



Annual Report and Accounts 2023-24

**Building a connected, agile,
sustainable tertiary education and
research system for Scotland**



Scottish Funding Council
Comhairle Maoinachaidh na h-Alba

OCTOBER 2024

Cover Photos:
Robert Gordon University
University of Dundee
Dundee & Angus College
UHI Moray

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SECTION 1: THE PERFORMANCE REPORT



Foreword

**by Mike Cantlay, Chair of SFC and
Martin Boyle, Interim Chief Executive of SFC**

Welcome to the Scottish Funding Council's 2023-24 Annual Report and Accounts. As Scotland's tertiary education and research authority, we are responsible for investing almost £2bn of public money into Scotland's 24 colleges and 19 universities. It is therefore incumbent on us to account for how we have spent that money and to demonstrate the impact we have made. We are proud to present a summary of our achievements and the achievements of the sectors we fund, as well as laying out our financial statements for public review.

We continue to operate in an incredibly challenging fiscal environment. Although Scotland's colleges and universities are recognised as making a huge contribution to the economy and well-being of the nation, they are competing for public investment more than ever before. With increased focus on public service reform, 2023-24 saw the publication of the Independent Review of the Skills Delivery Landscape. We broadly welcomed this report, alongside the Scottish Government's Purpose & Principles for post-school Education, Research and Skills. Many of the recommendations align with our 2021 National Review of Tertiary Education and Research and we remain committed to working with the Scottish Government as Ministers set out their priorities for reform in the years ahead.

Alongside the financial challenges facing institutions, the tertiary education sector, like every other sector, is also facing into the challenges caused by climate change. Here, however, Scotland's colleges and universities can play a proactive and pivotal role. SFC's core funding for research and innovation is

enabling institutions to maintain broad and deep capability in fields ranging from heat decarbonisation to sustainable transport, the circular economy to sustainable chemicals and materials, to sustainable agriculture, aquaculture and protecting natural resources. Beyond our core funding, we are also investing in Alliances for Research Challenges (ARCs), two of which are focused on addressing climate change: the Scottish Research Alliance for Energy, Homes and Livelihoods; and the Scottish Research Alliance for Food: Health, Equity and Sustainability. Our investment in learning and teaching is also enabling colleges and universities to develop the skilled workforce needed for the transition to net zero.

Within an evolving context our overarching priority remains unchanged: to secure the coherent provision of high quality further and higher education and the undertaking of research. Accordingly, in announcing our funding allocations for colleges and universities, we prioritised front line teaching and investment in research. In the university sector, we managed a small uplift to the investment per individual student while maintaining opportunities for Scottish domiciled students and we increased research and innovation funding by £5.5m. In the college sector our revised funding model provided colleges with greater planning certainty, less exposure to recovery and, importantly, an increase in the price per credit.

Building on a key recommendation from our National Review, our approach to quality assurance was a key focus of the year. In delivering our statutory duties, we commissioned Education Scotland and Quality Assurance Agency (QAA) to provide us with assurance about quality across colleges and universities respectively. We are now developing Scotland's Tertiary Quality Enhancement Framework (TQEF) and in May 2023 we commissioned QAA to lead on the design, planning and delivery of a multi-year external

peer-review cycle for colleges and universities for implementation in Academic Year (AY) 2024-25. In doing so, QAA is working closely with Education Scotland, drawing on their extensive experience and utilising their knowledge and understanding of the college sector.

To support the increase in funding for research and innovation, we took time during 2023-24 to make the case for continued public investment, commissioning three reports that demonstrated the impact of Scottish university research to the economy and wider society. We also undertook a robust and comprehensive assessment of our Innovation Centres to support the relaunch of our flagship innovation investments as stable long-term infrastructure.

Without investment in our workforce and our internal infrastructure, we would be unable to support the distribution of such a significant sum of public investment and hold the institutions that we fund to account. We have therefore continued to invest in our capacity and capability. We would like to pay tribute to our own staff and to members of the Board who throughout the year have dedicated their time and commitment to ensuring that Scotland's colleges and universities continue to deliver for learners, researchers, employers and communities. In particular, we pay tribute to our previous CEO, Karen Watt, and to three retiring Board members – Paul Little, Caroline Stuart and Veena O'Halloran.

MIKE CANTLAY
Chair of SFC

MARTIN BOYLE
Interim Chief Executive of SFC



Photo: The Open University

Highlights



£2.0bn

Investment in further and higher education.



124,654

FTE places delivered by Scotland's colleges.



144,660

FTE places delivered by Scotland's universities.



£38.2m

Low interest loans to accelerate net zero plans for universities in FY 2023-24.



Investing in skills:

1,178

Funded Graduate Apprenticeship places.

2,115

Funded Foundation Apprenticeship places.

£8.5m

Invested in Flexible Workforce Development Fund.

£7m

Invested in University Upskilling Fund, 91% of learners satisfied with upskilling course quality, 92% of learners felt they increased their knowledge, and 86% felt they increased development of skills.

£172m

Invested in controlled subjects such as medicine, dentistry and teaching, delivering 27,287 fte places.

1,560

Employers benefitted from colleges and the Open University in Scotland delivering upskilling and reskilling opportunities in sectors including manufacturing, engineering, hospitality and green skills.



Student satisfaction:

77.1% of final year undergraduates were satisfied with the quality of their course.

92.7% full-time students were satisfied with their college experience.

Diversity of the learner population:



16.5% of first degree entrants were from 20% most deprived areas (AY 2021-22)



Research & Innovation:

Scottish universities leveraged £334.2m from UKRI (Research Councils)

341

new registered companies from Scottish academia.

831

active spin-out and start-up companies from universities in the last three years.

Published **3 reports** providing insights into the benefits of Scottish university research on the economy and wider society in FY 2023-24.

All figures relate to academic year (AY) 2022-23 unless otherwise stated.



Photo: University of Aberdeen

Performance overview


About the Scottish Funding Council


Purpose and activities of the SFC

The Scottish Funding Council (SFC) is Scotland’s tertiary education and research authority. We use the word tertiary to describe post-16 or post-secondary level education that is typically undertaken at a college or university. We fund 24 colleges and 19 universities across Scotland.

As a non-departmental public body (NDPB) established by the Further and Higher Education (Scotland) Act 2005, we are directly accountable to Scottish Government Ministers and the Scottish Parliament. We work across many government portfolios and are sponsored by the Lifelong Learning and Skills (LLS) Directorate.

Our main statutory duties and powers come from the 2005 Act. We have two core statutory duties:

- 

To secure the coherent provision by post-16 education bodies of high quality and fundable further and higher education.
- 

To secure the undertaking of research.

Our purpose is to sustain a world-leading system of tertiary education, research and innovation that enables students to flourish; changes lives for the better; and supports social, economic and environmental wellbeing and prosperity.

- In pursuit of our purpose we invest around £2bn of public money to deliver:

 - Tertiary learning and teaching.
 - Skills and apprenticeships.
 - Student support and participation.
 - Discovery research.
 - Innovation and knowledge exchange.
 - Data collection and dissemination.
 - National quality assurance and enhancement processes.
 - New and upgraded physical buildings and campus estate.
 - Essential digital infrastructure and collective procurement for the sector.
 - Strategic change, responsive provision and research priorities.
- We carry out the following activities to secure investment impact:

 - Distribute money in a fair and accountable way to secure coherent tertiary provision and excellent research.
 - Joint planning and alignment of funding with other partners to secure outcomes and collective impact.
 - Sharing of expert advice, intelligence and evidence with government, partners and the wider public.
 - Ensuring students’ interests are promoted and protected.
 - Developing national operational policy for tertiary education and skills; discovery research, innovation and knowledge exchange.
 - Setting expectations, targets and conditions for our funding; hold funded bodies to account; and secure improvement.
 - Scrutinising the governance and financial health of institutions to secure public investment and a sustainable sector.
 - Collecting and disseminating authoritative data and analysis.

Structure of SFC

SFC is led by its Board which meets regularly throughout the year. Day-to-day management rests with the Chief Executive and the Executive Team. Further information on the SFC Board and Executive Team is in the Directors’ Report, on page 78.

Our organisation

SFC is based at a single location in Edinburgh. As at 31 March 2024 we directly employed 157 staff. Since early 2022 we have been working in a hybrid manner. The agreed principles of this approach are set out in our Hybrid Working Guidance, introduced in October 2022 and reviewed in early 2024. This way of working is popular with staff, helps us to attract talent from a wider and more diverse field and continues to support our operational objectives as well as providing greater flexibility and minimising travel.

SFC continues to implement a Delivery Plan that supports achievement of the objectives set out in our Strategic Plan. We also have a Transformation Programme underway: an ambitious programme of change to ensure that we have the right people, systems and processes in place to enable SFC to deliver its goals both now and in the future.

A key element of this transformation programme includes the development of our organisational design to ensure we have the staff resources in place with the relevant skills and capabilities to deliver our Strategic Plan. SFC has increased its investment in developing its analytical, digital, operational and research capacity and in improving the resilience and capacity in its digital and finance functions. In addition, we have continued our focus on responding to the climate emergency, including the implementation of a carbon neutral policy.

Photo: Dundee and Angus College



Uniting behind our purpose

To be proud to work for SFC and find joy at work!

Culture, values and behaviour



Effective structure and governance

To transform our infrastructure and operating model to enable us to respond better to new challenges and opportunities

Organisational design
Process mapping / digitalisation / automation
Growth, roles, recruitment & selection
Governance



Effective planning and prioritisation

To organise our activities and resources around priority work to achieve our mission and maximise value

Review implementation
Guidance letter delivery
Strategic Plan 2022-27
NSET alignment
Strategic Planning & Prioritisation Framework



Grow our talent

To empower our people, attract and retain talent and invest in our development, and to use our collective expertise creatively and to best effect

Performance Management Framework Review
Competency Framework
L&OD strategy
Critical skills
Talent management

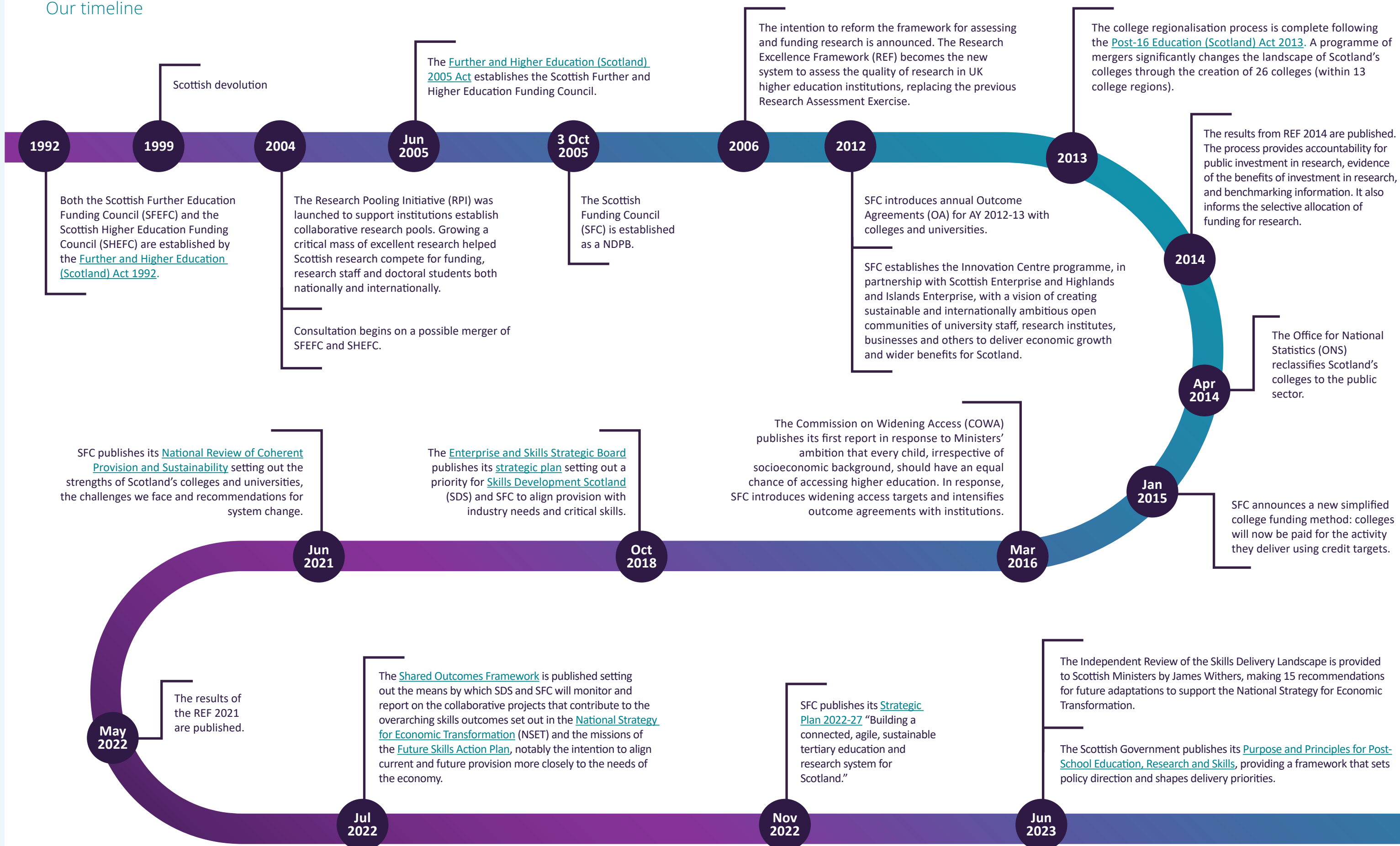


Transform our workplace environment

To have the tools, technology and working environment that supports us to deliver in an inclusive, flexible and efficient way

ICT & digital transformation
Hybrid working

Our timeline




Our business model

Our business model shows how we deliver our purpose and create value for the tertiary education and research system for Scotland.


OUR PURPOSE

To secure Scotland’s social economic and environmental well-being by meeting the current and future needs of learners, employers, communities and regional economies.


WHAT WE DO




Distribute funding in a fair and accountable way.




Safeguard public investment and support a sustainable sector.




Secure high-quality teaching.




Underpin delivery of excellent research and innovation.




Promote fair access, clear pathways and transitions.




Protect student interests.



Promote skills and lifelong learning.




Invest in digital and physical infrastructure.



Collect and publish tertiary datasets.

HOW WE OPERATE



By working in partnership: We communicate effectively and build close, mutually beneficial and collaborative relationships.



By valuing colleagues and culture: We engage our colleagues and develop their skills to create a culture that enables everyone to participate and thrive.



Commitment to improvement and impact: We continuously develop and improve what we do to create positive impact.



Commitment to integrity, quality and sustainability: We champion the highest ethical and quality standards within an open, safe and inclusive environment, investing in strong and resilient digital infrastructure and minimising our environmental impact.



Through receipt of Scottish Government funding: We optimise use of funding to deliver our functions in accordance with the priorities of Scottish Ministers.

