 Individual Council members shall act in accordance with their wider responsibility as Members of the Council, namely to:

- comply at all times with the Code of Conduct [paragraph 3.4.5 above] that is adopted by the Council and with the rules relating to the use of public funds, conflicts of interest and confidentiality;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of

- public service to promote their private interests or those of connected persons or organisations;
- comply with the provisions of the Ethical Standards framework, the Council's rules on the acceptance of gifts and hospitality, and of business appointments;
- act in good faith and in the best interests of the Council.

3.6 The Council's Accountable Officer

3.6.1 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.

3.6.2 The Accountable Officer of the Council is personally responsible for:

- safeguarding the public funds for which he or she has charge;
- for ensuring propriety and regularity in the handling of those public funds; and
- for the day-to-day operations and management of the Council.

He or she should act in accordance with the terms of the management statement and financial memorandum and within the terms of relevant guidance in the SPFM and other instructions and guidance issued by the Scottish Ministers; in particular the Memorandum to Accountable Officers of Other Public Bodies (Annex 2 of the section on Accountability in the SPFM).

3.6.3 The Accountable Officer has a duty to secure Best Value, which includes the concepts of good corporate governance, performance management and continuous improvement. Guidance to Accountable Officers on what their organisations should be able to demonstrate in fulfilment of the duties which take account of Best Value principles as included in the Best Value section of the SPFM.

3.6.4 As Accountable Officer, the Chief Executive shall exercise the following specific responsibilities:

Planning, performance management and monitoring:

- establish the Council's corporate and operational plans in the light of the Scottish Ministers' wider strategic aims;
- establish a robust performance management framework which supports the achievement of the Council's aims and objectives as set out in the corporate

and operational plans; and which enables full performance reporting to the Council, the Department and the wider public;

- inform the Department of the Council's progress in helping to achieve the Scottish Minister's policy objectives and in demonstrating how resources are being used to achieve those objectives;
- ensure that timely forecasts and monitoring information on performance and finance are provided to the Department; that the Department is notified promptly if overspends/underspends are likely or if performance targets are at serious risk and that corrective action is taken; and that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the Department in a timely fashion; and
- develop a culture of continuous quality improvement in the organisation.

Advising the Council:

- advise the Council on the discharge of its responsibilities as set out in this document, the Further and Higher Education (Scotland) Act 2005, and in any other relevant instructions and guidance issued by the Scottish Ministers or the Department;
- advise the Council on its performance compared with its aims and objectives;
- ensure that financial considerations are taken fully into account by the Council at all stages in reaching and executing its decisions, and that standard financial appraisal techniques as set out in the HM Treasury *Green Book* are followed as far as this is appropriate and practical;
- take action as set out in section 5 of the Memorandum to Accountable Officers of Other Public Bodies if the Council, or its Chairman, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration or efficiency or effectiveness;

Managing risk and resources:

- ensure that a system of risk management is embedded in the organisation to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- ensure that an effective system of programme and project management and contract management is maintained;
- ensure that the funds made available to the Council including any approved income or other receipts are used for the purpose intended by the Parliament, and that such monies, together with the Council's assets, equipment and staff, are used economically, efficiently and effectively;

- ensure that adequate internal management and financial controls are maintained by the Council, including effective measures against fraud and theft;
- maintain a system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations;
- ensure that effective human resource management policies and practices are maintained and that strategic human resource planning is related to the Council's objectives;

Accounting for the Council's activities:

- sign the Council's accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Scottish Ministers;
- sign a Statement of Accountable Officer's responsibilities, for inclusion in the annual report and accounts;
- sign a Statement on Internal Control regarding the Council's system of internal control, for inclusion in the annual report and accounts;
- sign a Certificate of Assurance on the maintenance and review of the Council's internal control systems, for submission to the Department;
- ensure that an effective complaints procedure is in place - including, where applicable, reference to the Scottish Public Services Ombudsman - and made widely known; and
- give evidence when summoned before Committees of the Scottish Parliament on the use and stewardship of public funds by the Council.

3.6.5 The Chief Executive may delegate the day-to-day administration of his or her Accountable Officer responsibilities to other employees in the Council. However, he or she shall not assign absolutely to any other person any of the responsibilities set out in this document.

3.6.6 The Chief Executive is responsible for informing the Department's Accountable Officer about any complaints about the Council accepted by the Scottish Public Services Ombudsman for investigation, and about the Council's proposed response to any subsequent recommendations from the Ombudsman.

