

SCOTTISH FURTHER AND HIGHER EDUCATION FUNDING COUNCIL

FRAMEWORK DOCUMENT

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SECTION 1: INTRODUCTION

1. The Scottish Further and Higher Education Funding Council (Scottish Funding Council or SFC) is a Non-Departmental Public Body (NDPB) of the Scottish Government (SG). This framework document has been drawn up by SG in consultation with the SFC. It sets out the broad framework within which the SFC will operate and defines key roles and responsibilities which underpin the relationship between the SFC and the SG¹. While this document does not confer any legal powers or responsibilities, it forms a key part of the accountability and governance framework and should be reviewed and updated as necessary, and at least every 2-3 years.
2. Any proposals to amend the framework document either by the SG or the SFC will be taken forward in consultation and in the light of SG priorities and policy aims. Any question regarding the interpretation of the document shall be determined by the SG after consultation with the SFC. Legislative provisions and any specific directions or determinations made or terms and conditions imposed under those provisions shall take precedence over any part of the document including any terms and conditions of grant set out in the Budget Allocation and Monitoring (BAM) letter (see paragraph 41).
3. References to the SFC include any subsidiaries and joint ventures owned or controlled by SFC. The SFC shall not establish subsidiaries or enter into joint ventures without the express approval of the SG.
4. Copies of the document shall be placed in the Scottish Parliament Reference Centre. It shall also be published on the SG and the SFC websites.
5. **Role and key function of the SFC**
6. The SFC is the national, strategic body for the funding of further and higher education and research in Scotland. Its purpose is to secure coherent, high quality further and higher education by colleges and universities in Scotland (as a whole), and the undertaking of research among those bodies.
7. The SFC's main statutory duties are set out in the Further and Higher Education (Scotland) Act 2005 ("the Act"). It has the general duty under the Act to exercise its functions for the purposes of securing –
 - the coherent provision by the post-16 education bodies (as a whole) of a high quality of fundable further education and fundable higher education; and
 - the undertaking of research among the post-16 education bodies.

¹Separate Financial Memoranda set out the formal relationship between the SFC and the fundable bodies in the college and university sectors, and the requirements with which they must comply as a term and condition of grant from the SFC.

8. The SFC and SG will work together to agree the SFC's strategic objectives. The SFC's strategic aims and objectives, as agreed by the Scottish Ministers, will be set out in its strategic plan and published on its website.
9. The SFC will seek to contribute to achievement of the SG's primary purpose of increasing sustainable inclusive economic growth by aligning its aims and objectives with the SG's published [National Strategy for Economic Transformation](#) (NSET) and [National Performance Framework](#) (NPF).

Relationship between Scottish Government and the SFC

9. Strategic engagement between the SG and the SFC is essential in order that both can work together as effectively as possible to deliver the policy priorities of the Scottish Ministers, maintain and improve public services and deliver improved outcomes. Both the SG and the SFC will take all necessary steps to ensure that their relationship is developed and supported in line with the jointly agreed principles set out in the statement on '[Strategic Engagement between the Scottish Government and Scotland's NDPBs](#)'
10. The Act gives the SFC the responsibility to provide Scottish Ministers with information, advice and assistance relating to further and higher education, and research. In accordance with its statutory requirements set out in the Act, the SFC will – at the earliest opportunity – alert the Scottish Ministers to any emerging issues that the SFC considers may likely be of interest to Ministers, the media or the Scottish Parliament.

SECTION 2: GOVERNANCE AND ACCOUNTABILITY

Powers and duties

11. The SFC is established as a body corporate under the Act. The constitution of the SFC is set out in Schedule 1 of the Act.

Ministerial responsibilities

12. The Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities of the SFC and its use of resources. Their responsibilities include:
 - agreeing and reviewing progress against the SFC's strategic aims and objectives and key targets as part of the strategic planning and annual letter of guidance process;
 - agreeing the budget and the associated grant and grant-in-aid to be paid to the SFC, and securing the necessary Parliamentary approval;
 - appointing the Chair and other non-executive members of the SFC, including determining the terms and conditions of their appointment, and approving the appointment of the Chief Executive (and their terms and conditions of appointment); and
 - other matters such as approving the SFC's pay remit and laying the annual report and accounts before the Scottish Parliament.

13. The responsible Cabinet Secretary or Scottish Minister shall meet the SFC on a quarterly basis or more frequently as required.