KEY RELATIONSHIPS

- Scottish Government
- Colleges and universities
- Student representative bodies
- Universities Scotland and Colleges Scotland
- Skills Development Scotland
- Higher Education Statistics Agency
- Universities UK

- Quality agencies
- UK Research and Innovation (UKRI)
- Office for Student (OFS) and other UK funding bodies
- Scottish Apprenticeship Advisory Board
- Scottish Qualifications Authority (SQA)
- Universities and Colleges Admissions Service (UCAS)
- Enterprise agencies



Photo: Edinburgh Napier University

Our Strategy

Strategic Plan 2022-27

Our Vision

Our ambition is to make Scotland an outstanding place to learn, educate, research and innovate – now and for the future.

Our Priorities

Our [Strategic Plan 2022-27](#): “**Building a connected, agile, sustainable tertiary education and research system for Scotland**” sets out four objectives we want to achieve.

- To invest in education that is accessible to learners from all backgrounds and throughout life; gives them a high-quality learning experience and supports them to succeed in their studies; provides opportunities to participate; and equips them to flourish in employment, further study and fulfilling lives.
- To invest in excellent research and innovation that advances current knowledge; attracts and nurtures talent and entrepreneurship; mobilises collaboration and additional investment; enhances our international reputation; and delivers economic transformation and societal value.
- To create the conditions for a responsive, coherent system of tertiary education and skills, research and innovation that transforms social and economic prosperity and wellbeing, and environmental sustainability, at national and regional levels and through place-based investment; secures international attractiveness and influence; and supports institutions to thrive individually and together.
- To be an excellent public body that delivers impact through leadership, partnership, insight and wise investment.



Each objective has five priority areas of focus. We continue to work collaboratively with our partners and government to assess our progress, to understand where we can do better, and to adapt the focus of our priorities.

Embedded throughout our plan are these critical themes and objectives:

- Creating the right environment for colleges and universities to thrive both individually and collectively.
- Delivering excellent research and innovation and good outcomes.
- Protecting the interests of current and future students.
- Responding to the climate emergency.
- Responding to the economic, social and environmental needs of Scotland.
- Promoting equality, diversity and inclusion.
- Continuing progress towards Fair Work.
- Recognising the importance of place.
- Understanding the wider UK and international context.

Throughout the year our activities have continued to support delivery of our Strategic Plan and we track our progress and achievements towards our strategic objectives by monitoring the supporting activities set out within our annual Delivery Plan. This Annual Report sets out what we have delivered in Financial Year (FY) 2023-24 to support these objectives.

Supporting government policy and outcomes

SFC’s plans form part of a much broader ambition to build a more successful Scotland. We support the Scottish Government’s purpose ‘to focus on creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth.’ Our work contributed to the delivery of [A Stronger & More Resilient Scotland: the Programme for Government 2023-24](#).

We work with our partners to deliver our outcomes, contributing to the achievement of the Scottish Government’s strategic objectives and wellbeing outcomes – set out in the [National Performance Framework](#).




Our Performance
Performance summary

SFC invests around £2.0bn annually in Scotland’s colleges and universities.


Aligned to our Strategic Plan 2022-2027, we delivered against year two of our 2022-2024 Delivery Plan. Our core objectives and corresponding priorities are set out on pages 26 to 27.

We have identified key achievements under each objective, providing contextual information to provide additional insight and understanding. We have included areas which illustrate the diversity of sector and SFC activity, supported by a range of statistics and data analytics. Areas of focus include funding arrangements; quality of the learner experience; work based and lifelong learning; fair access; research and innovation; skills planning and coherent provision; net zero; financial sustainability and good governance of institutions; capital investment; and SFC itself, as an outcomes focused public body.

In summary, our performance analysis demonstrates the following:



SFC invested £1.3bn in learning and teaching, supporting 224,342* full-time equivalent (FTE) funded places and increasing the price per funded place across the college and university sectors in AY 2023-24.



The changes we made to our college funding model have provided greater planning certainty and reduced exposure to recovery of funding.



We have made excellent progress in developing Scotland’s Tertiary Quality Enhancement Framework for colleges and universities and are on track for its implementation in AY 2024-25.



We have continued to support work-based learning through investment in Foundation and Graduate Apprenticeships, the University Upskilling Fund and by enabling colleges to carry forward funding to deliver activity supported by the final year of the Flexible Workforce Development Fund (FWDF).



We invested £283.7m to support the delivery of research across Scotland’s universities through our Research Excellence Grant (REG) and our Research Post-graduate Grant (RPG) and we demonstrated the value of our investment through the publication of three major reports.




We launched four Alliances for Research Challenges (ARC), underlining the importance of collaboration in addressing some of the biggest questions facing governments across the world, and committing to invest up to £600,000 in each ARC over a period of four years.



Following a robust and comprehensive assessment process, we relaunched four Innovation Centres with a commitment to invest up to £2m per centre annually, cementing their place at the heart of Scottish innovation and knowledge exchange.



Our £20.8m University Innovation Fund (UIF) enabled at least 24,000 interactions between universities and businesses, helping them to translate academic knowledge into innovation, creating new jobs and attracting investment.




Internally, our transformation programme has been embedded across the organisation with a focus on learning and development, internal communications, a new approach to recruitment and our IT capability.




Alongside the other UK funding bodies, we have begun the process of extensive engagement and consultation to develop the next Research Excellence Framework (REF2029).




Our £38.2m Financial Transactions Programme has enabled us to fund eight projects across four universities, supporting them to reduce the university sector carbon footprint by 800 tCO2/pa.



During FY 2023-24 we have focused significant time on reviewing our approach to good governance and monitoring and reporting on the financial health of institutions, guidance on meeting the requirements of the Scottish Public Finance Manual (SPFM), Fair Work Practices, new ways of working collaboratively, and the future of the Regional Strategic Bodies.



Working with our Regional Tertiary Provision Pathfinder partners, we have enhanced our understanding of curriculum planning and design and are on track to publish final findings in AY 2024-25.



We have continued implementation of the College Infrastructure Strategy (CIS) with publication of the CIS Delivery Plan and a review of the capital maintenance funding model.



We invested £2.0m to support entrepreneurialism through Interface and Converge.



Photo: University of Glasgow

Working with our partners

We have continued to work collectively with colleges, universities, students, funding partners, government, and key stakeholders, to secure sustainable institutions, coherent tertiary education provision, excellent research and innovation, and good outcomes.

Our engagement with the Scottish Government includes a programme of regular meetings with the sponsor team, scheduled meetings with Scottish Ministers, regular meetings with central finance, as well as policy specific engagements, including workshops and written briefings. We have provided advice on a wide range of subjects including:



The reform agenda.



Scottish Government budget and implications for funding.



Institutional financial sustainability.



SFC funding allocations.



Innovation Centre funding.



Regional Strategic Bodies.



National Statistics.

We have also engaged with the Scottish Parliament, responding to Parliamentary inquiries, most notably the Public Audit Committee Inquiry into the financial health of Scotland's colleges but also the Finance and Public Administration Committee's Inquiry into the Scottish Government's public service reform programme. We also submitted a written response to the final report on college regionalisation carried out by the Education, Children and Young People Committee (ECYP) and we contributed to the Westminster Scottish Affairs Committee Inquiry into Scotland's research capability.

SFC has continued to work with Scottish Government leads in the delivery of the National Strategy for Economic Transformation (NSET). We meet regularly with representatives from the other skills and enterprise bodies to discuss NSET delivery and alignment of strategic plans. While NSET is undergoing a refresh, we have focused our efforts on engaging with existing workstreams most closely aligned with our mission, including skills, entrepreneurship and innovation. We

Photo: UHI Moray



are a member of the Scottish Government Innovation Strategy Delivery Group and continue to advise the Scottish Government on the development of the Research Commercialisation Framework.

The Shared Outcome Framework, a joint initiative involving SFC, the Scottish Government and SDS, was developed and refreshed in August 2023. It detailed the collaborative projects that contribute to delivery of overarching skills outcomes, aligning current and future provision more closely to the needs of the economy.

We have also continued to work with SDS to advance the apprenticeship programme and embed the provision of graduate and foundation apprenticeships into core tertiary education funding. SDS is also a key partner in our Regional Tertiary Pathfinders while we have supported them in their Careers Service Collaborative Delivery Group.

Regular engagements with sector bodies – Colleges Scotland and Universities Scotland – has played a significant role in shaping our approach to funding allocations as we have tested the impact of different options and sought feedback on sector priorities. FY 2023-24 also saw the introduction of a new college engagement model with the establishment of the College Tripartite Alignment Group, bringing together SFC, the Scottish Government and Colleges Scotland. A key focus of the Group has been to consider an

agreed and actionable approach for enhancing the flexibilities of disposing of capital assets, while a sub-group – the College Funding Group – has discussed credit guidance and the college funding model. A similar group for the university sector is due to be established in 2024-25.

At a UK level we have enhanced our working relationship with the other UK funding bodies. We have regular quarterly meetings with the Office for Students, the Higher Education Funding Council for Wales and the Northern Ireland Department for the Economy, as well as a strong relationship with UKRI. We have a UKRI observer on our Research and Knowledge Exchange Committee and we collaborate on key projects, including REF2029, as well as having regular formal and informal interactions to stay informed of activity and identify opportunities for collaboration and synergy.

In line with our commitment to put student interests at the heart of our thinking, we engage with student representative bodies such as NUS Scotland and individual students' associations as well as with sparqs (student partnerships in quality Scotland). We are also developing a stronger relationship with UCAS to ensure the interests of Scottish students are taken into account in work being undertaken to consider approaches to university admissions.

Performance Summary

Delivery plan 2022-24

Our Delivery Plan sets out actions we will undertake against each of our strategic objectives as set out in our Strategic Plan. They include milestones and indicators developed to evidence progress against these actions. Below is a summary of the overall delivery across the two year period of our Delivery Plan, showing that 88% of actions were completed overall, 10% delayed and 2% paused.



Enabling people to learn and flourish

To invest in education that is accessible to learners from all backgrounds and throughout life; gives them a high-quality learning experience and supports them to succeed in their studies; provides opportunities to participate; and equips them to flourish in employment, further study and fulfilling lives.



Actions complete (89%) Actions delayed (11%) Actions paused (0%)



Generating new ideas and diffusing knowledge

To invest in excellent research and innovation that advances current knowledge; attracts and nurtures talent and entrepreneurship; mobilises collaboration and additional investment; enhances our international reputation; and delivers economic transformation and societal value.



Actions complete (95%) Actions delayed (5%) Actions paused (0%)



Building a responsive, coherent, sustainable system

To create the conditions for a responsive, coherent system of tertiary education and skills, research and innovation that transforms social and economic prosperity and wellbeing, and environmental sustainability, at national and regional levels and through place-based investment; secures international attractiveness and influence; and supports institutions to thrive individually and together.



Actions complete (87%) Actions delayed (10%) Actions paused (3%)



Making SFC an excellent organisation

To be an excellent public body that delivers impact through leadership, partnership, insight and wise investment.



Actions complete (82%) Actions delayed (15%) Actions paused (3%)

Guide to progress of Delivery Plan 2022-24 and status above:

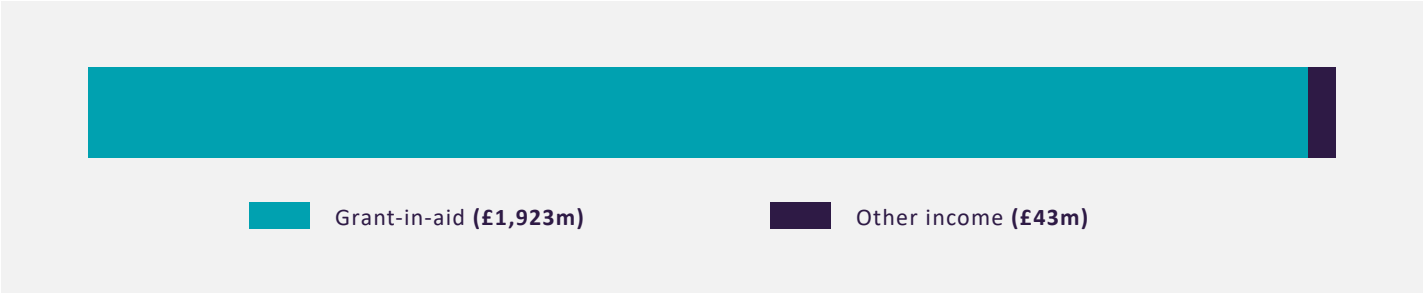
- Actions complete - Progress complete
- Actions delayed - On track to deliver but past originally stated deadline
- Actions paused - Objective paused due to matters outwith SFC’s control or in agreement with Scottish Government

Financial Highlights

We successfully allocated around £2.0bn in funds accurately and on time to colleges and universities in FY 2023-24.

Income and financing

We receive grant-in-aid (GIA) from the Scottish Government to finance the majority of our work, with a small amount of income generated from recovery of underspends and financial transaction repayments.



Expenditure

Our investment of £2.0bn annually in further and higher education is used by colleges and universities to deliver high-quality learning to students, undertake world-leading research, and support innovation in the economy and wider society. During FY 2023-24, we awarded £1.3bn to universities and other bodies (FY 2022-23: £1.2bn), and £772m to colleges and other bodies (FY 2022-23: £762m).