4. PLANNING, BUDGETING AND CONTROL

4.1 The corporate plan

4.1.1 The Council will publish a corporate plan covering at least a three year period. A draft of the plan shall be submitted to Ministers for approval. The Council shall have agreed with the Department the issues to be addressed in the

plan and the timetable for its preparation. The Council shall consult fundable bodies and other relevant partners in the formulation of the corporate plan. The plan, or elements thereof, shall be updated as and when considered necessary to take account of new Ministerial priorities and guidance and other factors.

4.1.2 The plan shall reflect the Council's statutory duties and, within those duties, the priorities set from time to time by the Scottish Ministers in their key strategy documents (see 4.7 below).

4.1.3 The corporate plan shall set out:

- the Council's key objectives and targets for the forward years, and its strategy for achieving those objectives; and
- other matters as agreed between the Department and the Council.

4.1.4 The main elements of the plan - including the targets - shall be agreed between the Department and the Council in the light of the Department's decisions on policy and resources, taken in the context of the Scottish Ministers' wider public expenditure plans and decisions.

4.2 The operational plan

4.2.1 The operational plan for the year immediately ahead shall be consistent with the agreed corporate plan. The plan shall be updated annually by the Council to include key tasks for the forthcoming year and shall be linked to budgeting information, so that resources allocated to achieve specific objectives can readily be identified by the Department. (See also paragraph 1.3 of the financial memorandum.)

4.2.2 A copy of the operational plan shall be submitted to the Department for information prior to the beginning of the financial year in question.

4.3 Publication of plans

4.3.1 Subject to any commercial considerations, the corporate and operational plans shall be published and made available to staff and externally.

4.4 Reporting performance to the Department

4.4.1 The Council shall operate management information and accounting systems which enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in its corporate and business plans.

4.4.2 The Council shall inform the Department of changes in conditions which have a significant impact on the achievement of objectives, or which may require a significant change to the budget or objectives set out in the corporate or business plans.

4.4.3 The Council's performance in helping to deliver Ministers' policies, including the achievement of agreed key objectives, shall be reported to the Department on a three-monthly basis. Performance will be formally reviewed regularly by officials of the Department.

4.4.4 The Council's performance against targets shall be reported in the Council's annual report and accounts [see Section 5.1 below]. Other forms of reporting performance to the public should also be considered.

4.5 Budgeting procedures

4.5.1 The Council's budgeting procedures are set out in the financial memorandum associated with this document.

4.6 Spending review

4.6.1 At periods to be determined by Ministers, the Council will be asked to provide advice on the expenditure required to meet Ministers' policy priorities and the need for high quality teaching, learning and research in Scotland needs of the sectors.

4.7 Strategic priorities

4.7.1 Scottish Ministers will set out their strategic policy priorities for the Council in their key strategy documents and will draw these to the attention of the Council. These are currently:

- *A Framework for Higher Education in Scotland* (Higher Education Review: Phase 2);
- *Life through learning; Learning through life* (The lifelong learning strategy for Scotland); and
- *A Smart, Successful Scotland: Ambitions for the Enterprise Networks*.

The Council shall also have regard to other key strategy documents of the Scottish Government, including the Partnership Agreement and the Framework for Economic Development. These will be drawn to the attention of the Council.

4.7.3 The Council will be responsible for ensuring that Ministers' strategic priorities are taken into account in the development of its corporate plan and communicated to colleges and universities as appropriate.

4.7.4 The Minister will write to the Chair of the Council where new strategic policy priorities emerge between the publication of the Scottish Government's main strategy documents.

4.7.5 The Department and the senior officials from the Council's executive will meet on a quarterly basis to review performance against Ministerial priorities and consider strategic issues.

4.7.6 Where matters arise which cannot be resolved in this way, the Council's Chief Executive, or Deputy Chief Executive if the Chief Executive is unavailable, should liaise with the head of FAE Division, HES Division, or FFL Division, as appropriate, to resolve the matter.

4.7.7 A strategic review meeting between the Chair and Chief Executive of the Council and the Scottish Minister for Lifelong Learning will take place annually. The main purpose of this meeting will be to highlight Ministers' strategic priorities and to keep the relationship between the Department and the Council under review.

4.8 Planning timetable

4.8.1 The Council's planning cycle during each academic year will normally be as follows:

- December: Formal offer of grant from the Department made by the end of December.
- January: Annual Strategic review meeting between the Minister and the Chair; and confirmation of grant from Scottish Ministers.
- February to July: Council draft their corporate plan and submit to the Department for comment.
- July: Council submit final draft of the corporate plan to Scottish Ministers for approval.
- August/September: Approval of the corporate plan by Scottish Ministers and publication.

4.9 Performance Measures

4.9.1 The Council are committed to regular measurement of their performance and evaluation of their effectiveness across the full range of their overall aims and strategic objectives. Appropriate qualitative and quantitative measures will be included in the corporate and operational plans, and these will be used as a basis for monitoring performance against the key aims and objectives and Scottish Ministers' strategic policy priorities.