Responsibilities of the Board

14. The governing board of the SFC ('the Board') consists of the Chair, Chief Executive, and other members appointed by the Scottish Ministers. The appointments of the Chair and non-executive members are subject to the [Code of Practice](#) for Ministerial Public Appointments in Scotland.
15. The role of the Board is to provide leadership, direction, support and guidance and ensure the SFC delivers and is committed to delivering its functions effectively and efficiently and in accordance with the aims, policies and priorities of the Scottish Ministers. It has corporate responsibility, under the leadership of the Chair, for the following:
 - In operating and making decisions, acting in accordance with legislation, terms and conditions of grant and any other relevant directions, determinations or guidance issued by Ministers;
 - Taking forward the strategic aims and objectives for the body agreed by the Scottish Ministers;
 - Determining the steps needed to deal with changes which are likely to impact on the strategic aims and objectives of the body or on attaining any operational targets;
 - Developing well-informed strategic connections across and between further and higher education and with businesses and wider civic Scotland;
 - Supporting and challenging the SFC to collaborate with partners including other NDPBs to achieve outcomes. In particular, together with Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and the South of Scotland Enterprise, cooperate with and contribute to effective delivery of the key aims of the NSET;
 - Promoting the efficient, economic and effective use of staff and other resources consistent with the principles of [Best Value](#), including, where appropriate, participation in shared services arrangements;
 - Ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Board will set up an audit committee chaired by a non-executive member to provide independent advice and assurance on the effectiveness of the internal control and risk management systems;
 - Receiving and reviewing regularly performance and financial information concerning the management and performance of the public body and being informed in a timely manner about any concerns regarding the activities of the public body;
 - Ensuring systems are in place to enable early notification to be provided to the SG about emerging issues which will impact on the operation or reputation of the public body and/or the SG;

- Appointing with the approval of the Scottish Ministers the SFC Chief Executive and, in consultation with the SG, set appropriate performance objectives and remuneration terms linked to these objectives which give due weight to the proper management and use of resources within the stewardship of the SFC and the delivery of outcomes; and
 - Demonstrating high standards of corporate governance at all times, including openness and transparency in its decision-making.
16. Further guidance on how the Board should discharge its duties is provided in appointment letters and in [On Board: A Guide for Members of Statutory Boards](#).

Responsibilities of the SFC Chair

17. The Chair is accountable to the Scottish Ministers and, in common with any individual with responsibility for devolved functions, may also be held to account by the Scottish Parliament. Communications between the SFC Board and the Scottish Ministers should normally be through the Chair. They are responsible for ensuring that the SFC's policies and actions support the Scottish Ministers' wider strategic policies and that its affairs are conducted with probity and in ways that demonstrate high standards of corporate governance.
18. In leading the Board the Chair shall ensure that:
- the priorities of the SG are fully understood;
 - the Board is stable, works effectively and is subject to regular self-assessment;
 - the Board, in accordance with Ministerial direction and recognised good practice in corporate governance, is diverse both in terms of relevant skills, experience and knowledge appropriate to directing the NDPB business, and in terms of protected characteristics under the Equality Act and the [Gender Representation on Public Boards Act](#) and [Guidance](#), where these apply.
 - the Board Members are fully briefed on terms of appointment, duties, rights and responsibilities;
 - they, together with the other Board Members, receives appropriate induction training, including on financial management and reporting requirements and, as appropriate, on any differences that may exist between private and public sector practice;
 - there is a code of conduct for Board Members in place, approved by the Scottish Ministers; and
 - the Board co-operates and collaborates effectively with partner organisations and other stakeholders. In particular, together with Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and the South of Scotland Enterprise, co-operates with and contributes to the effective delivery of the key aims of the NSET.
20. The Chair assesses the performance of individual Board Members on a continuous basis and undertakes a formal appraisal at least annually. The

Chair, in consultation with the Board as a whole, is also responsible for undertaking an annual appraisal of the performance of the Chief Executive. The Chair's performance will be appraised by the Director or Deputy Director in the SG's Sponsorship Directorate against (i) the individual objectives applying to their office and (ii) the extent to which the Chair contributes to ensuring that the Council as a whole delivers its functions effectively and efficiently, and in accordance with Ministerial aims, policies and priorities.

Responsibilities of Individual Board Members

21. Individual Board Members should act in accordance with the responsibilities of the Board as a whole and comply at all times with the code of conduct adopted by the SFC and with the rules relating to the use of public funds and to conflicts of interest. (In this context "public funds" means not only any funds provided to the SFC by the Scottish Ministers but also any other funds falling within the stewardship of the SFC.) General guidance on board members' responsibilities is summarised in their appointment letters and is also provided in 'On Board'.