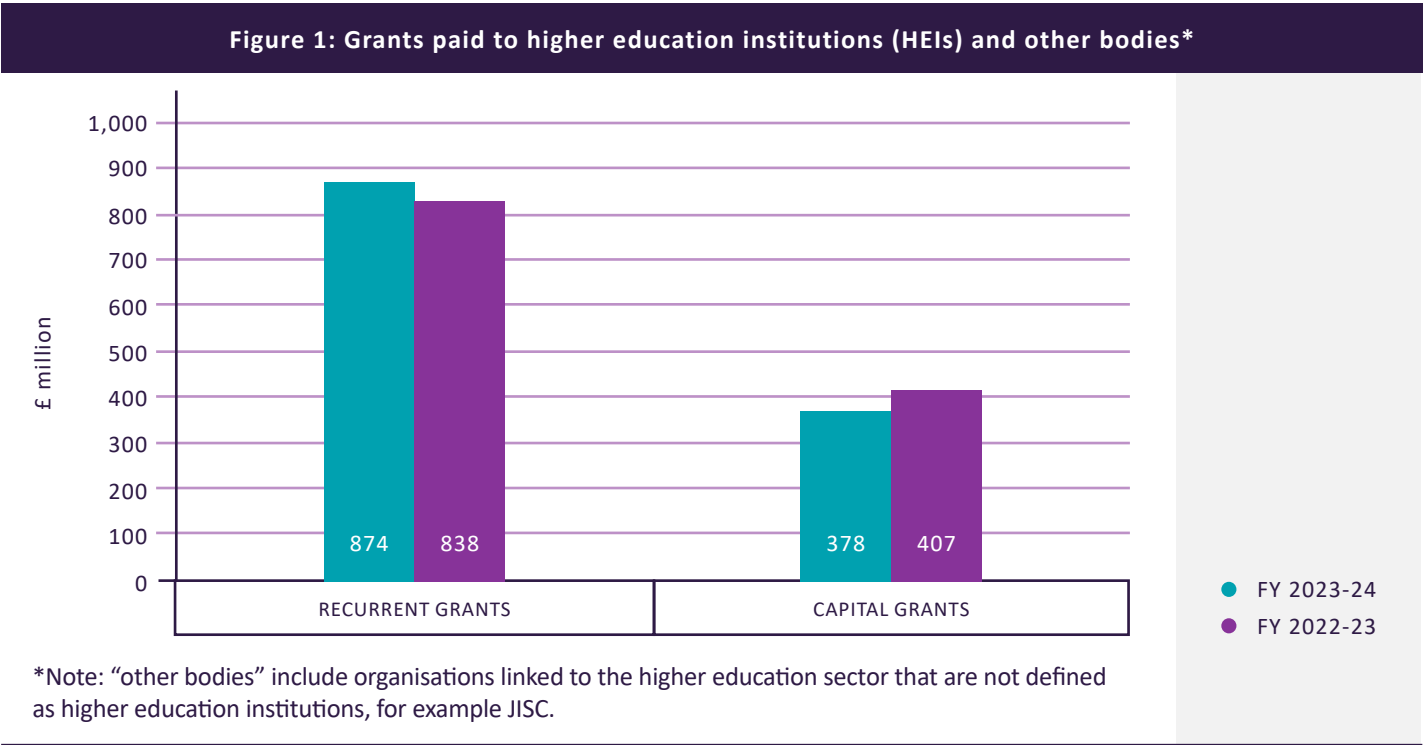
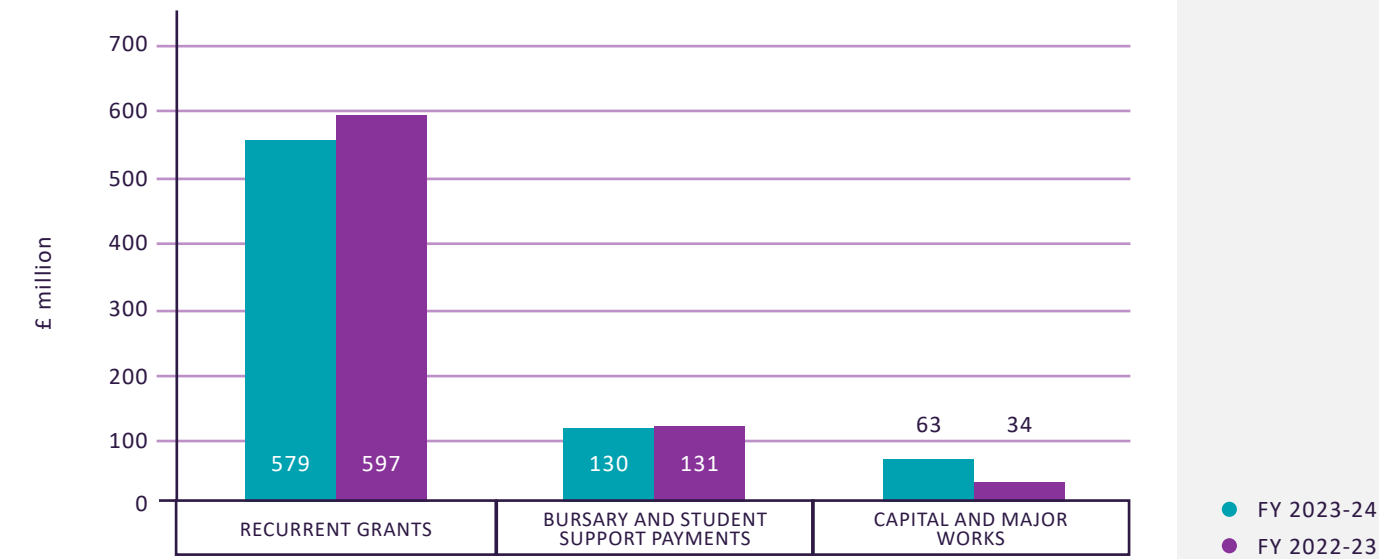


Figure 2: Grants paid to colleges and other bodies**



** Note: "other bodies" include organisations linked to the college sector that are not defined as colleges, for example College Development Network.

Main teaching and bursary grants represented 67% of our total gross spend, with research and innovation representing 18% of total spend. Other funding includes ring-fenced funding from the Scottish Government, as well as strategic and infrastructure investments.

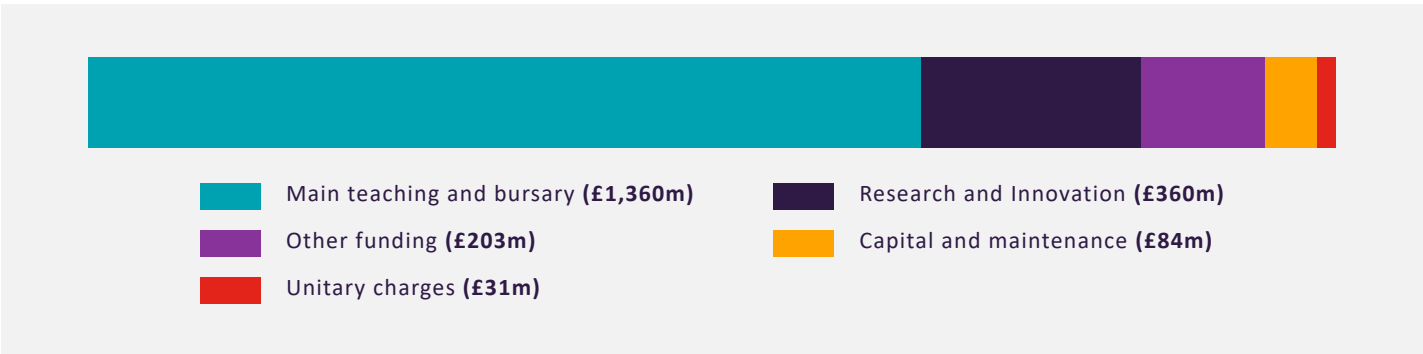


Photo: University of St. Andrews

Key Risks

We operate in a challenging environment, with significant external risks, complexity and uncertainty which could have the potential to impact on the delivery of our objectives as set out in our Strategic Plan. The ongoing Scottish Government programme for reform flowing from the publication of the Independent Review of the Skills Delivery Landscape and the Purpose and Principles for post-school Education, Research and Skills, wider socio-political and environmental pressures, ongoing inflationary pressures within a tight fiscal environment, and challenging net zero targets all contribute to an uncertain risk outlook.

SFC published its Strategic Plan for 2022-2027 in November 2022 and we continue to work with our Board, the Scottish Government, and our strategic partners to identify and manage emerging risks. We have a structured approach to managing risk, which is summarised on page 88.

Throughout the year we kept our risks under review and mitigating actions were developed and delivered. Our approach to risk management includes all types of risks, including strategic and political, financial, operational, legal and regulatory, business resilience, environmental, and people and culture, with the following key risks identified this year:



Risk

The very challenging financial environment and constrained operating environment in which the SFC is operating has the potential to impact institutions through changes in funding allocations for teaching and research. This remains a significant and ongoing risk. Although the risk will impact the wider sector, it creates additional pressures on SFC to secure funding that is aligned to the objectives of the Strategic Plan and will deliver a successful, world-leading, coherent, and sustainable system of education.

Mitigation

SFC continues to develop mitigations that aim to reduce the risk, including working closely with the Scottish Government and other stakeholders on the Spending Review process and enhancing existing governance arrangements around the management of strategic investments covering other priorities.



IT resilience

Risk

The risks associated with a lack of resilience of SFC's IT systems, including a full system failure or a disruption to our IT systems, are significant and will impact our objective to deliver a successful, world-leading, coherent and sustainable system of education.

Mitigation

SFC has migrated its IT estate and infrastructure to cloud-based services and continues to work with strategic partners to deliver improvements as part of a longer-term digital transformation strategy. The review of IT Resilience completed by Internal Audit in December 2023 recognised the attention SFC has given to maturing its IT risk profile through the Digital Transformation programme and provided assurance about the progress that has been made. As with work associated with cyber security, this is ongoing, and we continue to mature our IT risk profile through the Digital Transformation Programme.

No material events or IT incidents were reported in FY 2023-24 and management continues to monitor an IT Risk and Issues log, to identify any areas of concern.

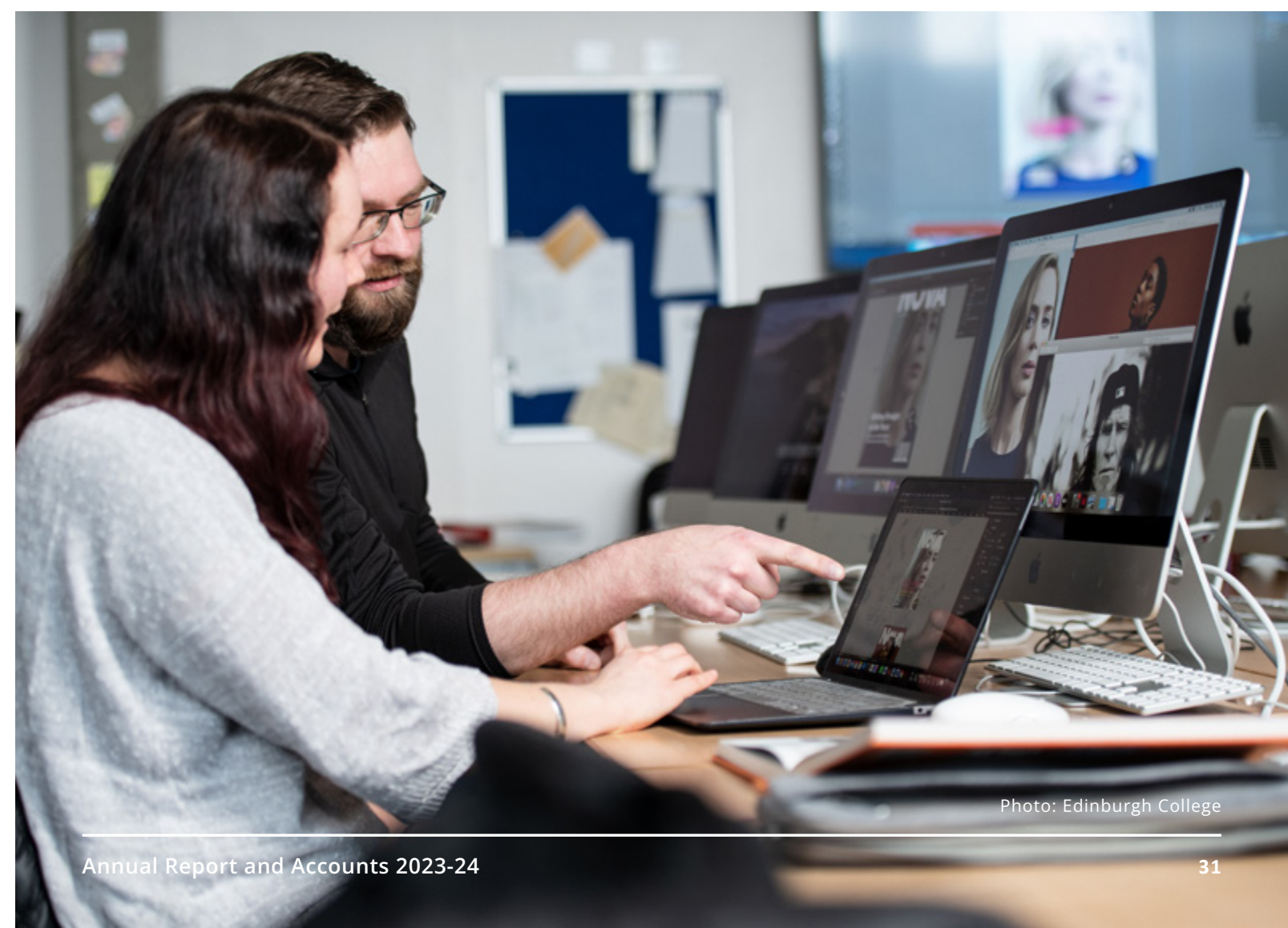


Photo: Edinburgh College

Photo: Abertay University



Financial health of colleges and universities

Risk

The [financial health of colleges and universities](#) continues to be identified as a significant risk with the potential to impact negatively on the achievement of our Strategic Plan objective for a successful, world-leading, coherent, and sustainable system of education.

It is clear from institutions’ financial returns that the financial sustainability of colleges and universities remains challenging across all indicators. Cost pressures include funding staff pay increases, increased employer pension contributions and delivering short- and longer-term capital projects, including estates maintenance and repair requirements. The latest data on international recruitment also shows a less positive position than expected.

Mitigation

We have taken steps to strengthen financial assessment of institutions and continue to engage at a Scottish Government and sector level to identify strategic change that aims to improve overall financial sustainability. We will continue to work with the college and university sectors proactively to evolve solutions to support the sustainability of the sector.



Cybersecurity

Risk

The risks associated with cybersecurity continue across the public sector and are set out in the Scottish Government Strategic Framework for a Resilient Scotland. They continue to increase across the public sector and the universities and colleges we fund. The main risks to SFC are damage to the security and integrity of our data; severe disruption to our systems, including our payments to colleges and universities; leading to financial and reputational damage. The risk, if left exposed and unmanaged, has the potential to impact our objective to be an excellent, outcome-focused public body and our objective to deliver a successful, world-leading, coherent and sustainable system of education.

Mitigation

SFC continues to deliver against a programme of work to further strengthen our information security controls to meet the changing threats of cybercrime.

An Internal Audit of cyber security identified a significant improvement in our cyber security posture over the past 12 months, with areas identified to support the further maturity of our approach. We recognise the cyber security threat is always evolving; however, we have made excellent and significant progress towards ensuring we operate a more proactive and preventative posture. The outcomes from the internal audit contribute to a wider digital transformation programme, with progress updates provided to the Executive Team, Audit and Compliance Committee and Board.

Financial Memoranda with colleges and universities set out the requirements with which institutions are expected to comply in return for funding. The Financial Memoranda set out that institutions are responsible for maintaining effective cyber resilience and for notifying SFC’s Chief Executive of any serious incidents.

SFC reviews the annual report and accounts and audit reports of institutions and highlights any cyber incidents that have not been reported.

In addition to the risks identified above, we also face significant external risks as a result of political and economic uncertainty. As above, we assess risks as part of our strategic planning process to identify any emerging risks.

Key emerging risks include changes associated with the Scottish Government’s reform programme, the very challenging fiscal environment, Scottish Government departmental changes and changes in Scottish Government priorities that impact the wider strategic and political context.

These changes impact our ability to prioritise strategic objectives, whilst continuing to meet multiple stakeholders’ expectations, in a challenging financial

context; to meet climate change targets, during a period of economic volatility; and to manage wider changes in legislation impacting the sector. SFC monitors changes in the delivery against the Strategic Plan with regular updates provided to the Board.