4.9.2 A key principle underpinning the performance reporting framework is that the Council's corporate plan should be used as the mechanism for reporting on the Council's performance and the achievement of its aims and objectives in support of Ministers' wider strategic priorities. This is intended to:

- ensure that there is a single, transparent reporting framework; and
- avoid the potential for confusion about Ministers' priorities which may arise when multiple reporting mechanisms are adopted.

4.9.3 Performance will be reviewed quarterly against the corporate plan and the results will be reported to the Council. These reports should provide information on resource allocation and the performance against objectives for the period under review. The papers will also be passed to the Department for information.

4.9.4 The Council will produce an annual statement of performance against corporate plan targets.

4.10 Financial Planning and Control

4.10.1 In exercise of their powers under section 9 of the Act, the Scottish Ministers will provide funds to the Council for the purpose of exercising their functions under the Act. The general terms and conditions subject to which these funds will be made available to the Council by the Scottish Ministers out of monies voted by Parliament are set out in the Financial Memorandum. The Memorandum also records the understanding of the Department and the Council as to the manner in which the funds will be expended and accounted for and the arrangements for financial planning, monitoring and control. Other conditions under which grant in aid is provided to the Council may be prescribed from time to time.

4.11 Internal audit

4.11.1 The Council shall establish and maintain arrangements for internal audit in accordance with the Treasury's Government Internal Audit Standards (GIAS). The

Council shall consult the Department to ensure that the latter is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving his or her appointment.

4.11.2 The Council shall arrange for periodic quality reviews of its internal audit in accordance with the GIAS. The Department shall consider whether it can rely on these reviews to provide assurance on the quality of internal audit. However, the Department reserves a right to carry out / commission independent reviews of internal audit in the Council.

4.11.3 The Department's internal audit service shall also have a right of access to all documents prepared by the Council's internal auditor, including where the service is contracted out. The audit strategy, periodic audit plans and annual audit report, including the Council's Head of Internal Audit's opinion on risk management, control and governance shall be forwarded without delay to the sponsoring team who shall consult the Scottish Government's Head of Internal Audit as appropriate.

4.11.4 In addition, the Council shall forward to the Department an annual report on fraud and theft suffered by the Council; notify any unusual or major incidents as soon as possible; and notify any changes to its internal audit's terms of reference, its audit committee's terms of reference or its Fraud Policy and Fraud Response Plan.

5. EXTERNAL ACCOUNTABILITY

5.1 The annual report and accounts

5.1.1 After the end of each financial year, the Council shall publish an annual report of its activities together with its audited annual accounts. The report shall also cover the activities of any corporate bodies under the control of the Council.

5.1.2 The report and accounts shall comply, so far as appropriate, with the Treasury document the *Government Financial Reporting Manual*. The accounts shall be prepared in accordance with the relevant statutes, specific accounts direction and other relevant guidance issued by the Scottish Ministers.

5.1.3 The report and accounts shall outline the Council's main activities and performance during the previous financial year and set out in summary form the Council's forward plans. Information on performance against key financial targets shall be included in the notes to the accounts, and shall therefore be within the scope of the audit.

5.1.4 The report and accounts shall be submitted in draft to the Department for comment and the final version shall be laid before the Parliament by the Scottish

Ministers before *31 December*. The accounts must not be laid before they have been formally sent by the Auditor General to the Scottish Ministers and must not be published before they have been laid. The Council shall be responsible for the publication of the report and accounts.

5.2 External audit

5.2.1 The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, the Councils' annual accounts and passes them to the Scottish Ministers who shall lay them before the Parliament, together with the Councils annual report. For the purpose of audit the AGS has a statutory right of access to documents and information held by relevant persons specified by an Order under section 24 of the Public Finance and Accountability (Scotland) Act 2000.

5.2.2 The Council shall instruct its auditors to send copies of all management letters (and correspondence relating to those letters) and responses to the Department.

5.3 VFM / 3E examinations

5.3.1 The Public Finance and Accountability (Scotland) Act 2000 provides that the AGS may carry out examinations into the economy, efficiency and effectiveness with which the Council has used its resources in discharging its functions. For the purpose of these examinations the AGS has statutory access to documents and information held by relevant persons specified by an Order made under section 24 of that Act.