Responsibilities of the Chief Executive

22. The Chief Executive of the SFC is employed and appointed by the Board with the approval of the Scottish Ministers. They are the Board's principal adviser on the discharge of its functions and is accountable to the Board. Their role is to provide strategic and operational leadership to the SFC and ensure that the Board's aims and objectives are met, the SFC's functions are delivered and targets met through effective and properly controlled executive action. Their general responsibilities include the performance, management and staffing of the SFC. General guidance on the role and responsibilities of the Chief Executive is contained in '[On Board](#).'
23. They have a responsibility to:
 - advise the Board on the discharge of its responsibilities - as set out in this document, in the Act other relevant legislation, the terms and conditions attached to SG grant and in any other relevant instructions and guidance issued by or on behalf of the Scottish Ministers;
 - provide advice and guidance to the Board, including effective evidence-based performance information, to support them in their role to agree strategy and hold the executive to account for delivery;
 - implement the decisions of the Board;
 - ensure that financial considerations are taken into account fully by the Board at all stages in reaching and executing its decisions, and that appropriate financial appraisal and evaluation techniques, consistent with the [Appraisal and Evaluation](#) section of the [Scottish Public Finance Manual](#) (SPFM), are followed;
 - ensure that the SFC adheres, where appropriate, to the SG's [Programme and Project Management \(PPM\) Principles](#);
 - put in place robust performance and risk management arrangements - consistent with the [Risk Management](#) section of the SPFM - that support the

achievement of the SFC's aims and objectives and that facilitate comprehensive reporting to the Board, the SG and the wider public;

- ensure that adequate systems of internal control are maintained by the SFC, including effective measures against fraud and theft consistent with the [Fraud](#) section of the SPFM;
- establish appropriate documented internal delegated authority arrangements consistent with the [Delegated Authority](#) section of the SPFM;
- advise the Board on the performance of the SFC compared with its aims and objectives;
- prepare the SFC's strategic and operational plans, in the light of the strategic aims and objectives agreed by the Scottish Ministers;
- promote effective, trusting and supportive relationships with SG Ministers, officials and other stakeholders;
- ensure that timely forecasts and clear and robust monitoring information on performance and finance are provided to the SG; that the SG is notified promptly of any material issues and risks and that corrective action is taken; and ensure that these, whether detected by internal audit or by other means, are notified to the SG in a timely fashion;
- ensure staff pay proposals are in line with SG [Pay Policy](#) and submitted in time and the necessary approvals obtained prior to implementing any annual award; and
- act as the SFC's principal spokesperson and promote its good reputation.

Responsibilities of the SFC's Accountable Officer

24. The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the SG) will designate the Chief Executive as the Accountable Officer for the SFC. Accountable Officers are personally answerable to the Scottish Parliament for the exercise of their functions, as set out in the [Memorandum to Accountable Officers for Other Public Bodies](#). These functions include:

- ensuring the propriety and regularity of the SFC's finances and sound and effective arrangements for internal control and risk management;
- ensuring that the resources of the SFC are used economically, efficiently and effectively and that appropriate arrangements are in place to secure Best Value and deliver Value for Money for the public sector as a whole;
- ensuring the SFC's compliance with relevant guidance issued by the Scottish Ministers, including the SPFM and SG [Pay Policy](#);
- signing the SFC's annual accounts and associated governance statements; and

- in line with their statutory duty, obtaining written authority from the Board–or Chair before taking any action which they consider to be inconsistent with the proper performance of the Accountable Officer functions. The Accountable Officer should also notify the relevant Portfolio Accountable Officer.
25. It is incumbent on the Chief Executive to combine their Accountable Officer responsibilities to the Scottish Parliament with their wider responsibilities to the Board. The Board and Chair should be fully aware of, and have regard to, the Accountable Officer responsibilities placed upon the Chief Executive, including the statutory duty described above.

Portfolio Accountable Officer responsibilities

26. The Principal Accountable Officer for the Scottish Administration will designate the Director-General for Education & Justice as the Accountable Officer for the SG portfolio budget for the SFC. The responsibilities of a Portfolio Accountable Officer are set out in detail in the [Memorandum to Accountable Officers for Parts of the Scottish Administration](#). They are personally answerable to the Scottish Parliament for ensuring that:

- the financial and other management controls applied by the SG are appropriate and sufficient to safeguard public funds and, more generally that those being applied by the SFC conform to the requirements both of propriety and of good financial management;
- the key roles and responsibilities which underpin the relationship between the SG and the SFC are set out in this framework document - and that this document is regularly reviewed;
- effective relationships are in place at Director and Deputy-Director level between the SG and the SFC in accordance with the strategic engagement principles; and
- there is effective continuous assessment and appraisal of the performance of the Chair of the SFC in line with the requirements of the Code of Practice for Ministerial Public Appointments in Scotland.

Scottish Government Director and Deputy Director

27. The designated Director and Deputy Director have responsibility for overseeing and ensuring effective relationships between the SG and the SFC which support alignment of the SFC’s business with Ministerial priorities, the SG’s Purpose and National Outcomes and high performance by the SFC. They will work closely with the SFC’s Chief Executive and are answerable to the Portfolio Accountable Officer for maintaining and developing positive relationships with the SFC which are characterised by openness, trust, respect and mutual support. They will be supported by a sponsor team in discharging these functions.
28. The designated Director and Deputy Director shall be responsible for assessing the performance of the SFC’s Chair, at least annually.