Financial sustainability

The Scottish Government’s estimates and forward plans include provision for the continuation of SFC. Accordingly, it has been considered appropriate to prepare these financial statements on a ‘going concern’ basis.

Performance Analysis

For period 1 April 2022 to 31 March 2024



Enabling people to learn and flourish

To invest in education that is accessible to learners from all backgrounds and throughout life; gives them a high-quality learning experience and supports them to succeed in their studies; provides opportunities to participate; and equips them to flourish in employment, further study and fulfilling lives.

	Outcome: Education is accessible to all learners from all backgrounds, and they are supported through successful pathways.	Actions complete	Actions delayed	Actions paused
		7	1	0
	Outcome: Quality assurance processes are robust and transparent and support confidence in standards.	Actions complete	Actions delayed	Actions paused
		5	0	0
	Outcome: Students are equipped to take up employment and succeed through their whole working lives.	Actions complete	Actions delayed	Actions paused
		8	0	0
	Outcome: Students are partners in institutional decision making and engagement is increased.	Actions complete	Actions delayed	Actions paused
		2	1	0
	Outcome: Persistent inequalities are being addressed and fairer outcomes can be demonstrated.	Actions complete	Actions delayed	Actions paused
		2	1	0

Investing in learning and teaching

We have invested £1.3bn in learning and teaching across the college and university sectors, supporting 224,342 FTE learners. In recognition of the changing external environment, we introduced changes to our college funding model which have provided greater planning certainty and a reduced exposure to the risk of recovery. The key changes are as follows:

We re-based the credit threshold to better reflect demand, reducing it by 10% but with a balancing increase to the price per credit meaning that colleges did not experience a corresponding reduction in funding.

We introduced a 2% tolerance rate which means that colleges can under-deliver on their credit threshold by 2% before we consider recovery of funding.

We have recognised colleges’ fixed costs by decoupling 20% of college teaching funding from the delivery of credits meaning that, when considering potential recovery in respect of under-delivery, we will discount any recovery by 20%.

We reduced the required date, introducing a more generous approach to when a full-time student place can be counted to receive funding, by reducing the required date from 10-12 weeks to 5 weeks.

To provide further stability to the college sector we applied the new model retrospectively to our recovery policy for AY 2022-23.

We will begin work on a review of the university funding model in 2024-25.



Photo: University of Edinburgh

Photo: UHI Perth

Enhancing quality arrangements

A key focus of our work in FY 2023-24 has been the development of Scotland's Tertiary Quality Enhancement Framework (TQEF), a common approach to tertiary quality enhancement in colleges and universities which was first recommended in our 2021 [National Review of Coherent Provision and Sustainability](#). As part of this work, we have commissioned QAA, in partnership with Education Scotland, College Development Network (CDN) and sparqs, to lead the development of an external review, and a student learning experience model, which will support the TQEF. The [Student Learning Experience model](#) was published by sparqs in October 2023.

Alongside this development work, we have continued to seek assurance about the robustness of institutional quality arrangements. We commissioned QAA and Education Scotland to conduct reviews and deliver reports which have been published on their respective websites ([QAA](#) and [Education Scotland](#)). We have also championed the sharing of good practice and lessons learned from quality assurance through Education Scotland's [overview reports](#) and [QAA's reports](#) about individual institutions.

Digital and blended learning

We commissioned QAA, Education Scotland, CDN and sparqs to investigate digital and blended learning in colleges and universities. Part of a wider two-year initiative aimed at the future delivery of effective and inclusive digital and blended learning, we instigated this work to help Scotland's colleges and universities better understand the opportunities and the challenges presented by new technology.

Researchers found that the majority of learning in Scotland's tertiary sector is now blended in some way, meaning it is already the norm and will continue to be so in the future. However, in sharing their thoughts on blended learning, learners stress the importance of having a campus base for their studies. According to our report on [The Future of Learning and Teaching](#), the most important consideration for the future of blended learning is achieving the right balance between its different components. Striving for equality of opportunity and creating a feeling of inclusion were also seen as crucial to success.

Next steps will include a series of staff development workshops and the production of online resources for staff and students.

Work-based learning

We remain committed to work-based learning and development of the apprenticeship programme. In FY 2023-24 we secured representation on the Scottish Apprenticeship Advisory Board and its associated sub-groups: the Employer Engagement Group, the Standard and Frameworks Group and the Apprenticeship Equalities Group. Membership of these groups provides us with the opportunity to support the development of the future apprenticeship programme. Through our core tertiary funding, we made provision for the recruitment of 1,378 graduate apprenticeships and 2,500 foundation apprenticeships. Although the Scottish Government discontinued the Flexible Workforce Development Fund (FWDF) in FY 2023-24, we allowed colleges to carry forward an element of their FY 2022-23 FWDF monies into FY 2023-24 enabling them to deliver bespoke training in sectors including manufacturing, engineering, hospitality, and green skills. In the university sector, we invested £7m in our Upskilling Fund. Mid-year reports show that between August 2023 and January 2024, 256 courses had been delivered, supporting 5,128 enrolments. The greatest number of enrolments was in Business and Management. We have worked with key industries (such as health and social care, early learning and childcare, aerospace, construction and trading standards), employers and employer bodies such as CITB, and SSSC to support workforce planning. Intake targets for controlled subjects were agreed with the Scottish Government in line with our annual process and communicated to the sector. We signed a new Memorandum of Understanding (MoU) with NES (NHS Education for Scotland) to extend our joint working until 2026. As part of this we developed a shared plan of action to support the recovery, growth and transformation of the health and social care workforce.

Work Based Learning and Skills



Photo: Glasgow Caledonian University



Graduate
Apprenticeships

Glasgow Caledonian University

The partnership between Glasgow Caledonian University (GCU) and ID Systems (IDS) is an exemplar of the positive impact of Graduate Apprenticeships. With an awareness of engineering skills shortages, IDS is choosing to invest in building skills in a young workforce and through discussions with GCU found a partner that can facilitate the identification of candidates and a method for developing a sustainable pipeline of engineering talent.

Fair Access and Transitions



Photo: Borders College



Quiet Introduction to College

Borders College

Throughout summer 2023, Borders College hosted a series of Quiet Introduction sessions, aiming to create an inclusive and accessible welcome for students who typically experience barriers to education, including students with additional support needs. Student ambassadors with lived experience of disability provided quiet campus tours for visitors, with 97% of attendees said that the event made them more confident about coming to college.

“Coming along has made me excited to study here.” “It felt welcoming and made me more comfortable starting in August.” “As an anxiety sufferer, this was the boost I needed!”

Lifelong learning

In a rapidly evolving world, with changes to technology and ways of working, we recognise the importance of lifelong learning and how the approach to learning throughout life differs from traditional college and university course provision. The development of modular, credit-bearing courses (micro-credentials) requires a different approach to investment. We have worked with the sector and stakeholders to set clear expectations for our investment in micro-credentials, funding a tertiary sector wide project [Understanding Micro-Credentials and Small Qualifications in Scotland](#). Delivered by QAA, the project aims to enhance understanding and practice in the Scottish sector’s micro-credentials field. A Scottish Tertiary Education Network for micro-credentials has been established to support the project and to gain a sector understanding of the development, use and delivery of micro-credentials and small qualifications. A key output from the Network was the publication in August 2023 of a [Good Practice Guide](#) that provides a starting point for designing and developing micro-credentials to ensure they are well-designed and fit for purpose.

Supporting fair access

We have continued to work closely with the Commissioner for Fair Access to discuss fair access pathways and success, supported by material from our Report on Widening Access (ROWA) and the National Articulation Database. We have also participated in a short-life working group to develop an understanding of the evidence base to inform delivery of the Commission on Widening Access (COWA) targets. An interim report was published in December 2023 that recommended additional analysis of outcomes and contextual admissions be undertaken. Information on how the sectors have delivered is detailed below.

How the sectors delivered

Student Numbers - College Sector AY 2022-23



329,920
enrolments to courses.



Almost **1 in 5 (18.4%)**
of the 18 and 19 year olds in
the population attended college
full-time basis.



124,654
FTE places delivered.



248,907
student headcount. Students may
enrol on multiple courses.

Scotland’s colleges overall have delivered 124,654 FTE places in AY 2022-23.

The number of FTEs (all funding sources) has decreased from the previous year by 4,521, a 3.5% decrease compared to AY 2021-22 FTEs.

Student headcount grew by around 5.1% compared to the previous session, while the number of enrolments increased by around 2.4%.

The rise in student headcount and enrolments but fall in the total FTEs is driven by an overall increase in the number of enrolments on part-time courses but decrease in enrolments on full-time courses.

Source: College Statistics 2022-23

Student Satisfaction - College Sector AY 2022-23



94.6%
overall student
satisfaction.

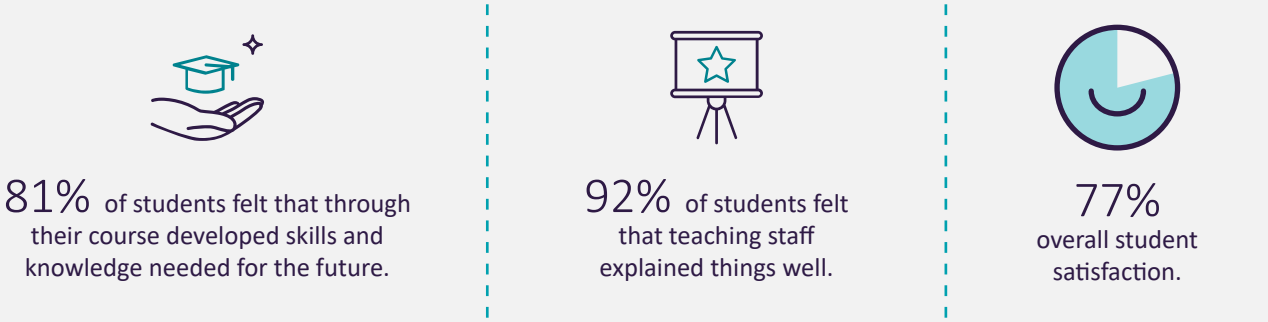
The Student Satisfaction and Engagement Survey showed that nine out of 10 full-time students were satisfied with their college experience (92.7%) – 94.6% and 89.1% of full-time further education (FE) and higher education (HE) students respectively.

This is the highest overall satisfaction levels in the five-year reporting period.

Overall satisfaction levels have increased in AY 2022-23 compared with AY 2021-22.

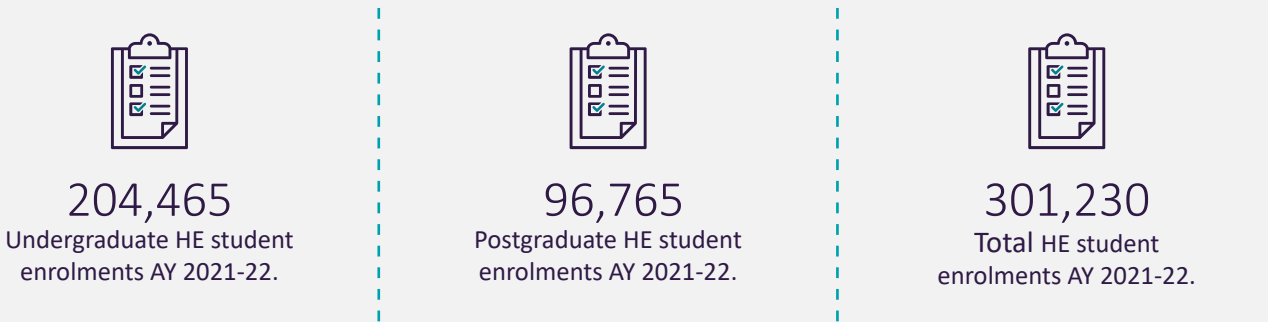
Source: Student Satisfaction and Engagement Survey 2022-23

Student Satisfaction - University sector NSS 2023



Source: OfS National Student Survey – undergraduates

Student Numbers - University sector AY 2021-22



Source: Who’s studying in HE?

Student Success - College and University sectors AY 2021-22

Ensuring that students have a high-quality learning experience and can progress successfully through their learning is also an important strategic priority for SFC.

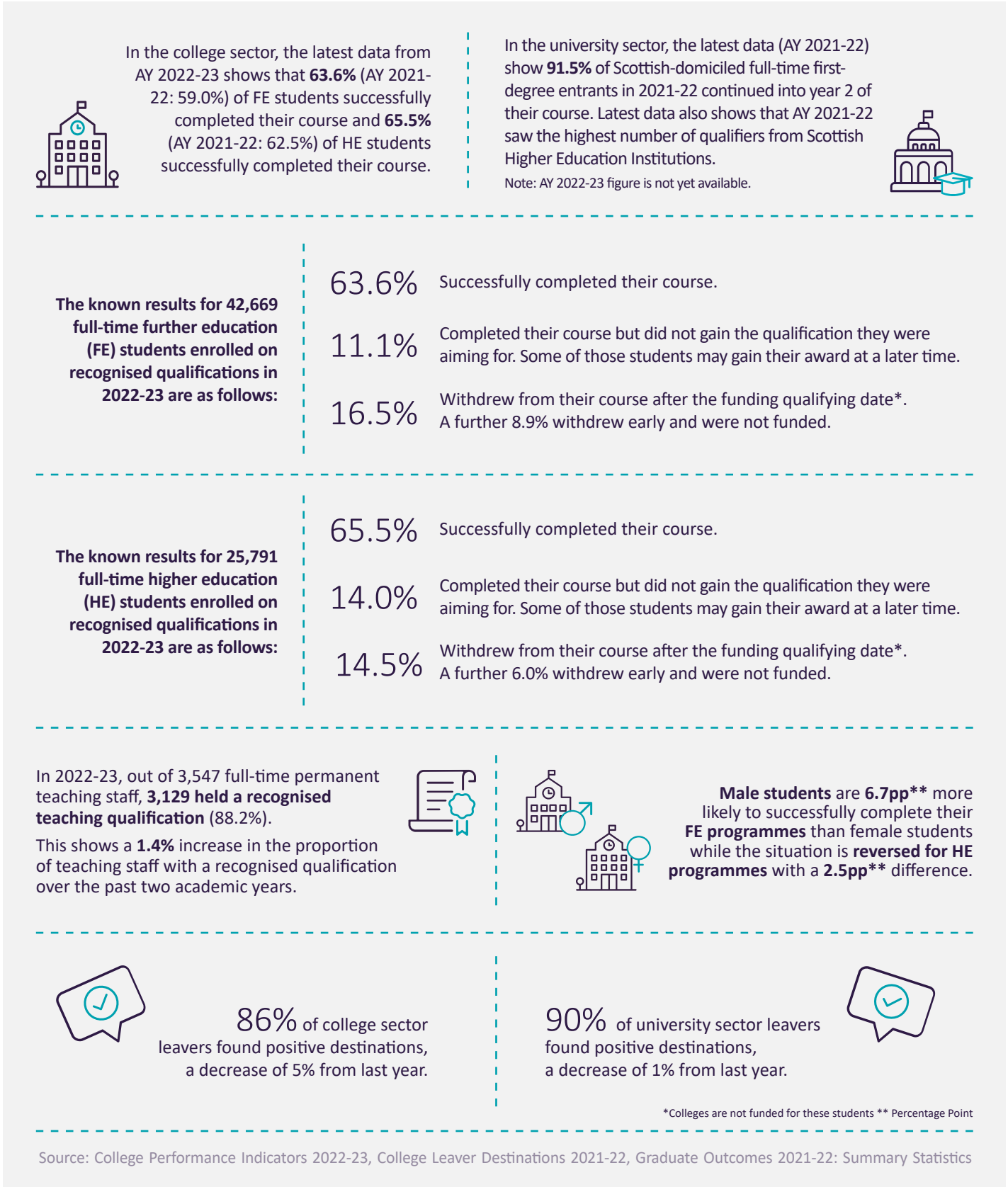




Photo: University of Aberdeen



In 2021-22, there were **5,595** Scottish-domiciled entrants to full-time first-degree courses from the 20% most deprived areas. That represents **16.5%** of all Scottish-domiciled entrants to full-time first-degree courses.