6. STAFF MANAGEMENT

6.1. Within the broad arrangements approved by the Scottish Ministers or set out in the Act, the Council shall have responsibility for the recruitment, retention and motivation of its staff. To this end the Council shall ensure that:

- the recruitment of its staff is based on fair and open competition and equal opportunities;
- the level and structure of its staffing, including grades and numbers of staff, is appropriate to its functions and the requirements of efficiency, effectiveness and economy;
- the performance of its staff at all levels is managed effectively and efficiently; they are satisfactorily appraised; and the Council's performance appraisal and promotion systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the Council's objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;

- whistleblowing procedures consistent with the Public Interest Disclosure Act are in place;
- a code of conduct for staff is in place based on the document *Model Code for Staff of Executive Non-Departmental Public Bodies*.

7. REVIEWING THE ROLE OF THE COUNCIL

7.1 The role of the Council shall be reviewed periodically in accordance with the business needs of the Scottish Government and of the Council, normally at least every five years.

**SCOTTISH GOVERNMENT AND
THE SCOTTISH FURTHER AND HIGHER EDUCATION FUNDING
COUNCIL**

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APPENDIX: SPECIFIC LIMITS ON DELEGATED AUTHORITY

1. BUDGETING PROCEDURES

Departmental Expenditure Limit (DEL)

1.1 The Council's resource and capital expenditure form part of the sponsor Department's Resource DEL and Capital DEL respectively, with the exception of expenditure on Education Maintenance Allowances which are classed as Annually Managed Expenditure (AME).

Setting the annual budget

1.2 Each year, in the light of decisions by the Scottish Ministers on the Council's corporate plan (paragraph 4.1 of the management statement), the Department will send to the Council:

- a formal statement of the annual budgetary provision (disaggregated by main budget headings, including amounts for running costs and for distribution) allocated by the Scottish Ministers in the light of competing priorities across the Scottish Government and of the associated grant in aid and any approved forecast income by end of February;
- a statement of any planned change in policies affecting the Council.

1.3 The Council's annual operational plan will take account both of its approved budgetary provision and of any forecast income, and will include a budget of estimated payments and receipts together with a profile of expected expenditure/consumption of resources and of draw-down of grant in aid and other income over the year. These elements will form part of the operational plan for the year in question (paragraph 4.2.1 of the management statement).

1.4 Grant in aid provided by the Scottish Ministers for the year in question will be included in the annual Budget Act and will be subject to approval by the Parliament.

Transfers of budgetary provision

1.5 Where transfers of budgetary provision between resource and capital budgets and between "cash" and "non-cash" headings fall outside the specific limits on the Council's delegated authority, as set out in the attached Appendix, they require the prior approval of the Department. Other transfers between main budget headings may be undertaken without the prior approval of the Department.

End-year flexibility

1.6 Under the Scottish Government's end-year flexibility (EYF) arrangements the Council may, subject to the approval of the Department, carry forward from

one financial year to the next, in part or in full, unused DEL budgetary provision. It is the Council's underspending in terms of the use of DEL budgetary provision rather than of grant in aid that will determine the level of EYF available to be carried forward. The Council must at the earliest opportunity submit to the Department any proposals for carrying forward budgetary provision. Any such proposals shall be considered by the Department in the light of competing priorities.

Authority to spend

1.7 Once the Council has received and accepted a formal offer of grant from the Department and subject to any conditions set out in this Financial Memorandum and the Council's Management Statement and to specific guidance given to the Council from time to time by Scottish Ministers, the Council shall have authority to incur expenditure/consume resources without further reference to the Department, on the following conditions:

- the Council shall comply with the specific delegations set out in the attached Appendix. These delegations shall not be altered without the prior agreement of the Department;
- the Council shall comply with the conditions set out in this financial memorandum regarding novel, contentious or potentially repercussive proposals and with any relevant guidance in the Scottish Public Finance Manual (SPFM);
- the Council shall provide the Department with such information about its operations, performance, individual projects or other expenditure as the Department may reasonably require.

1.8 The Council may use a proportion of the grant in aid received from the Scottish Ministers to employ External Consultants in commissioning studies of matters relating to one or more of the fundable bodies it funds. The definition of External Consultants can be found in the SPD Procurement Manual. Where the Council intend to employ such an External Consultant from grant in aid identified by the Scottish Ministers as being provided for distribution, the Council must first ensure that the study is eligible for such funding, in accordance with the guidance that will be issued by the Scottish Ministers from time to time.

1.9 The prior consent in writing of the Department to the commission of such activity, whether funded through programme or running costs, must be obtained if the total cost of the study is estimated to exceed £50,000.

2. GRANT IN AID

2.1 Grant in aid will be paid to the Council in monthly instalments, on the basis of a written application from the Council showing evidence of need. The

application shall provide the Department with, as a minimum, information, which will enable the satisfactory monitoring by the Department of:

- the Council's cash management;
- actual and forecast outturn of expenditure of grant in aid;
- actual and forecast outturn of expenditure/consumption of DEL budgetary provision by main budget headings.