Responsibilities of the Sponsor Team

29. The SG Sponsor team for the SFC is the normal point of contact for the SFC in dealing with the SG on the SFC corporate matters. The Sponsor team, under the direction of the designated Director/Deputy Director, is the primary source of advice to the Scottish Ministers on the discharge of their responsibilities in respect of the SFC and undertakes the responsibilities of the Portfolio Accountable Officer on their behalf. Specific responsibilities include:
- discharging sponsorship responsibilities in line with the principles and framework set out in the document 'Strategic Engagement between the Scottish Government and Scotland's NDPBs' and ensuring that sponsorship is suitably flexible, proportionate and responsive to the needs of the Scottish Ministers and the SFC;
 - ensuring that Ministerial appointments to the SFC's Board are made timeously, have due regard for protected characteristics under the Equality Act and comply with the [Gender Representation on Public Boards Act](#) and [Guidance](#) and, where appropriate, in accordance with the Code of Practice for Ministerial Appointments to Public Bodies in Scotland;
 - proportionate monitoring of the SFC's activities through an adequate and timely flow of appropriate information, agreed with the SFC, on performance, budgeting, control and risk management including ensuring compliance with this Framework Document;
 - addressing in a timely manner any significant problems and escalating risk arising in the SFC, alerting the Portfolio Accountable Officer and the responsible Minister(s) where considered appropriate;
 - ensuring that the objectives of the SFC and the risks to them are properly and appropriately taken into account in the SG's risk assessment and management systems;
 - informing the SFC of relevant SG policy and delivery issues in a timely manner;
 - engaging wider SG portfolios in relevant discussions on tertiary education, research and innovation that relate to SFC's strategic direction and delivery; and
 - Communicating appropriately and timeously with the university and college sectors, in partnership with the SFC.

Internal audit

30. The SFC shall:

- establish and maintain arrangements for internal audit in accordance with the [Public Sector Internal Audit Standards](#) and the [Internal Audit](#) section of the SPFM;

- in accordance with the [Audit Committees](#) section of the SPFM, set up an audit committee of its Board to advise both the Board and the Chief Executive in their capacity as the SFC's Accountable Officer;
 - forward timeously the audit charter, strategy, periodic audit plans and annual audit assurance report to the SG, including the NDPB Head of Internal Audit opinion on risk management, control and governance and other relevant reports as requested; and
 - keep records of, and prepare and forward timeously to the SG an annual report on fraud and theft suffered by the SFC and notify the SG at the earliest opportunity of any unusual or major incidents.
31. The SG's Internal Audit Division has a right of access to all documents held by the NDPB internal auditor, including where the service is contracted out. The SG has a right of access to all the SFC records and personnel for any purpose.

External audit

32. The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, the SFC's annual accounts and passes them to the Scottish Ministers who shall lay them before the Scottish Parliament, together with the auditor's report and any report prepared by the AGS. For the purpose of audit the auditors have a statutory right of access to documents and information held by relevant persons. The SFC shall instruct its auditors to send copies of all management reports (and correspondence relating to those reports) and responses to the SG.
33. The AGS, or examiners appointed by the AGS, may carry out examinations into the economy, efficiency and effectiveness with which the SFC has used its resources in discharging its functions. The AGS may also carry out examinations into the arrangements made by the SFC to secure Best Value. For the purpose of these examinations the examiners have a statutory right of access to documents and information held by relevant persons.
34. In addition, the SFC shall provide, in contracts and any conditions to grants, for the AGS to exercise such access to documents held by contractors and sub-contractors and grant recipients as may be required for these examinations; and shall use its best endeavours to secure access for the AGS to any other documents required by the AGS which are held by other bodies.

Annual report and accounts

35. The SFC must publish an annual report of its activities together with its audited accounts after the end of each financial year. The annual report shall cover the activities of any corporate, subsidiary or joint ventures under the control of the SFC. It must comply with the Government [Financial Reporting Manual](#) (FReM) and outline the SFC's main activities and performance against agreed objectives and targets for the previous financial year.
36. The accounts shall be prepared in accordance with relevant statutes and the specific accounts direction (including compliance with the FReM) and other relevant guidance issued by the Scottish Ministers. Any financial objectives or

targets set by the Scottish Ministers should be reported on in the accounts and will therefore be within the scope of the audit. Any subsidiary or joint venture owned or controlled by the SFC shall be consolidated in its accounts in accordance with International Financial Reporting Standards as adapted and interpreted for the public sector context.

37. The draft report should be submitted to the SG for comment, and the draft accounts for information, by the end of the second quarter of the reporting year. The final version should be available for laying before the Scottish Parliament by the Scottish Ministers by 31 December. Whilst the statutory date for laying and publishing accounts audited by the AGS is by 31 December, following the close of the previous financial year, there is an expectation on the part of the Scottish Ministers that accounts will be laid and published as early as possible. The accounts must not be laid before they have been formally sent by the AGS to the Scottish Ministers and must not be published before they have been laid. The SFC shall be responsible for the publication of the report and accounts.