The sector has again achieved the Commission on Widening Access' interim **target of 16% of all Scottish-domiciled full-time first-degree entrants being from the 20% most deprived areas** by 2021-22.

In 2021-22, **45.6%** of Scottish-domiciled full-time first-degree entrants from the 20% most deprived areas progressed from a college course.




When combining all full and part-time undergraduate HE at Scotland's universities and colleges, 19.1% of entrants were from the 20% most deprived areas. When focussing on full-time entrants only, that figure is 20.3%.

This indicates that, at tertiary sector level, equality of access is being achieved but with variance in level of representation at institution and sector level.




And **24.2%** of their Scottish-domiciled entrants to HE courses were from the 20% most deprived areas.



There were **1,720 Care-experienced students** entering undergraduate HE courses at Scotland's colleges and universities in 2021-22. That's an increase of **35** on the 2020-21 and represents **1.5% of all undergraduate HE entrants**. In Scotland, 1.5% of children under 18 were looked after in 2021.

In the **university sector**, there were **1,250 Scottish-domiciled full-time first- degree entrants in 2021-22 combining their studies with caring responsibilities**, with 42% being aged 25 and over.




In the **college sector**, **10,935 enrolments in 2021-22 were by those with caring responsibilities**, with 56.7% being aged 25 or over.

In 2021-22, **10.3%** of Scottish-domiciled entrants to full-time first-degree courses **were of black and minority ethnicity**, down 0.3pp from the 2020-21 figure.

In the **college sector**, **8.2% of enrolments to full-time HE courses were of black and minority ethnicity**.

In Scotland, 4% of the population are of black and minority ethnicity.



In 2021-22, **8,690 students entered university first-degree courses with an HNC/D qualification achieved in the last three years**. Of those, 4,705 (54.1%) entered university straight into year 2 (if they held an HNC) or straight to year 3 (if they held an HND). This is known as Articulation with Advanced Standing (AS). **Almost a quarter (23.7%) of those 4,705 students were from the 20% most deprived areas.**

Of the Scottish-domiciled full-time first-degree university entrants in 2020-21, **91.5% returned to study in year 2**. This is down on the previous year's figure of 93.5%.

Retention rates of care-experienced students have also reduced, from 91.0% in 2019-20 to 90.0% in 2020-21.

Retention rates of students from the 20% most deprived areas fell from 90.2% in 2019-20 to 88.6% in 2020-21.

All figures relate to academic year 2021-22 unless otherwise stated

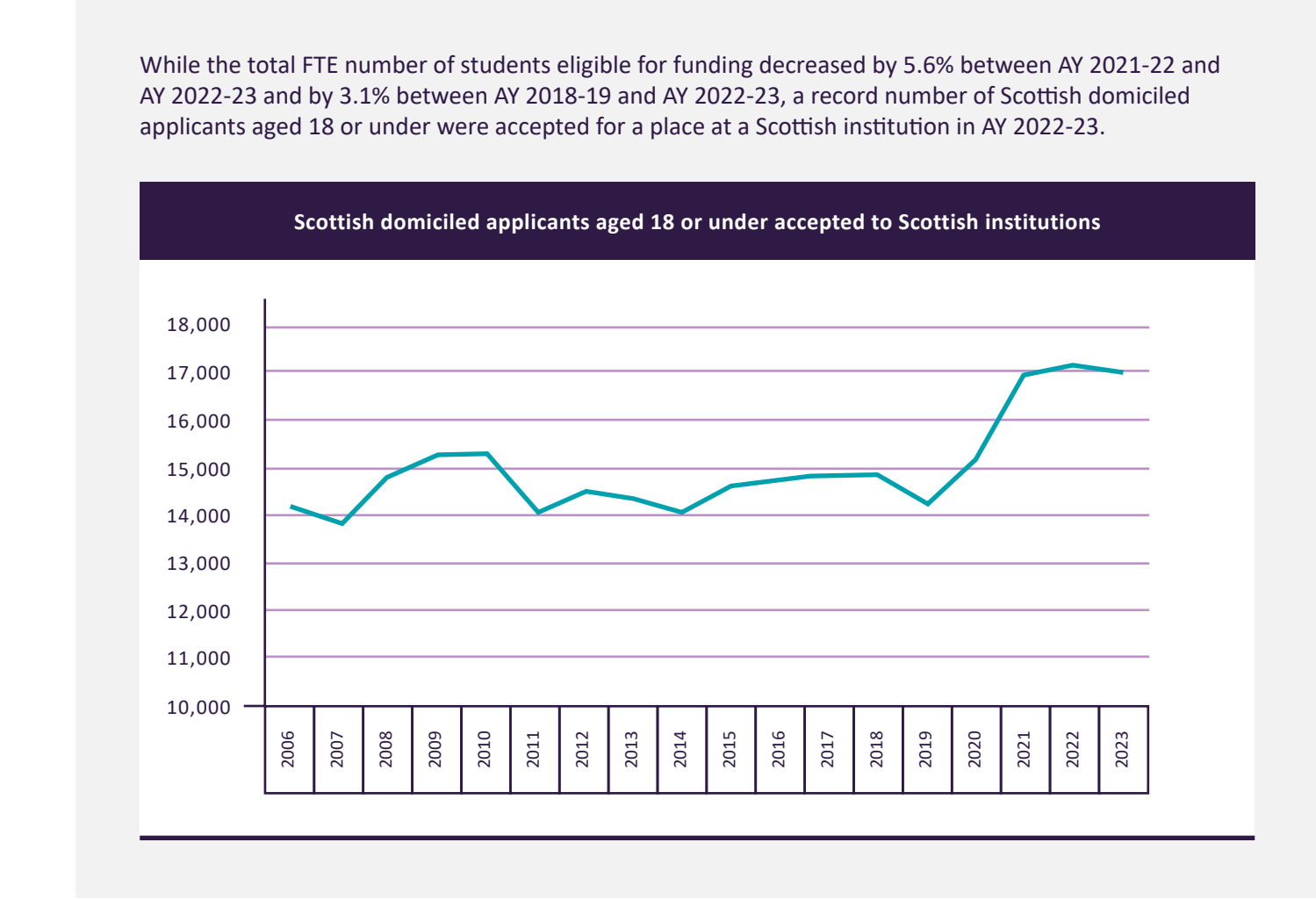


Photo: UHI Perth



Generating new ideas and diffusing knowledge

To invest in excellent research and innovation that advances current knowledge; attracts and nurtures talent and entrepreneurship; mobilises collaboration and additional investment; enhances our international reputation; and delivers economic transformation and societal value.

	Outcome: Scotland’s reputation for research excellence is maintained and enhanced.	Actions complete	Actions delayed	Actions paused
		6	0	0
	Outcome: There is a clearer collective focus and recognition of the importance of research culture.	Actions complete	Actions delayed	Actions paused
		2	0	0
	Outcome: Investment in knowledge exchange and innovation mobilises economic growth and generates solutions to national and global challenges, contributing to economic growth and societal value.	Actions complete	Actions delayed	Actions paused
		5	1	0
	Outcome: Talent and entrepreneurship are encouraged and nurtured.	Actions complete	Actions delayed	Actions paused
		3	0	0
	Outcome: Scotland is recognised as a key partner in the delivery of UK research and innovation strategies.	Actions complete	Actions delayed	Actions paused
		4	0	0

Research impact

We invested £283.7m to support the delivery of research across Scotland’s universities through our Research Excellence Grant (REG) and our Research Postgraduate Grant (RPG).

To build the case for sustained investment in research, recognising that the benefits of investment might not be realised immediately, we commissioned three reports to show the impact of Scottish university research to the economy and to wider society:

Analysis from the Fraser of Allander Institute shows SFC funding has supported over 8,500 FTEs and generated £400m in gross value added.

Analysis of Scotland’s REF2021 impact case studies, commissioned from RAND, demonstrated the societal impact of Scottish university research across areas including education, health, the arts, human rights, climate change.

A report on the value of the REG underlined the importance of SFC funding in providing universities in Scotland with a stable foundation on which to base their long-term development of excellence in research and innovation, demonstrating how REG funding works in tandem with the short-term project grants Scottish universities attract from sources such as UK Research & Innovation, industries and charities.

Research

REG Funding
University of Aberdeen

REG funding has contributed to the University of Aberdeen’s Planetary Sciences group research activities, which include building the HABIT instrument which will be included in a forthcoming Japanese mission to Mars through collaboration with the UK Space Agency. HABIT will monitor the formation of brines and the conditions in which it takes place.

Photo: University of Aberdeen



Photo: Biomarkers meeting



Investment in ARCs
The Brain Health Alliance

Investment in ARCs aim to address some of the biggest questions facing governments across the world. The Brain Health Alliance is working in partnership with the Global Alzheimer’s Platform Foundation, the Universities of Glasgow and St Andrews, and Scottish research networks to launch a first-of-its-kind open access data competition. This competition will provide UK researchers with early access to biomarker data which could ultimately contribute to transformed diagnosis, prognosis, and treatment for dementia.

Research collaboration

In response to our 2021 National Review recommendation to create next-generation networks focused on challenge-oriented research collaboration, we launched four new Alliances for Research Challenges (ARCs). These interdisciplinary networks build on our sustained investment in the Research Pooling Initiative and will support Scotland’s research excellence in the areas of brain health; quantum; food (health, equity and sustainability); and energy, homes and livelihoods. We are investing up to £600,000 in each of the ARCs over a period of four years, supporting the ARCs to leverage additional funding into Scotland, and to foster early career researcher communities and training.

Research culture

With the increased focus on and recognition of the importance of research culture across the UK, we have supported institutions to create an excellent research environment and positive research culture through the Outcome Agreement process. Early analysis shows good progress being made with the introduction of research culture programmes, action plans and surveys; creation of peer networks and champions; awards and recognition schemes; good practice sharing; training and professional development; mentoring; and adoption of schemes including DORA, Concordats and the UK Research Integrity Office.

SFC is also a member of the Research Integrity Concordat Signatories Group and Researcher Development Concordat Strategy Group and continues to convene cross-sector groups, including hosting a meeting of Open Research Scotland in March 2024, which was attended by over 50 representatives from Scottish HEIs and other stakeholders.

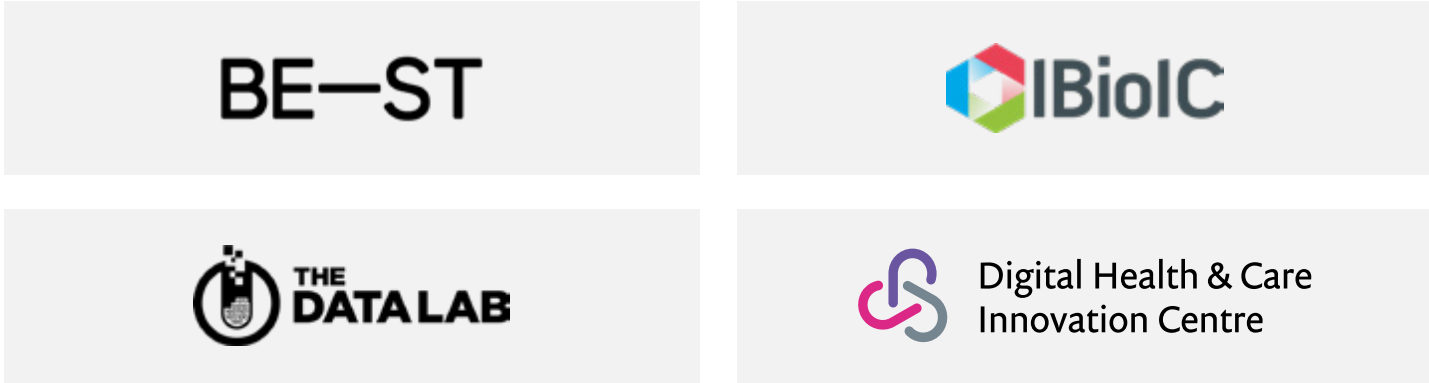
SFC’s Advisory Group on Supporting Scotland’s Postgraduate Researchers has also been an important channel for our focus on research culture. Its formal work concluded in January 2024. Recommendations for SFC to consider

included: surfacing the key issues currently facing postgraduate researchers in Scotland; how SFC could build our evidence base and raise the profile of postgraduate research data; and a value-added approach for accountability allowing for shared good practice. The group has agreed to remain an informal source of advice and to support SFC’s wider research culture activity as it develops.

Innovation Centres

We conducted a robust and comprehensive assessment of our Innovation Centres to support the relaunch of our flagship innovation investments as stable long-term infrastructure. Informed by the results of the independent evaluation commissioned alongside our partners, Scottish Enterprise and Highlands & Islands Enterprise, in FY 2022-23, the assessment process invited each Innovation Centre to submit infrastructure plans that were assessed by an independent panel. As part of the assessment process, Innovation Centres were also asked to demonstrate how they would engage with colleges and maximise the value of the college sector alongside universities in delivering innovation.

The successful Innovation Centres were announced in January 2024:



The four Innovation Centres will transition into long term infrastructure from August 2024 and will be supported with investment of up to £2m per centre annually cementing their place at the heart of Scottish innovation and knowledge exchange.

SFC also committed to working with the remaining three Innovation Centres (CENSIS, PMS-IC and SAIC) to support their transition to new models of support, including from the private sector, and to ensure their value is not lost to the wider system.



Photo: The Data Lab

We announced a long-term investment plan focused on innovation, jobs and growth in key areas of Scotland’s future economy. Four Innovation Centres will be supported with investment of up to £2m per centre annually to cement their place at the heart of Scottish innovation and knowledge exchange.

Investing in university knowledge exchange and innovation

In addition to supporting key innovation infrastructure, SFC supports a range of knowledge exchange and innovation (KE&I) activities at Scottish universities through its core funding. In AY 2023-24, our £20.8m University Innovation Fund (UIF) enabled at least 24,000 interactions between universities and businesses helping them to translate academic knowledge into innovation, creating new jobs and attracting investment. This included a £5.5m uplift to support activities aligned to the Entrepreneurial Campus Blueprint.