2.2 Grant in aid should not be paid out in advance of need. Cash balances accumulated during the course of the year from grant in aid shall therefore be kept at the minimum level consistent with the efficient operation of the Council. No grant in aid shall be paid into any reserve held by the Council.

3. THE COUNCIL'S RUNNING COST INCOME

Borrowing

3.1 The Council may not borrow money.

Maximising income from other sources

3.2 The Council shall seek to maximise income from other sources provided that this is consistent with the Council's main functions and its corporate plan as agreed by the Scottish Ministers. Proposals for new sources of income or methods of fundraising should be cleared with the Department if the anticipated value is greater than £10,000.

Receipts from the EC

3.3 The Council should ensure that the sponsor Department is informed of all potential EU funding so that there can be a full assessment of the implications of such funding for the Scottish Government. Structural Funds claimed by the Council via the Scottish Government score against the Scottish Government's Departmental Expenditure Limit (DEL) and any proposals must therefore be considered by the Scottish Ministers together with all other pressures on resources. See the guidance in the EU Funding section of the SPFM.

Fees and charges

3.4 Fees or charges for any services supplied by the Council shall be determined in accordance with the Fees & Charges section of the SPFM.

Receipts from the sale of goods and services

3.5 Receipts from the sale of goods and services, rent of land, and dividends may be used to provide additional spending power subject to them being included in the approved budget.

Interest earned

3.6 Interest earned by the Council on cash balances may be used to provide additional spending power subject to it being included in the approved budget.

Proceeds from the disposal of assets

3.7 Disposals of land and buildings are dealt with in Section 7 below.

Gifts, bequests and donations

3.8 The Council is free to retain any gifts, bequests or similar donations. These shall be treated as receipts that, where appropriate, can be used to increase spending power. [NOTE: Donated assets do not attract a cost of capital charge, and a release from the donated assets reserve should offset depreciation in the operating cost statement.]

3.9 Before proceeding in this way the Council shall consider if there are any associated costs in doing so or any conflicts of interests arising. The Council shall keep a record of any such gifts, bequests and donations and of their estimated value and whether they are disposed of or retained.

Unforecast changes in in-year income used to provide additional spending power

3.10 If income realised or expected to be realised in-year is **less** than estimated, the Council shall, unless otherwise agreed with the Department, ensure a corresponding reduction in its gross expenditure so that the authorised budget is not exceeded.

3.11 If income realised or expected to be realised in-year is **more** than estimated, the Council may apply to the Department to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to grant in aid. The Department shall consider such applications, taking account of competing demands for resources. If an application is refused grant in aid shall be correspondingly reduced.

4. THE COUNCIL'S RUNNING COST EXPENDITURE: GENERAL PRINCIPLES

Appraisal and Evaluation

4.1 All expenditure proposals shall, so far as appropriate, be subject to the guidance in the Appraisal and Evaluation section of the SPFM.

Procurement

4.2 The Council's procurement policies shall reflect relevant guidance in the Procurement section of the SPFM. Procurement should be treated as a means of finding the most cost-effective method for securing the quality of assets and/or services. The Council shall ensure that it complies with any relevant EU or other international procurement rules.

Competition

4.3 Contracts shall be placed on a competitive basis and tenders accepted from suppliers who provide best value for money overall. Proposals to let single-tender or restricted contracts above the relevant delegated limit in the attached Appendix must be submitted to the Department for approval.

Value for money

4.4 Procurement by the Council of works, equipment, goods and services shall be based on value for money, i.e. quality (in terms of fitness for purpose) and delivery against price. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.

Timeliness in paying bills

4.5 The Council shall pay all matured and properly authorised invoices in accordance with the terms of contracts or within 30 days, as provided for in the Payments section of the SPFM.

Novel, contentious or potentially repercussive proposals

4.6 The Council shall obtain the approval of the Department before:

- incurring any expenditure for any purpose which is or might be considered contentious, or which has or could have significant future cost implications, including on staff benefits;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Department;

- making any change of policy or practice which has wider financial implications (e.g. because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required.

Risk management

4.7 The Council shall ensure that the risks which it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall develop a risk management strategy, in accordance with the Risk Management section of the SPFM.

4.8 The Council shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Fraud section of the SPFM.

4.9 The Council shall take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or grant in aid.

5. EXPENDITURE ON COUNCIL MEMBERS

5.1 Remuneration, allowances and expenses paid to Council Members must comply with specific guidance on such matters issued by the Scottish Ministers.

6. EXPENDITURE ON SFHEFC STAFF

Staff costs

6.1 The Council is responsible for determining the number of staff required and the most appropriate organisational structure to deliver its remit economically, efficiently and effectively within the resources available to it. However, any significant changes in staff numbers must be notified in advance to the Department.