SECTION 3: MANAGEMENT RESPONSIBILITIES

Strategic and operational plans

38. The SFC shall ensure that a strategic plan, agreed with the Scottish Ministers, is in place and published on the SFC website. The SFC shall agree with the SG the issues to be addressed in the plan and the timetable for its preparation and review. The final plan shall reflect the SFC's strategic aims and objectives as agreed by the Scottish Ministers, and any priorities set by the Scottish Ministers. It shall demonstrate how the SFC contributes to the achievement of the SG's primary purpose of increasing sustainable inclusive economic growth and alignment with the SG's NPF and NSET.
39. The strategic plan for the SFC shall normally include:
- the purpose and principal aims of the SFC;
 - an analysis of the environment in which the SFC operates;
 - key objectives and associated key performance targets for the period of the plan, the strategy for achieving those objectives and how these will contribute towards the achievement of the SG's primary purpose and alignment with the NPF;
 - indicators against which performance can be judged;
 - details of planned efficiencies, describing how the SFC proposes to achieve better value for money, including through collaboration and shared services; and
 - other matters as agreed between the SG and the SFC.
40. The strategic plan should inform the development of a separate operational plan for each financial year. The operational plan should include key targets and milestones for the year immediately ahead, aligned to the NPF, and be linked to budgeting information so that, where possible, resources allocated to achieve specific objectives can be identified. A copy of the SFC's operational plan should be provided to the Sponsor Team prior to the start of the relevant financial year.

Budget management

41. Each year, in the light of decisions by the Scottish Ministers on the allocation of budgets for the forthcoming year, the SG will send to the SFC a formal statement of its budgetary provision, a note of any related matters and details of the budget monitoring information required by the SG. The terms of that letter, referred to as the BAM letter, should be viewed as complementing the content of this document. The monthly monitoring is the primary means of in-year budgetary control across the SG. As such bodies must comply with the format and timing of the monitoring together with any requests for further information. The statement of budgetary provision will set out the budget within the classifications of resource Departmental Expenditure Limits (RDEL); capital DEL (CDEL); Ring-fenced (non-cash) (RfDEL). The SFC will inform the Sponsor Team at the earliest opportunity if a requirement for Annually Managed Expenditure (AME) budget is identified. The SG should also be advised in the event that estimated net expenditure is forecast to be lower than budget provision.
42. Transfers of budgetary provision between the different summary classifications as advised will require the prior approval of the SG Finance Directorate. Any proposals for such transfers should therefore be submitted to SG Finance and the Sponsor Team. Transfers of provision within the summary classifications may be undertaken without reference to the SG, subject to any constraints on specific areas of expenditure (e.g. the approved pay remit) and subject to remaining within the wider categories specified within the SFC BAM letter including any terms and conditions of grant set out in the BAM letter (see paragraph 41).
43. If the trading and other resource income - or the net book value of disposals of non-current assets - realised is less than that included in the most up to date agreed budget the SFC shall, unless otherwise agreed with the SG, ensure a corresponding reduction in its gross expenditure. (The extent to which the SFC exceeds agreed budgets shall normally be met by a corresponding reduction in the budgets for the following financial year.)
44. If income realised is more than that included in the most up to date agreed budgets the SFC must obtain the prior approval of the SG before using any excess to fund additional expenditure. (Failure to obtain prior approval for the use of excess income - excluding income resulting from gifts, bequests and donations - to fund additional expenditure may result in corresponding reductions in budgets for the following financial year.)
45. Through re-profiling, the SFC can use an agreed mechanism to balance its budget lines at the end of the financial year. Re-profiling may be required due to the nature of the HE and FE budgets and differences between the academic and financial years. It is this difference between academic and financial years that enables re-profiling for the SFC. Re-profiling is subject to the approval of Scottish Ministers. SFC should seek agreement from SG, on an annual basis, prior to each financial year-end on the value of its budget re-profiling request.

Cash management

46. Any [grant in aid](#) for the year in question must be authorised by the Scottish Parliament in the annual Budget Act. Grant in aid will normally be paid in monthly instalments on the basis of updated profiles and information on unrestricted cash reserves. Payment will not be made in advance of need, as determined by the level of unrestricted cash reserves and planned expenditure. Unrestricted cash reserves held during the course of the year should be kept to the minimum level consistent with the efficient operation of the SFC - and the level of funds required to meet any relevant liabilities at the year-end. Grant in aid not drawn down by the end of the financial year shall lapse. Grant in aid shall not be paid into any restricted reserve held by the SFC.
47. The banking arrangements adopted by the SFC shall comply with the [Banking](#) section of the SPFM.