In FY 2023-24 we conducted a comprehensive review of our UIF evolving it into the Knowledge Exchange and Innovation Fund (KEIF). KEIF will drive forward university contributions to national policy priorities and better recognise institutions’ individual and collaborative strengths, incentivising universities to design and adopt innovative, new approaches to KE&I.

With the evolution from UIF to KEIF we have updated the data that drives the funding model, meaning that those institutions that have increased their KE&I activity will be rewarded appropriately. We are also taking into account significant new policy drivers such as the Scottish Government Innovation Strategy and Entrepreneurial Campus.

While our approach to KEIF seeks to recognise the diversity of institutions and the value of the KE&I they deliver, broadly the fund will support activities that benefit the economy and society, including collaborative / contract research, consultancy services, knowledge transfer partnerships (KTPs), training / CPD, commercialisation of research through start-ups, spin-outs and licencing, public engagement, and policy development.

Throughout the year we have contributed to the HESA led review of the Higher Education Business and Community Interaction survey and continue to support the development of the Knowledge Exchange Concordat working with devolved funding body partners and other key stakeholders.

Entrepreneurialism

We continued to support entrepreneurialism through our ongoing investments in Interface and Converge. We invested £962,999 in Interface and a further £615,000 in the Innovation Voucher programme to support collaborations between Scotland’s universities, research institutes and colleges, and organisations from a wide variety of national and international industries. This resulted in 105 innovation vouchers for universities, seven for colleges, 11 Advanced Innovation vouchers, and 313 collaborative projects through Interface in AY 2022-23.

Our £422,000 investment in Converge (matched by universities) helped students, graduates and staff across Scotland’s universities and research institutes turn their creativity, ideas, and innovations into commercial reality. Training has been provided to over 100 aspiring academic entrepreneurs on a yearly basis and over 1,000 jobs have been created since 2022. The three-year survival rate of Converge businesses is 80% (as compared to 55% across the UK), and our investment in Converge has proved to be beneficial in terms of meeting Scottish innovation and economic targets.

Assessing research excellence

With our devolved funding body partners, we jointly published the final findings of the Future Research Assessment Programme (FRAP) and began the process of extensive sector engagement and consultation to develop REF2029.

Following analysis of the REF initial decisions consultation, the funding bodies announced that the next REF exercise will take place in 2029. A key focus of work has been on the People, Culture, and Environment (PCE) element of REF2029. A PCE pilot exercise was announced in January 2024 and work was commissioned to develop the indicators to be used for the assessment of PCE. As part of this commission invitations to participate in workshops to develop PCE indicators were issued alongside opportunities to participate in the assessment of pilot submissions. A consultation on REF open access requirements has been launched.

How the sectors have performed

Analysis of the Higher Education Statistics Agency (HESA) data outlined that total research income to Scottish universities in AY 2022-23 was as follows:

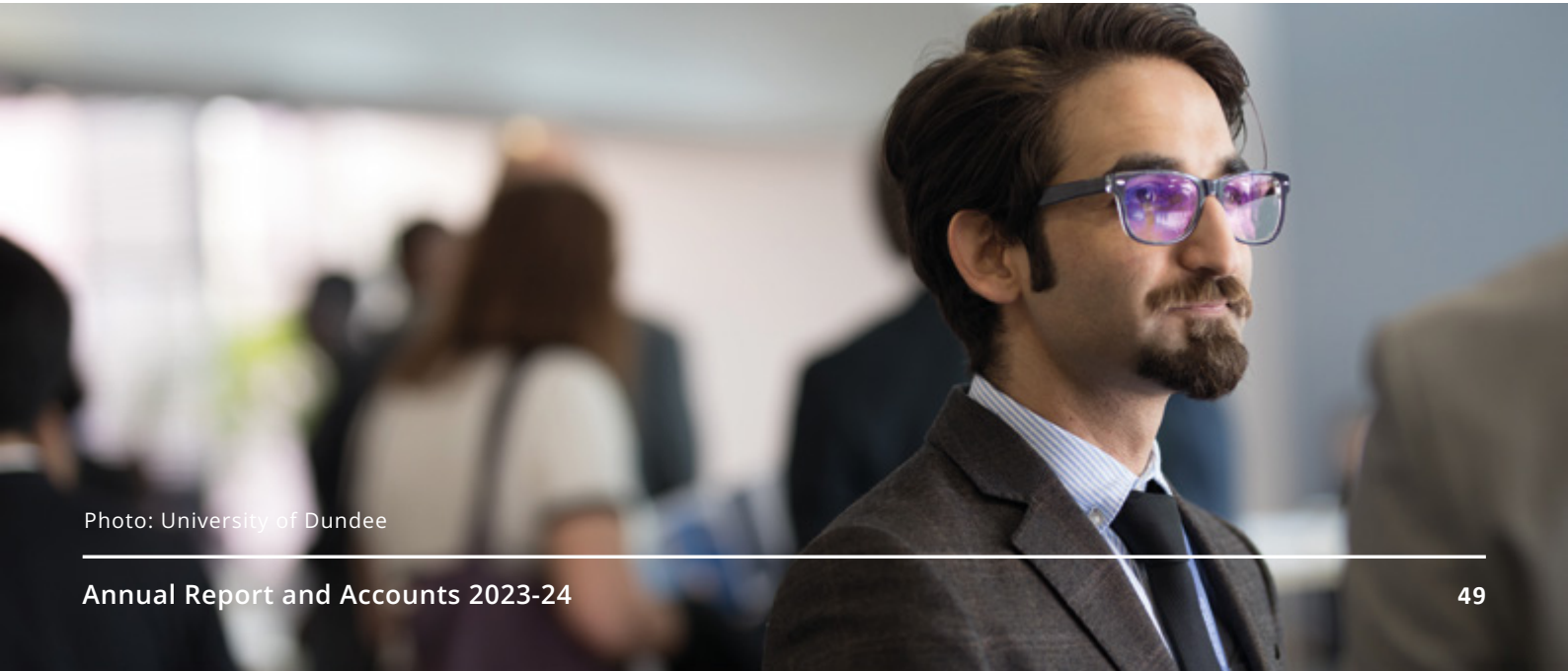
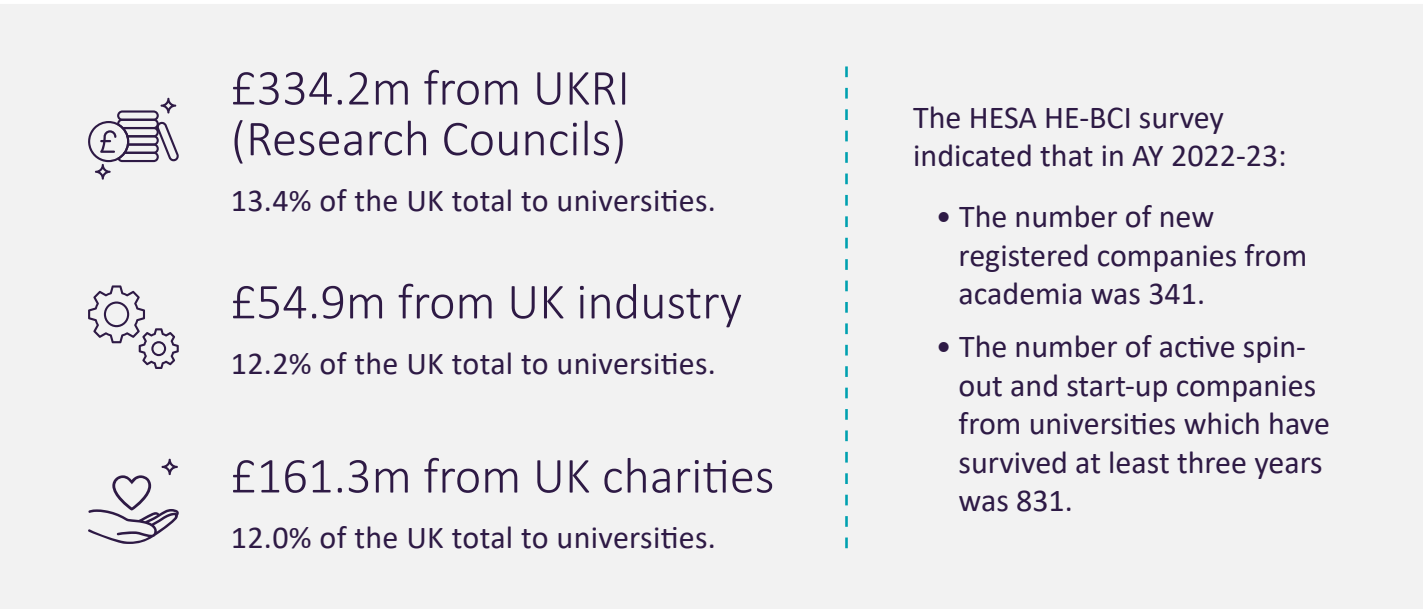


Photo: University of Dundee



Building a responsive, coherent, sustainable system

To create the conditions for a responsive, coherent system of tertiary education and skills, research and innovation that transforms social and economic prosperity and wellbeing, and environmental sustainability, at national and regional levels and through place-based investment; secures international attractiveness and influence; and supports institutions to thrive individually and together.

	Outcome: Institutions’ expertise drives climate action and just transition to net zero.	Actions complete	Actions delayed	Actions paused
		4	1	0
	Outcome: The system and institutions respond and adapt to a range of needs, including skills requirements; and shape demand, contributing to fewer skills gaps and shortages.	Actions complete	Actions delayed	Actions paused
		6	1	0
	Outcome: Institutions are sustainable and well governed, in their own right and collectively.	Actions complete	Actions delayed	Actions paused
		6	0	1
	Outcome: Best value of public investment is secured.	Actions complete	Actions delayed	Actions paused
		3	0	0
	Outcome: There is a better demonstration of how colleges and universities contribute to economic, social and wellbeing objectives individually and through collaboration.	Actions complete	Actions delayed	Actions paused
		8	1	0

Transitioning to net zero

Our FY 2023-24 Financial Transactions programme was focused on supporting universities’ carbon management / net zero plans. Institutions had to demonstrate (i) alignment to national energy strategies / pathways to net zero set out by the Scottish Government (e.g. phasing out of gas); (ii) how they were contributing to other related (non-carbon) issues of sustainability (biodiversity, communities, quality education, social and mental health); and (iii) link to local heat and energy efficiency strategies where possible.

Priority was given to projects which offered the greatest carbon savings in return for the funding and demonstrated collaborative working with colleges and other organisations. We approved £38.2m of loans, allocating funding to four universities for eight projects:

 On-site renewables	 Solar PV Teviot Row Energy Efficiency Easter Bush District Energy Network (DEN) Lighting efficiency programme
 Extension of DEN John Anderson Fabric and infrastructure	 Refurbishment of Donnelly House

These projects are estimated to reduce the university sector’s carbon footprint by 800 tCO2/pa. Since the start of the programme in FY 2017-18 we distributed £246m in funding to 74 projects that will help to reduce the university sector’s carbon footprint by c. 12,800 tCO2 annually.

Following publication of our [College Infrastructure Strategy \(CIS\) Delivery Plan](#) in December 2023 we commissioned work to prepare a baseline for the college estates and wider infrastructure, including digital and net zero requirements.

Photo: University of Strathclyde

The £2.15M awarded to the University of Strathclyde for the expansion of their district energy network will greatly improve the energy resilience, efficiency, and cost to run their halls of residence. The funding will expand their DEN, enabling the removal of life-expired, gas-fired plant from their buildings, and improving their student residences whilst saving 76 tonnes of carbon each year.

Securing coherent provision and skills planning

Work has continued on delivery of our Regional Tertiary Provision Pathfinders. A series of workshops and facilitated learning events for practitioners alongside operational engagement through round tables with regional working groups have fed into the process. We have also commissioned independent evaluative research, additional work on curriculum planning and design, and work on regional pathways. Publication of the findings is planned for summer 2024.

We continue to work with the Scottish Government and SDS to take forward the actions in the Climate Emergency Skills Action Plan (CESAP). A key focus of our work has been to support the CESAP Pathfinder. It comprises two complimentary work packages: Work package 1: An Evidence Based Approach to Supporting the Transition to Net Zero and Work package 2: Decarbonisation of Domestic and Commercial Heating Pilots in two regions of Scotland. In November 2023 Work package 1 report was published. It establishes a shared view of the breadth and quality of skills evidence in relation to the transition to net zero and advances the evidence base to identify current and future skills demand, establishes a baseline of green skills provision and identifies opportunities for action needed across the skills system to respond to the transition to net zero.

Following publication of the Digital Economy Skills Action Plan (DESAP) in March 2023 we have continued to engage with the Digital Economy Skills Group on implementation of the Plan.

Financial health and good governance

We have reviewed our approach to monitoring and reporting on the financial health of institutions. This included implementation of best practice key financial health indicators and standards, and enhanced reporting on institutional financial health and governance. Comprehensive reports on the financial sustainability of the [colleges](#) and [university](#) sectors were published in January 2024. The reports provide an aggregate picture of the financial health of Scotland's colleges and

universities based on their annual accounts for AY 2020-21 and AY 2021-22 and their forecasts for future years. The reports also consider key risks that could have a significant impact on institutions' sustainability. We have begun a review of the Financial Memoranda (FM) with colleges and universities. These set out the formal accountability relationship between SFC and institutions, including the requirements with which institutions are expected to comply in return for their funding. The Memoranda are an important part of the governance framework within which the SFC and institutions operate.

We have also begun a review of guidance to colleges and regional strategic bodies on meeting the requirements in the Scottish Public Finance Manual (SPFM) in relation to severance schemes and settlement agreements.

All institutional requests for SPFM / FM approvals as required by the FM have been reviewed and responded to on time during FY 2023-24.

Adherence to Fair Work principles by colleges and universities is a condition of SFC's funding, with the expectation that they have a statement on Fair Work practices that has been developed in agreement with their workforce. This year we have carried out a review of Fair Work practices across colleges and universities using finalised and approved AY 2022-23 Outcome Agreements as our source data. Recognising that inclusion of information about Fair Work First is already a requirement of the accounts directions for colleges and universities, we have advised institutions that we will continue to monitor their delivery through their annual report and accounts, encouraging them to be fulsome in their disclosures.

We have published updated [guidance](#) on mergers, institutional arrangements and structural reform on our website. The resource is designed to help colleges and universities explore different forms of partnership and support them in developing new ways of working together. It provides advice and commentary on opportunities for collaboration, strategic alliances, mergers and federation, and offers examples of best practice through a selection of case

studies involving colleges and universities in Scotland and the rest of the UK.

Advice has been provided to Scottish Ministers on the futures of each Regional Strategic Body in the multi-college regions; and we supported the merger of Lews Castle College, North Highland College and West Highland College to form UHI North, West & Hebrides.

Assurance and accountability

Development of a revised approach to assurance and accountability is ongoing. In developing this work, we have taken into account the Scottish Government's Purpose and Principles for Post-16 Education and Research.