Pay and conditions of service

6.2 The Council shall submit to the Department for approval (normally annually unless a multi-year deal has been agreed) a pay remit within the terms and conditions set out in the Scottish Government's Public Sector Pay Guidance and negotiate a pay settlement within the terms of the subsequently agreed remit. Proposals on non-salary rewards must comply with the guidance in the Non-Salary Rewards section of the SPFM. The Council shall comply with the EU directive on contract workers "Fixed Term Employees Regulations (Prevention of Less Favourable Treatment)". The terms and conditions of the Chief Executive are subject to a separate approval exercise.

Pensions; redundancy/compensation

6.3 Superannuation arrangements for staff are subject to the approval of the Department. The Council's staff shall normally be eligible for a pension provided by membership of the Principal Civil Service Pension Scheme (PCSPS);

6.4 Staff may opt out of the occupational pension scheme provided by the Council. However, the employer's contribution to any personal pension arrangement shall be limited to the national insurance rebate level, except for staff covered by the PCSPS Partnership arrangement where a contribution regime has been agreed.

6.5 Any proposal by the Council to move from the existing pension arrangements requires the approval of the Department. Severance payments must comply with the guidance in the Severance etc section of the SPFM and be notified in advance to the Department.

7. NON-STAFF EXPENDITURE (RUNNING COSTS)

Capital expenditure

7.1 Subject to being above the Scottish Government's capitalisation threshold, all expenditure on the acquisition or creation of fixed assets shall be capitalised on an accruals basis. Expenditure to be capitalised shall include the (a) acquisition, reclamation or laying out of land; (b) acquisition, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings; and (c) acquisition, installation or replacement of movable or fixed plant, machinery, vehicles and vessels.

7.2 Proposals for large-scale individual capital projects or acquisitions will normally be considered within the Council's corporate planning process and within the context of its long-term estate strategy. Any such project shall be subject to the guidance in the Major Investment section of the SPFM and, where appropriate, the Client Pack published by the Scottish Government's Building Division. Individual capital projects or acquisitions are subject to specific delegated limits as indicated in the attached Appendix.

Lending, guarantees, indemnities, contingent liabilities, letters of comfort

7.3 The Council shall not, without the Department's prior consent, lend money, charge any asset or security, give any guarantee - excluding a guarantee of a standard type given in the normal course of business - or indemnity or letter of comfort, or incur any other contingent liability (as defined in the Contingent Liabilities section of the SPFM), whether or not in a legally binding form.

Grant or loan schemes

7.4 Unless covered by a delegated authority, all proposals to make a grant or loan to a third party, whether one-off or under a scheme, shall be subject to prior approval by the Department, together with the terms and conditions under which such grant or loan is made. Guidance on a framework for the control of third party grants is included in the Grant & Grant in Aid section of the SPFM. See also below under the heading *Recovery of grant-financed assets*.

Gifts made, write-offs, losses and special payments

7.5 Proposals for making gifts or other special payments (including write-offs) outside the delegated limits set out in the attached Appendix must have the prior approval of the Department. Any such proposals should address the considerations listed in the Losses & Special Payments section of the SPFM. Gifts by management to staff are subject to the guidance in the Non-Salary Rewards section of the SPFM.

Leasing

7.6 Prior departmental approval must be secured for all property and finance leases outside the delegated limits set out in the attached Appendix. The Council must have capital DEL provision for finance leases and other transactions, which are in substance borrowing. Before entering into any lease (including an operating lease) the Council must demonstrate that the lease offers better value for money than purchase.

Public/Private Partnerships

7.7 The Council shall seek opportunities to enter into Public/Private Partnerships where this would be more affordable and offer better value for money than conventional procurement. Where cash flow projections may result in delegated authority being breached the Council shall consult the sponsor Department. Any partnership controlled by the Council shall be treated as part of the Council in accordance with UK GAAP and consolidated with it [subject to any particular treatment required by UK GAAP]. See also the guidance in the Public/Private Partnerships section of the SPFM.

Subsidiary companies and joint ventures

7.8 The Council shall not establish subsidiary companies or joint ventures without the express approval of the Department. In judging such proposals the Department will have regard to the Scottish Ministers' wider strategic aims and objectives.

7.9 Any subsidiary company or joint venture controlled or owned by the Council shall be consolidated with it in accordance with UK GAAP for public expenditure accounts purposes [subject to any particular treatment required by UK GAAP]. Unless specifically agreed with the Department such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in the MS/FM.