Repayment

48. Grant-in-aid is paid under sections 9 and 10 of the Further and Higher Education (Scotland) Act 2005 ('the 2005 Act') for the purposes set out in section 11(1) of the 2005 Act and the SFC's applicable legislation. Under section 9(3) of the 2005 Act, the Scottish Ministers may provide in the terms and conditions of grant, for the repayment (whether in whole or in part) of the grant-in-aid from the SFC in specified circumstances.

Spending Review

49. At periods to be determined by Scottish Ministers, the SFC will be asked to provide robust advice on the expenditure required to meet Ministers' policy priorities and deliver the statutory duties and functions of the SFC. In doing so, the SFC must use its expertise and knowledge of the requirements of the further and higher education sectors, as well as its knowledge of the wider fiscal position, to provide objective and well-evidenced advice and options to Ministers.

Risk management

50. The SFC shall ensure that risks are dealt with in an appropriate manner, in accordance with recognised good practice in corporate governance, and develop a risk management strategy, consistent with the [Risk Management](#) section of the SPFM. Reporting arrangements shall ensure that the Sponsor Team is made aware of relevant risks and how they are being managed. The SFC's Audit Committee is also required to ensure that the Board and the Accountable Officer, at the earliest opportunity, take steps to notify the SG Sponsor team (which will brief the relevant DG Assurance meeting) if it considers that it has identified a significant problem that might affect adversely the successful achievement of the SFC strategic plan priorities or the effective delivery of its functions.

Organisational security and resilience

51. As part of risk management arrangements, the SFC shall ensure that it has a clear understanding at Board level of the key risks, threats and hazards it may

face in the personnel, physical and cyber domains, and take action to ensure appropriate organisational resilience to those risks/threats/hazards. It should have particular regard to the following key sources of information to help guide its approach:

- [Having and Promoting Business Resilience \(part of the Preparing Scotland suite of guidance\)](#)
- [The Scottish Public Sector Action Plan on Cyber Resilience](#) and associated guidance, in particular the [Cyber Resilience Framework](#)

Fraud management

51. The SFC shall adopt and implement policies and practices to safeguard itself against fraud and theft, in accordance with the [Fraud](#) section of the SPFM. Application of these processes must be monitored actively, supported by a fraud response plan and robust reporting arrangements. This includes the establishment of arrangements to report any suspicions of fraud. In addition the SFC should take risk-based and proportionate steps to appraise the financial standing of any supplier or other body with which it intends to enter into a contract or to provide funding.

Performance management

52. The SFC shall operate management information and accounting systems that enable it to review, in a timely and effective manner, its financial and non-financial performance against the strategic aims, objectives, targets and milestones set out in its strategic and operational plans. The results of such reviews should be reported on a regular basis to the SFC Board and copied to the SG. The SG shall assess the SFC's performance on a continuous basis and shall meet quarterly for strategic dialogue including on performance. The responsible Cabinet Secretary / Scottish Minister shall meet the SFC chair at least once a year.

Management of the SFC's staff

Responsibilities for the SFC staff

53. The SFC has responsibility for the recruitment, retention, effective deployment and motivation of its staff. It shall ensure that:
 - personnel policies, practices and systems comply with employment and equalities legislation, and standards expected of public sector employers;
 - the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness (subject to the SG Pay Policy for Staff Pay Remits);
 - the performance of its staff at all levels is satisfactorily appraised and the SFC's performance measurement systems are reviewed from time to time;

- staff are encouraged to acquire and utilise effectively the appropriate professional, management and other expertise necessary to achieve the SFC's objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle-blowing procedures consistent with the Public Interest Disclosure Act 1998 are in place;
- a code of conduct for staff is in place based on the Model Code for Staff of Executive NDPBs – see chapter 5 of [Public Bodies: A Guide for Departments](#); and
- an effective and robust operational plan is agreed annually with the Sponsor Team.

Pay and conditions of service

54. The SFC will comply with SG Pay Policy in relation to staff and the chief executive. The SFC shall submit to the SG for approval (normally annually unless a multi-year deal has been agreed) a pay remit in line with the SG [Pay Policy for Staff Pay Remits](#) and negotiate a pay settlement within the terms of the approved remit. Payment of salaries should also comply with the [Tax Planning and Tax Avoidance](#) section of the SPFM. Proposals on non-salary rewards must comply with the guidance in the [Non-Salary Rewards](#) section of the SPFM. [Where applicable, the SFC will also seek appropriate approval under the SG [Pay Policy for Senior Appointments](#) for the chief executive's remuneration package prior to appointment, annually or when a new appointment or change to the remuneration package is being proposed.]