Capital investment

We published the [College Infrastructure Strategy \(CIS\) Delivery Plan](#) in December 2023. As a first step we have tendered for Technical Support to deliver a baseline report that will provide critical data on the college estate set within the regional context, using an agreed, consistent dataset.

Work has also commenced on the development of a Scottish Capital Investment Manual (SCIM) which will see us revise our capital decision point process.

The college capital maintenance funding model was reviewed in AY 2023-24. We invested £31.2m and by combining backlog maintenance and lifecycle maintenance we provided greater flexibility to colleges to use their capital funding in a way that best suited their needs. We also awarded £4.7m to the college sector to support highest priority maintenance requirements in recognition of the sector's significant backlog maintenance requirements. This additional funding supported projects across 12 colleges (North East Scotland, Newbattle Abbey, New College Lanarkshire, Dundee & Angus, West College Scotland, Dumfries & Galloway, SRUC, Borders, Fife, Ayrshire, Glasgow Clyde College and Edinburgh College).



Making SFC an excellent organisation

To be an excellent public body that delivers impact through leadership, partnership, insight and wise investment.

	Outcome: SFC has diverse, talented and competent teams who are empowered and supported to deliver efficiently and with impact.	Actions complete	Actions delayed	Actions paused
		9	1	0
	Outcome: Impactful and collaborative leadership.	Actions complete	Actions delayed	Actions paused
		2	1	0
	Outcome: SFC has a clear and developed view of an institution, region and the sector in the delivery of outcomes.	Actions complete	Actions delayed	Actions paused
		2	1	1
	Outcome: Improved use of data, analysis and evidence within SFC, the sector and government.	Actions complete	Actions delayed	Actions paused
		4	2	0
	Outcome: SFC is recognised as a valued partner and thought leader.	Actions complete	Actions delayed	Actions paused
		11	0	0

Building and supporting our workforce

Our transformation programme has been embedded across the organisation with a view to improving the employee experience in pursuit of our strategic goals. Results from our People Survey were shared with colleagues in the early part of FY 2023-24 and action plans developed. At an organisational level, the results have driven a renewed focus on internal communication and a new Internal Communication Strategy has been co-designed by colleagues from every part of the organisation.

We have developed our approach to learning and development, providing everyone in SFC with access to Civil Service Learning. This has broadened the learning and development options available to all colleagues and has also opened new commercial routes to procure bespoke training for SFC in the future.

We evaluated our hybrid working policy. Survey results were very positive: 90% of colleagues agreed that operational requirements are being met while 91% agreed that our hybrid working policy was flexible and enabled an inclusive culture built on trust.

Our approach to hybrid working has also supported our recruitment efforts, enabling us to attract candidates from more diverse locations across Scotland and the UK. During the past year we have continued to refine our approach to recruitment and ensure we have inclusive practices and procedures in place. Refreshed internal guidance and training on recruitment and selection have reinforced the principles of fairness and appointment on merit and inclusion. We have continued to broaden our candidate search in order to attract a wider and more diverse talent pool of candidates. As a result we have seen an increase in representation across our employee demographics in the last two years.



Photo: Edinburgh Napier University

As part of our plan to digitise and automate HR processes we are already realising benefits following the introduction of a new applicant tracking system. These include reduced time to hire, reduction in administration, improved candidate journey, improved brand awareness and improved data insights allow us to identify ways to make improvements.



Photo: University of Glasgow

Enhancing our IT capability

Microsoft 365 cloud-based services have been successfully launched and implemented. We have launched a refreshed website, engaging with internal and external partners to ensure the newly designed site meets users’ requirements. Alongside the launch of the new website, we have upgraded our CRM system software with a migration to Dynamics 365. A ‘train the trainer’ approach will see SFC superusers trained on case management, knowledge base content creation and self-service portal operation.

An Internal Audit review of Cyber Security in November 2023 identified a significant improvement in our cyber security posture over the past 12 months, with areas identified to support the further maturity of our approach. To support this work SFC is creating a new fixed term Cyber Security Risk & Compliance position. This role will champion our cybersecurity initiatives, ensuring the protection of our operations, data, and technologies in alignment with UK-specific cybersecurity standards and frameworks.

Evidence based decision making

We have continued to publish official and national statistics in line with guidelines to meet the needs of the sector, the Scottish Government and other partners.

We have conducted a review of our publications with a view to considering a new approach to the presentation of publications on the SFC website. We have also launched an internal analytics portal as part of our drive to democratise our data. The introduction of Power BI has enabled us to develop a suite of dashboards for colleagues to access, thereby enabling them to develop a better understanding of the data we hold.



Looking ahead and future plans

The year ahead will bring with it considerable change both internally and externally. We will see a change in leadership with the recruitment of a new Chief Executive and with five new Board members being appointed to the SFC Board. Externally, the financial environment is likely to remain extremely challenging and the post-16 reform agenda will play an important role as we respond to Ministerial priorities, namely:

- Development of a national approach to skills planning and strengthening of regional approaches.
- Simplification of the post-school funding body landscape - including options for a single funding body and, as a first step, bringing together funding for student support into one place and funding for apprenticeship provision into one place.
- Future development of apprenticeships.
- Developing a clearer and more coherent modus operandi for our national careers offering.
- A review of Community Learning and Development.
- Enhancing employer engagement and ensuring their involvement at all points in the system.

We will continue to deliver against the objectives set out in our Strategic Plan, with a key focus on the following activities:

- Contribute to reform with purpose and impact – skills planning; funding for provisions (including apprenticeships); and student support.
- Develop the approach to budget planning and funding distribution – for coherent provision, fair access, student success, and VFM.
- Work on the immediate financial viability of the sectors – protecting public investment in students and research – while exploring future options with financially fragile institutions, to secure a coherent system.
- Deliver Scotland’s Tertiary Quality Enhancement Framework.
- Implement a revised Outcomes Framework and Assurance Model.
- Transform our Data Authority role – collections, management and analysis, building on newly-launched in-house analytics portal that records outputs and outcomes across a range of metrics, allowing us to track our performance against strategic themes. This will enhance future reporting through the publication of trend analysis.
- Develop the next UK-wide Research Excellence Framework.
- Catalyse innovation assets for economic impact.
- Deliver a college infrastructure investment plan.
- Continue to develop capacity and capabilities of SFC – fit for now and the future.



Photo: Newbattle Abbey College

Financial performance

Budget and cash funding

Each year the Scottish Government approves a budget allocation to enable us to fulfil our statutory functions and to deliver Scottish Ministers’ strategic objectives which underpin our core purpose. We are required to manage the outturn within Scottish Government budget limits. The budget allocations from the Scottish Government and budget revisions during FY 2023-24 are shown in the table below:

Budget Category	Per Budget Act £'000	In-year budget revisions £'000	Final budget for FY 2023-24 £'000	Final budget for FY 2022-23 £'000
Resource	1,547,822	(4,299)	1,543,523	1,595,860
Non-cash Resource	26,650	18,949	45,599	31,266
Total Resource	1,574,472	14,650	1,589,122	1,627,126
Capital	423,105	5,300	428,405	422,200
Financial Transactions	15,000	0	15,000	20,100
Total Budget	2,012,577	19,950	2,032,527	2,069,426
Non-cash items	(26,650)	(18,949)	(45,599)	(31,266)
Total Budget	1,985,927	1,001	1,986,928	2,038,160

Included within the total Resource Departmental Expenditure Limits (DEL) for the year were budget revisions relating to:



Additional funding for universities and colleges totalling £124m.



Additional funding for SFC Admin totalling £3m.



Savings returned to the Scottish Government of £102m.



Budget transfers to third parties totalling £24m.

A non-cash budget relating to Annually Managed Expenditure (AME) of £14.2m (FY 2022-23: £3.9m) was provided by the Scottish Government. AME relates to programmes which are demand-led and spent on items that may be unpredictable or not easily controlled.

Photo: University of the Highlands and Islands



We monitor the financial position for further and higher education throughout the year through resource returns to the Scottish Government. For FY 2023-24 the budget limit was £1,972m (FY 2022-23: £2,018m). SFC incurred £1,971m net expenditure against this limit (FY 2022-23: £1,924m), which resulted in a variance of £0.5m (FY 2022-23: £92.7m). The variance in comparison with the prior year comprised decisions on reprofiling of £Nil (FY 2022-23: 91.9m) and an underspend of £0.5m (FY 2022-23: £0.8m):

Our cash budget allocation was £1,993.7m (resource and capital) and we drew down £1,901.8m of this. The variance of £91.9m represented decisions on reprofiling in the prior year where amounts were drawn down but not spent.

Outturn for FY 2023-24

SFC's funding grant disbursements and operating costs for the year ended 31 March 2024 are contained in the Financial Statements.

The accounts have been prepared under a direction issued by the Scottish Ministers in accordance with paragraph 17 of Schedule 1 to the Further and Higher Education (Scotland) Act 2005. The accounts comply with the accounting principles and disclosure requirements of the Government Financial Reporting Manual (FRM).

Grants paid to colleges and universities and other bodies are detailed on pages 140 to 143.

The audit of the accounts of SFC has been undertaken by Forvis Mazars, appointed by the Auditor General for Scotland. No non-audit services were supplied during the year.

The financial performance against Departmental Expenditure Limits (DEL) is summarised below:

Budget	Expenditure £'000	Income £'000	Outturn £'000	Allocation £'000	Variance £'000
Fiscal Resource	1,562,877	49,239	1,513,638	1,514,223	585
NPD Resource	30,844	1,544	29,300	29,300	-
Capital	448,691	20,286	428,405	428,405	-
Total Resource (see below)	2,042,412	71,069	1,971,343	1,971,928	585
Financial Transactions (FTs)	30,326	15,356	14,970	15,000	30
Total Budget	2,072,738	86,425	1,986,313	1,986,928	615

Reconciliation of Statement of Comprehensive Net Expenditure to Resource Outturn (£'000)

Comprehensive net expenditure	1,995,333
Depreciation and amortisation charges allocated to non-cash costs	(426)
Fixed asset additions allocated to cash costs	105
Government grant income credited to taxpayers equity	(21,466)
Reprofiling of FT funds attributed to the capital budget	7,841
Pre-2014 loans not requiring fiscal budget cover	(3,500)
Grant-in-aid received not included in fiscal budget	(6,544)
Resource Outturn	1,971,343

SFC received £15m (FY 2022-23: £20.1m) in Financial Transaction funding to award loans to universities; we received permission from the Scottish Government to reinvest the proceeds from the repayment of loans of £15.4m (FY 2022-23: £11.9m), which, combined with reprofiled amounts, provided a total investment of £38.2m. These loans are only provided to private sector organisations for projects which meet agreed criteria. This form of funding has been awarded to universities over the last seven years.

SFC is funded on a financial year (April to March) basis but distributes funds to institutions on an academic year (August to July) basis. We manage our budget through an annual re-profiling exercise to reallocate funds between the college, university and running costs budgets. To accommodate this SFC is permitted to re-profile a portion of its funds over the financial/academic year boundary, against higher education resource budgets. This allows SFC to meet demand led institutional funding needs over the summer term, after the financial year ends. Re-profiling of £50.7m was approved (FY 2022-23: £66.7m), equating to 3% (FY 2022-23: 3%) of our Grant-in-Aid budget.

Running cost expenditure is a very small proportion of overall expenditure at around 0.7% (FY 2022-23: 0.6%). Expenditure on running costs was £14.2m (FY 2022-23: £11.7m).

Supplier payment policy

Standard supplier payments terms are generally 30 days, but SFC follows the Scottish Government’s Better Payment Practice Code. We therefore aim to pay invoices within 10 days from the receipt of goods and services or the presentation of a valid invoice, whichever is later.

In FY 2023-24, 41% of invoices were paid within the 10-day target (FY 2022-23: 23%), with 82% of invoices paid within 30 days (FY 2022-23: 71%). We made no payments during the year for compensation under the Late Payment Commercial Debts Regulation 2013.

Photo: APUC

Funding



Advanced Procurement for Universities & Colleges

Our strategic investment in APUC delivers procurement savings and benefits for colleges and universities. APUC has helped manage supply chain volatility, embedded Fair Work principles into procurement activity, and provided tools and support for the sectors to deliver a wide range of Responsible Procurement objectives. Savings to the sectors in relation to market pricing were £34.7m in AY 2022-23.



Best value

We continue to deliver best value in line with the duty set out in the Scottish Public Finance Manual (SPFM) issued by Scottish Ministers and the revised statutory guidance on best value (2020).

In keeping with the best value themes, we did this through:

- Our Delivery Plan which clearly articulates our ambition to make Scotland an outstanding place to learn, educate, research and innovate – now and for the future.
- Our governance and accountability, reflected in our management structure, policies and leadership, which sets out clear lines of responsibility and reporting, as well as robust systems used in decision making, budget and risk management.
- The monitoring of our performance, which is tracked throughout the year and reported quarterly to our Executive Team, and six monthly to our Board to ensure we are meeting our targets and outcomes.
- Our approach to how we manage our resources through the continuous financial monitoring and forecasting, procurement of goods and services, how we make the best use of our employees and information technology to deliver our outcomes.
- Our approach to collaborative working, which underpins much of what we do, involving building positive, mutually beneficial relationships with other organisations.
- Introduction of our net zero plan.
- Provision of training and guidance for colleagues.
- Our approach to equality and dignity at work, which underpins our values and behaviour, both in the treatment of employees and how we conduct our business.

This year we reported progress against our five-year Strategic Plan and two-year Delivery Plan. Both these documents will support SFC in delivering an ambitious transformation programme which will embed a culture of continuous improvement across SFC. Best Value characteristics have also been reflected across key areas of the Delivery plan to ensure these are embedded throughout SFC activity.

The year in numbers

£5,399

11.1% uplift to **student support** maximum annual FE bursary maintenance allowance for AY 2023-24. (AY 2022-23: £4,859)

£38.2m

Invested in **capital projects** supporting university responses to the climate changes emergency. (FY 2022-23: £20m)

£9,000

11.1% uplift to **student support** maximum annual FE Care-Experienced bursary allowance for AY 2023-24. (AY 2022-23: £8,100)

£33m

Funding for **strategic projects** and investments in AY 2023-24. (AY 2022-23: £36m)

£304.6m

Research and innovation funding AY 2023-24 for the formula based grants. (AY 2022-23: £299.1m)

£5.1m

£5.1m (AY 2023-24) was passed to colleges to support the **Education Maintenance Allowances** (EMA) which give financial support to eligible 16 to 19 year olds who want to continue learning. (AY 2022-23: £4.7m)

563 places

Increase in the number of SFC and SG funded **student places for Medicine** in AY 2023-24.

121k **University funded student places** allocated for AY 2023-24.

104k **College FTE learners** funded in AY 2023-24.