Financial investments

7.10 The Council shall not make any investments without the prior approval of the Department, nor shall it aim to build up cash balances or net assets in excess of what is required for operational purposes. Equity shares in ventures, which further the objectives of the Council shall equally be subject to departmental approval unless covered by a specific delegation. The Council shall not invest in any venture of a speculative nature.

Unconventional financing

7.11 Unless otherwise agreed with the Department, the Council shall not enter into any unconventional financing arrangement.

Commercial insurance

7.12 The Council may only take out commercial insurance, without the prior approval of the Department, in accordance with the guidance in the Insurance section of the SPFM e.g. third party insurance required by the Road Traffic Acts. In the event of losses arising under the Scottish Government's policy of self-insurance the Department shall consider, on a case by case basis, whether or not it should make any additional resources available to the Council and/or agree adjustments to the targets in the corporate plan.

7.13 A Certificate of Exemption for Employer's Liability Insurance has been issued to the Council.

8. MANAGEMENT AND DISPOSAL OF FIXED ASSETS OWNED BY COUNCIL

Register of assets

8.1 The Council shall maintain an accurate and up-to-date register of its fixed assets.

Disposal of assets

8.2 The Council shall dispose of assets which are surplus to its requirements and in accordance with its long-term estate strategy. Assets shall be sold for the best price, taking into account any costs of sale and in accordance with the guidance in the Disposal of Tangible Fixed Assets section of the SPFM. Proceeds from the disposal of assets may be retained by the Council subject to them being included in the approved budget.

9. BANKING BY COUNCIL

9.1 The Council's Accountable Officer is responsible for ensuring that the Council's banking arrangements are consistent with the guidance in the Banking section of the SPFM. In particular he/she shall ensure that the arrangements safeguard public funds and are carried out efficiently, economically and effectively. These arrangements shall be suitably structured and represent value-for-money, and be reviewed at least every two years, with a comprehensive review, usually leading to competitive tendering, at least every three to five years.

10. THE COUNCIL'S FINANCIAL RELATIONSHIP WITH FUNDABLE BODIES

Financial Memoranda

10.1 The Council will make a financial memorandum with each fundable body it funds for the purposes of regulating their relationship on financial and related matters, setting out the terms and conditions on which payments of grant will be made by the Council to the fundable body and any other terms and conditions which will apply as a consequence of the Council making payments to them. The Council will prepare the provisions of such memoranda in the light of such consultation as is required by section 22 of the Scottish Further and Higher Education (Scotland) Act 2005 (the Act) with such bodies representing the interests of relevant fundable bodies as appear to the Council to be concerned. The Department should be kept advised of any proposals to change the Financial Memorandum, and should be supplied with a copy of the final document.

10.2 Such memoranda and associated documents will be consistent with the responsibilities of the Council under the Act and this Memorandum.

10.3 Control of funding

10.3.1 The Council may, at its discretion, make available grant for specific or earmarked purposes on a monthly basis either on a formula or claims basis in accordance with need. The Council may also make exceptional or ad hoc payments between monthly instalments. However, such payments will be made

only after considering a written application from the fundable body concerned, and will not be made in advance of the fundable body's need to make disbursements.

10.3.2 The Council will make effective arrangements to monitor the financial health of the fundable bodies, including the robustness and quality of their internal control and financial management systems and their internal audit and external audit and Audit Committee functions. The Council is expected to ensure that fundable bodies observe good financial practices and that existing and future requirements on such matters are adhered to, particularly in relation to securing value for money and the effective and efficient use of resources and assets. The Council will advise the Department of the results of their analysis of financial information received from fundable bodies.

10.3.3 The Council will require each fundable body funded by the Council to make its own insurance arrangements.

10.4 Estate and Equipment Management

10.4.1 The Council will require fundable bodies to have:

- a. comprehensive estate strategies, approved by their governing bodies and updated periodically (and no later than every 5 years), with the objectives of securing efficient and effective facilities for their functions and rationalising and disposing of those assets which are no longer needed; and
- b. access to appropriate expertise to deliver their estate strategies and, in particular, the major capital projects within them.

10.4.2 The Council, in making grant available for estate and equipment purposes, will attach such conditions to those grants at the time the offer of grant is made, as it sees fit to protect the Scottish Ministers' interests. These conditions may vary according to the amount of grant provided and the purpose for which it is given.

10.4.3 Section 18 of the Act allows the Council to exercise on behalf of the Scottish Ministers, their functions under section 18 of the Act. The Council are hereby authorised and directed to exercise those functions on behalf of the Scottish Ministers

10.5 Property Acquisitions and Disposals

10.5.1 The Council will devise arrangements for the effective and efficient control of Exchequer-funded property acquisitions and disposals in order to protect the Scottish Ministers' interests. The Council may determine, and from time to time may vary, the amount of acquisition or disposal value of any land and buildings, including any interest in land and buildings, to be acquired or developed in whole

or in part using Exchequer funds, or disposed of, above which the prior approval of the Council to the disposal is required.