Pensions, redundancy and compensation

55. Superannuation arrangements for the SFC staff are subject to the approval of the SG. The SFC's staff shall normally be eligible for a pension provided by the Civil Service Pension arrangements. Staff may opt out of the occupational pension scheme provided by the SFC. However, the SFC will not make any contributions to any personal pension schemes which staff have.
56. Any proposal by the SFC to move from existing pension arrangements, or to pay any redundancy or compensation for loss of office, shall require the prior approval of the SG. Proposals on compensation payments must comply with the [Settlement Agreements, Severance, Early Retirement and Redundancy Terms](#) section of the SPFM. This includes referral to the SG of any proposed compensation payment being considered for an individual outwith any existing approved scheme and *before* the individual is approached and any offer made either orally or in writing.

Asset and property management

57. The SFC shall maintain an accurate and up-to-date record of its current and non-current assets consistent with the [Property: Acquisition, Disposal and](#)

[Management](#) section of the SPFM. “Fixed” assets should be disposed of in accordance with the [Disposal of Assets](#) section of the SPFM. The SG’s Property Advice Division should be notified of relevant proposed disposals of property at the earliest opportunity and at least 1 month prior to them being advertised on the open market. Any proposal to acquire land, buildings or other rights in property should comply with the [Acquisition of Property](#) section of the SPFM.

58. The SFC is also subject to the [SG Asset Management Policy](#), including the requirement for any new commitments to be signed off by the Scottish Ministers. Information concerning SFC should be accurately recorded and updated as necessary on the Office of Government Commerce [electronic Property Information Mapping System](#) (e-PIMS).

SECTION 4: SPECIFIC FINANCIAL PROVISIONS

Scottish Government Financial and Reporting Guidance

59. The SFC shall follow the requirements of the SPFM, Consolidated Budgeting Guidance and the FReM.

Delegated authorities

60. The SFC’s specific delegated financial authorities - as agreed in consultation between the SFC and the SG - are set out in the attached **Appendix**. The SFC shall obtain the SG’s prior written approval before entering into any undertaking to incur any expenditure that falls outside these delegations. The SFC shall also comply with any requirements for prior SG approval included in the SPFM and/or this document.
61. Prior SG approval must always be obtained before incurring expenditure for any purpose that is or might be considered novel, contentious or repercussive or which has or could have significant future cost implications.

Income generation

62. The SFC shall seek to optimise income - grant in aid does not qualify as income - from all sources, and ensure that the SG is kept informed. Novel or contentious proposals for new sources of income or methods of fundraising must be approved by the SG. Fees or charges for any services supplied by the SFC shall be determined in accordance with the [Fees & Charges](#) section of the SPFM.
63. Gifts, bequests or donations received by the SFC count as income and should be provided for in the agreed resource DEL and capital DEL budgets, updated as necessary in consultation with the SG. However, the SFC should be able to demonstrate that expenditure funded by gifts etc. is additional to expenditure normally supported by grant in aid or by trading and other income.
64. Before accepting such gifts, bequests or donations the SFC shall consider if there are any associated costs in doing so or any conflicts of interests arising. The SFC shall keep a written record of any such gifts, bequests and donations their retention or disposal.

Financial investments

65. Unless covered by a specific delegated authority the SFC shall not make any financial investments without the prior approval of the SG. That would include equity shares in ventures which further the objectives of the SFC. The SFC shall not invest in any venture of a speculative nature.

Borrowing

66. As set out in Section 23 of the Act, the SFC may not borrow money.

Lease arrangements

67. Unless covered by a specific delegated authority the SFC shall not enter into any finance, property or accommodation related lease arrangement – including the extension of an existing lease or the non-exercise of a tenant’s lease break - without the SG’s prior approval. Before entering into or continuing such arrangements the SFC must be able to demonstrate that the lease offers better value for money than purchase and that all options of sharing existing public sector space have been explored. Non-property/ accommodation related operating leases are subject to a specific delegated authority. The SFC must have capital DEL provision for finance leases and other transactions which are in substance borrowing.

Tax arrangements

68. Non-standard tax management arrangements should always be regarded as novel and/or contentious and must therefore be approved in advance by the SG. Relevant guidance is provided in the [Tax Planning and Tax Avoidance](#) section of the SPFM. The SFC shall comply with all relevant rules on taxation, including VAT. All individuals who would qualify as employees for tax purposes should be paid through the payroll system with tax deducted at source. It is the responsibility of the SFC to observe VAT legislation and recover input tax where it is entitled to do so. The SFC shall also ensure that it accounts properly for any output tax on sales or disposals.

Subsidy Control

69. The EU State aid regime was effectively revoked from UK law from 1 January 2021 and subsidy control provisions are now covered by the UK-EU Trade and Cooperation Agreement (TCA) and the UK’s international obligations including various Free Trade Agreements and those arising as a consequence of World Trade Organisation membership. This position may be subject if the UK Government establishing its own domestic subsidies control regime: a UK wide consultation on this is set to take place in the first half of 2021. Currently any activity that the NDPB undertakes itself, or funds other bodies to undertake, that can be offered on a commercial market for goods and services is subject to the TCA subsidy rules. A full assessment is therefore required prior to disbursing any funding and would be subject to the guidance in the [subsidy regime section](#) of the SPFM.

Lending and guarantees

70. The SFC is to comply with section 23 of the Act. In addition, any lending by the SFC shall adhere to the guidance in the [Borrowing, Lending & Investment](#) section of the SPFM on undertaking due diligence and seeking to establish a security. Unless covered by a specific delegated limit the SFC shall not, without the SG's prior approval, lend money, charge any asset, give any guarantee or indemnity or letter of comfort, or incur any other contingent liability (as defined in the [Contingent Liabilities](#) section of the SPFM or in International Financial Reporting Standards), whether or not in a legally binding form. Guarantees, indemnities and letters of comfort of a standard type given in the normal course of business are excluded from this requirement.

Impairments, provisions and write-offs

71. Assets shall be recorded on the balance sheet at the appropriate valuation basis in accordance with the FReM. Where an asset - including investments - suffers impairment it is important that the prospective impairment and background is communicated to the SG at the earliest possible point in the financial year to determine the implications for the SFC's budget. Similarly any significant movement in existing provisions or the creation of new provisions should be discussed in advance with the SG. Write-off of bad debt and/or losses scores against the SFC's resource DEL budget classification and is subject to a specific delegated limit.

Insurance

72. The SFC is subject to the SG policy of self-insurance. Commercial insurance must however be taken out where there is a legal requirement to do so and may also be taken out in the circumstances described in the [Insurance](#) section of the SPFM - with the prior approval of the SG. In the event of uninsured losses being incurred the SG shall consider, on a case by case basis, whether or not it should make any additional resources available to the SFC. The SG will provide the SFC with a Certificate of Exemption for Employer's Liability Insurance.

Procurement and payment

73. The SFC'S procurement policies shall reflect relevant guidance in the [Procurement](#) section of the SPFM and relevant guidance issued by the SG's Procurement and Commercial Directorate. Procurement should be undertaken by appropriately trained and authorised staff and treated as a key component of achieving the SFC's objectives consistent with the principles of [Value for Money](#), the highest professional standards and any legal requirements. All external consultancy contracts over the value of £100,000 or any proposal to award a contract without competition (non-competitive action) over the value of £100,000 must be endorsed in advance by the Chief Executive.
74. Any major investment programmes or projects undertaken by the SFC shall be subject to the guidance in the [Major Investment Projects](#) section of the SPFM [and is also subject to a specific delegated authority]. The Sponsor Team must be kept informed of progress on such programmes and projects and Ministers must be alerted to any developments that could undermine their viability. ICT

investment plans must be reported to the SG's Office of the Chief Information Officer.

75. The SFC shall pay all matured and properly authorised invoices relating to transactions with suppliers in accordance with the [Expenditure and Payments](#) section of the SPFM and in doing so shall seek wherever possible and appropriate to meet the SG's target for the payment of invoices within 10 working days of their receipt.

Gifts made, special payments and losses

76. Unless covered by a specific delegated authority the SFC shall not, without the SG's prior approval, make gifts or special payments or write-off of losses. Special payments and losses are subject the guidance in the [Losses and 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.

Discretionary spend

77. Permission should be sought from SG Finance for all expenditure of £250,000 or above from SFC's budget, where a new previously unplanned commitment is being entered into, there is a revision to an existing commitment or where underspend has emerged and there is an element of discretion about the decision. This requirement excludes those areas agreed between the SFC and SG that are exempt (i.e. all non-running cost areas).

Disposal income

78. Where the SFC has financed expenditure on assets by a third party (or they have otherwise been financed with public money), the SFC shall make appropriate arrangements to ensure that any such assets are not disposed of (or ceased to be used for the intended purpose) by the third party without the SFC first considering the merits of the disposal (or alternative use). The SFC shall liaise with the SG when considering the merits of the disposal (or alternative use).

Board expenses

79. Remuneration, allowances and expenses paid to Board members and any pension arrangements must comply with the SG Pay Policy for Senior Appointments and any specific guidance on such matters issued by the Scottish Ministers.

SFC FRAMEWORK DOCUMENT WITH SCOTTISH GOVERNMENT: APPENDIX 1

SPECIFIC DELEGATED FINANCIAL AUTHORITIES

SFC Running Costs	Delegated Limit
External business and management consultancies	£100,000
Non-competitive action	Authority delegated completely to SFC's Accountable Officer
Operating leases – other than property/ accommodation related leases	Up to £100,000
Gifts	Up to £1,000
Special payments	Up to £5,000
Claims waived or abandoned	Up to £5,000
Write-off of bad debt and/or losses	Up to £5,000
SFC Capital Projects	Up to £250,000

SFC Programme Budget	Delegated limit
Capital projects	Up to £50 million
Revenue Grants	Authority delegated completely to SFC and its Chief Executive up to £1million for non-core funds (in accordance with the SFC's Scheme of Delegation)