10.5.2 Similarly, the Council will devise arrangements for the effective and efficient control of the granting of leases on land or buildings partly or wholly funded by the Exchequer.

10.5.3 The Council shall also ensure that if Exchequer-funded assets are disposed of by a fundable body an appropriate proportion of the value of the asset shall be repayable to the Council. However, the Council shall devise its own arrangements for the reinvestment by fundable bodies in whole or in part of proceeds resulting from a disposal, including specification of the purposes or activities to which reinvestment proceeds may be applied.

10.5.4 The Council will provide fundable bodies with procedure notes and guidance on good practice in estates matters – including acquisition of assets for which there is an intention to seek Council funding, disposals and reinvestments, as updated from time to time. The Council will require fundable bodies to observe good practice on all estates matters.

10.5.5 Where any fundable body may be considering entering into an agreement under the Private Finance Initiative or a Public/Private Partnership, the Council will require the fundable body to consult it at an early stage in the proceedings.

10.6 Monitoring and Control of Borrowing

10.6.1 The Council will make provision for the monitoring and control of borrowing by fundable bodies to protect the public investment in fundable bodies and to maintain accountability for the use of Exchequer funds. The Council will establish effective arrangements for monitoring fundable bodies' borrowing including, where it sees fit, the imposition of a condition to seek prior approval or give notice to the Council of any intention to borrow.

10.6.2 The prior written consent of the Council is required if a fundable body intends to lend or give any guarantee, indemnity or letter of comfort with actual or effective values above amounts to be determined by the Council.

10.6.3 The prior written consent of the Council is required if a fundable body intends to offer as security for a loan any land or property which has been provided, improved or maintained with the aid of grant.

10.6.4 The Scottish Ministers hereby direct that, where a fundable body has used funds provided by them, to acquire an interest in or to develop any land, building or other asset, and where those funds were provided subject to a condition which has the effect of requiring the fundable body to obtain their consent before raising

capital finance borrowing on the security of those assets, the Council will exercise the functions of the Scottish Ministers in relation to any request for consent. In exercising those functions the Council will give consent only if the requirements of the Council's capital finance monitoring arrangements are satisfied and subject to these conditions continuing to be satisfied.

10.7 Accounts and Financial Management

10.7.1 The Council will require fundable bodies to provide audited accounts in respect of each of their financial/accounting years by a specified date, and may make such requirements as they think fit from time to time as to the information to be contained in the accounts. The accounts will distinguish between expenditure of a capital nature, however financed, and recurrent expenditure, and will consolidate the accounts of any subsidiary undertakings in accordance with generally accepted accounting practice.

10.7.2 Where a fundable body is incorporated under the Companies Acts the provisions of paragraph 9.7.1 will only apply insofar as they are consistent with the provisions of the Companies Acts and any accounting standards issued or promulgated by the Accounting Standards Board or its successors.

10.8 Advice to HEFCE

10.8.1 The Council will give the Higher Education Funding Council for England such advice as may be required in relation to the enforcement in relation to higher education institutions in Scotland of any condition of grant imposed by the Universities Funding Council and now enforceable by the Higher Education Funding Council for England by virtue of Section 63(l)(b) of the Further and Higher Education Act 1992.

FINANCIAL MEMORANDUM: APPENDIX

SPECIFIC LIMITS ON DELEGATED AUTHORITY

Delegated Authorities

Council may form or enter into the following commitments without the prior approval of SEELLD:

Running Costs

- Incur capital expenditure not exceeding £50,000 on any individual item or group of items.
- Dispose of any asset or group of assets not exceeding £50,000 in value which has been purchased wholly or mainly with the aid of funds provided by the Scottish Ministers or their predecessors. Proceeds not exceeding £1,000 may be retained.
- Enter into a lease agreement (except for property) not exceeding £20,000
- Write off losses or sanction special payments not exceeding £500
- Vire up to 2% of the total running cost budget between non-salary and salary.

Programme Expenditure

- The Council has no delegated authority to vire institutional grant in aid intended for capital purposes to recurrent purposes.
- Pay grant to fundable bodies in respect of a capital project up to a value of £50 million.
- Commission studies of matters relating to one or more of the fundable bodies out of grant in aid, subject to the conditions agreed with SEETLLD.

Human Resources

- Increase the number of staff posts up to and including Director or equivalents. The Department must be informed in advance of any plans for significant changes to staffing levels or structures.

All of the above delegated authorities will be subject to periodic review.