Finance

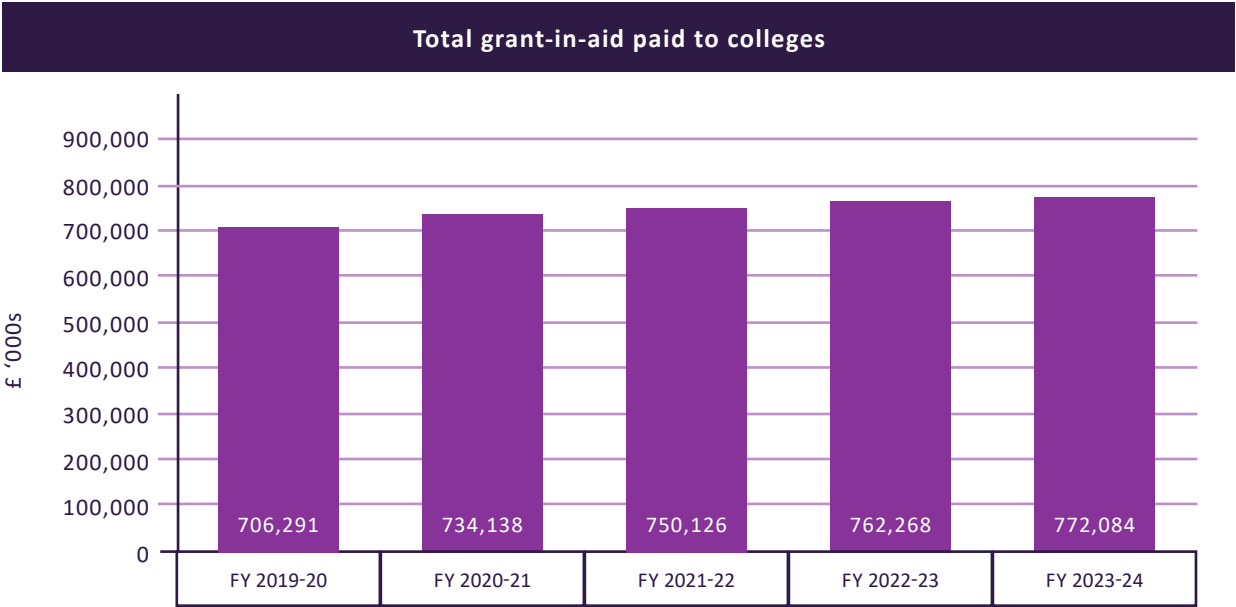


Financial health of the college sector

Colleges continue to operate in an extremely tight fiscal environment alongside many challenges, such as increasing staff costs, general inflationary pressures, high energy costs and rising interest rates impacting on loan repayments.

The sector is forecasting an adjusted operating deficit of £27.2m for AY 2022-23. The deterioration reflects flat cash in SFC grants and reduction in tuition fees relating to higher education provision not matched by the same level of reductions in costs. Twenty-four colleges (92%) forecast adjusted operating deficits in AY 2022-23. Colleges take a cautious approach to forecasting and in recent years the actual results have often shown an improved position against earlier projections.

Source: Financial Sustainability of Colleges in Scotland 2020-21 to 2025-26





“We are operating in a very challenging financial climate. Both college and university sectors face increasing challenges in relation to a very tight fiscal outlook, including balancing rising staff and energy costs with the need to support learners to succeed, invest in infrastructure and play their part in the transition to net zero.”

Lorna Jack
Deputy Chair and Chair of the Finance Committee



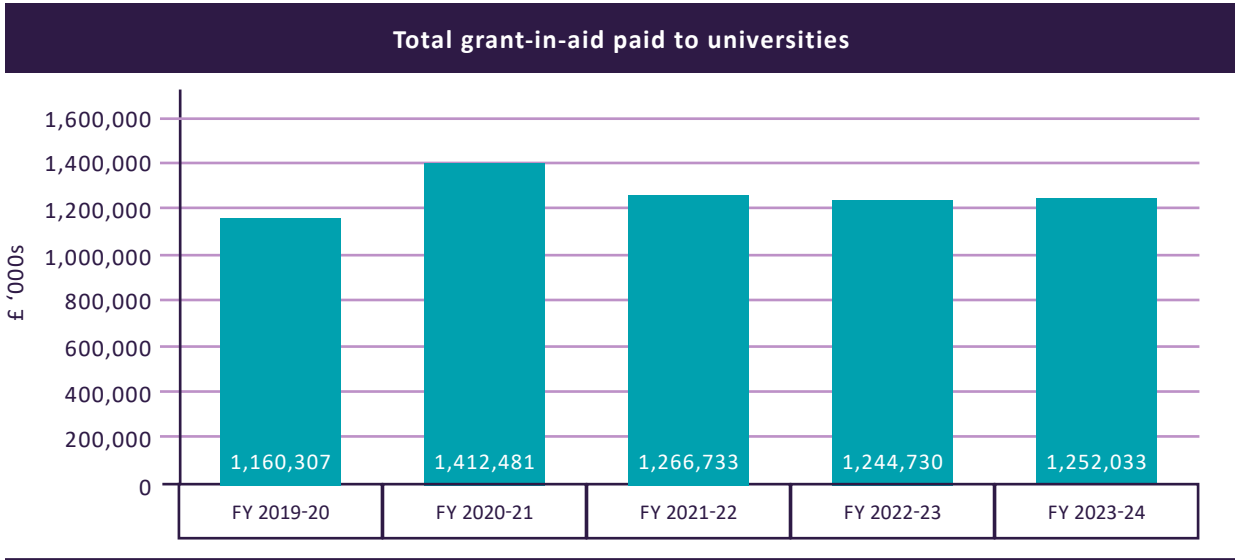
Finance



Financial health of the university sector

The university sector is forecasting an underlying operating surplus of £226.5m for AY 2022-23. Reflecting the extremely tight financial environment, this represents a 41% reduction on the previous year’s underlying surplus of £385.2m, largely due to increased staff costs. Although the university sector as a whole reports a surplus, this can paint a misleading picture of the financial position which remains challenging for many universities.

Source: Financial Sustainability of Universities in Scotland 2020-21 to 2024-25



Social inclusion

Equality, Diversity & Inclusion in SFC

SFC seeks to put Equality, Diversity and Inclusion (EDI) at the heart of everything we do. We have recently appointed an Equality, Diversity and Inclusion Lead to help us develop our maturity in our approach to EDI. Utilising best practice, we will implement sustainable and evidence-based actions to enable us to become an even more inclusive and modern workplace.

Supporting Flexible Working

Being able to manage and balance work and home lives was something colleagues told us was important to them via our People Survey. In October 2022 we introduced an approach to hybrid working to support our ambition to create a culture that is flexible, welcoming, and inclusive. One year on, we asked our colleagues how it was working. Sixty six percent of our workforce responded to our survey, giving us a good reflection of views across the organisation. Of those:

97% agreed that we are achieving our aim to sustain a flexible and inclusive environment.

91% agreed that we are achieving a flexible, welcoming and inclusive culture based on trust.

85% agreed that the new hybrid working approach has had a positive impact on their wellbeing.

We also know that our Hybrid Working approach has had a positive impact on our ability to attract a wider candidate pool within our resourcing activities throughout the year. We have seen colleagues join us from a far wider geographical base than before and we believe this will have a positive impact of increasing the diversity of staff working at SFC.



Photo: University of Aberdeen

Supporting local communities

As part of our corporate social responsibility programme, colleagues across SFC are already able to apply for up to three normal working days off, with pay (pro-rata) per year, to take part in voluntary charitable or community activities.

In October 2023, two groups of SFC staff used one of their annual volunteering days to visit the Edinburgh based charity, Kids Love Clothes (KLC), at their Ratho sorting barn. SFC staff helped KLC with their mammoth task of redistributing pre-loved clothing to children aged 0-13 in the Lothian region who are

living in poverty. The charity is entirely run by volunteer power. SFC volunteers sorted bags of donated clothing and put together a complete wardrobe for a child based on demand, as they currently have a waiting list. These packages will then be ironed and carefully packaged up to be distributed via a network of charities working with families, healthcare and social workers in the region. Demand has never been higher for their clothing packages, and they always need volunteers to sort, iron and deliver as well as seasonally appropriate clothing donations all year round.

SFC staff volunteering at Kids Loves Clothes on 16 October 2023.



Alison Malcolm, who organised the volunteering day at KLC for colleagues across SFC, had this to say: "Volunteer days are a fantastic way to give something back to the community, using your time and skills for the benefit of others. It's also a good way to bond with colleagues and can have a positive impact on the volunteer's mental health. I've enjoyed each of the volunteer days I've participated in and organising them for other team members has been really rewarding. Different people enjoy different tasks, some like to get their hands dirty working in a community garden while others would much rather help with admin, befriending, or even ironing for a charity. There's something for everyone and I would encourage colleagues to take advantage of these volunteering days, either as part of a team or individually." Alison has already organised another volunteering day at Kids Love Clothes and another event for colleagues with the Midlothian Ranger Service, volunteering outdoors at Vogrie Park.

LGBT+ Staff Network

In November 2023 we launched an LGBT+ staff network. The invitation was open to all staff, regardless of gender or sexuality, as well as allies. The aims of the group are to:

- Provide a safe environment to give peer-to-peer support, celebrate good experiences, express concerns, and share resources/advice.
- Organise opportunities to socialise and make connections with LGBT+ colleagues and allies such as facilitating group attendance at Pride events.
- Create a platform for raising awareness within the wider organisation, reinforcing a workforce culture that is positive and safe for LGBT+ colleagues.

The inaugural meeting took place in December 2023 and the group has since met monthly to discuss what type of support and value the group can add to the lived experience of members and wider colleagues across SFC. After hosting a successful launch event during LGBT History Month, the group is now focused on developing a calendar of events for the next financial year, including attending Edinburgh Pride, to celebrate and raise awareness of how LGBT+ issues impact the tertiary education sector.



Photo: University of St. Andrews

Supporting the wider sector - National Equality Outcomes

SFC was the first public body in Great Britain to enter a [Memorandum of Understanding](#) (MoU) with the Equality and Human Rights Commission (EHRC). The MoU was signed in March 2020 and committed SFC and EHRC to working together to establish National Equality Outcomes (NEOs) for the tertiary education sector and to ensure that our activities take all reasonable steps to advance equality, tackle discrimination and foster good relations between groups. In January 2023, we published the [Tackling persistent inequalities together](#) report which introduced the NEOs. These outcomes were set by an evidence group and were informed by data that showed the most persistent inequalities in the tertiary sector.

The NEOs are provided in Annex B of the [publication](#) and include consideration of:

- Success and retention rates of students, seeking improvements, at a national scale, for older students in the university sector and younger students in the college sector.
- Satisfaction levels of disabled students in relation to the reasonable adjustments put in place to support their learning and student experience.
- The imbalance on courses by sex.
- Proportionate representation of staff, Boards and Courts particularly in relation to race and disability.
- The safety of students and staff and steps taken to address harassment particularly in relation to disability, race, sexual orientation, trans identity, religion and belief.
- Responding to the Scottish Government’s Equally Safe strategy particularly in relation to prevention, support and response mechanisms.
- The mental health of staff and students, seeking improvements in student learning outcomes and assurances of access to mental health support.

SFC and EHRC planned a national event in May 2024 to bring together key sector colleagues and students to discuss the NEOs, progress made to date, and how institutions will work with SFC to further their impact on achieving the NEOs. We will also explore what support and development sessions institutional leaders may need to make progress against the NEOs (this commitment was outlined in our updated joint EHRC/SFC action plan). As part of the national event, institutions will help identify gaps in knowledge and support for students with protected characteristics. Gathering this information will inform a series of thematic reviews SFC will conduct or oversee to gather further evidence to strengthen sector knowledge on how to support students with certain characteristics.

Photo: University of the Highlands and Islands







Net Zero and Sustainability

Implementation of our 2022 [Net Zero and Sustainability Framework for Action](#), began in earnest during FY 2023-24. We are driving improved corporate accountability and collective responsibility on net zero within SFC’s corporate approach and through our policy and funding levers with the sector.

Action towards net zero and environmental sustainability has progressed across all priorities of our Framework for Action, including the following key highlights.

Coordinating our overall response

	We have engaged in internal delivery planning improving role definition for business areas.		We have committed to annual staff carbon literacy training from FY 2024-25.
	We improved data inputs to our statutory carbon report to the Scottish Government in November 2023, including better scope 1 and 2 data and definition.		We have secured a compliant travel policy under the Scottish Government’s carbon compliance guidance for public bodies.

Working with the tertiary sector, Government and partners

- We have integrated the first net zero quantitative and qualitative measures under SFC's [Outcome Agreements](#) (AY 2023-24) with the tertiary sector (emissions, and whole-institutional responses.)
- We facilitated Regional Tertiary Pathfinders to foster skills alignment with the needs of employers and society across the South of Scotland and the North East. The Pathfinders' collaborative [regional pilot projects](#) included the development of an interactive tool to identify qualifications needed for specific jobs in the low-carbon energy sector.
- We invested in the Scottish Research Alliance for Energy, Homes and Livelihoods (SRAEHL) which is focused on addressing the challenge of making Scotland a climate-aligned, net zero society. It brings together researchers, industry, business, policy and community partners to make sustainable energy transition viable for Scotland's households.
- We funded a wide range of net zero focused delivery partners including but not limited to APUC (Sustainable procurement), ESP (Energy Skills Partnership), and EAUC-Scotland. These partners are providing key support to the sector, institutions, and staff and students, including supporting the net zero pivot in education & skills, R&I and estates & operations.
- We co-delivered support to Scotland's Climate Emergency Skills Action Plan under our investments in upskilling and reskilling.
- Our funding of EAUC-Scotland supported the delivery of a sector-wide climate adaptation and risk tool, and development of an award-winning [shared services model](#) for sustainability impact with target colleges.
- We have become signatories of [UKRI's Environmental Concordat for Research](#) and sit on its Steering Group.
- We have recommitted to investment funding for key [Innovation Centres](#) contributing on net zero, including but not limited to BE-ST (built environment) and IBioIC (biotechnology).
- We published our [College Infrastructure Strategy Delivery Plan](#) which supports the development of an Infrastructure Investment Plan for the college sector, including investment for net zero. Early priorities for the plan include identifying best practice for baselining the college estate and net zero / sustainability reporting.



Photo: University of Aberdeen

SFC governance and management arrangements

SFC's governance and management arrangements for our climate emergency response are reported to the Board on an annual basis, and are as follows:

- SFC's climate emergency, net zero and environmental sustainability response is ultimately governed by our Board in terms of scrutiny, oversight and challenge in line with Audit Scotland guidance.
- Operational control within SFC on climate matters is delegated to the Chief Executive who leads the Executive Team. The Executive Team is supported by the Senior Management Team. The lead Director for net zero strategy and implementation is the SFC's Director of Policy, Insights and Analytics working with all Directors and Directorates.
- SFC's Net Zero & Sustainability Framework for Action is supported by an internal delivery plan and further work has taken place in 2023 clarifying delivery roles of SFC teams under the Framework.
- Delivery across SFC under the Net Zero Framework is supported by policy leads in the Policy Team within the Policy, Insights and Analytics Directorate. This will be supported by a cross-cutting management group - the Net Zero and Sustainability Delivery Group (NZDG), which will have responsibility for overseeing the organisational response to the climate emergency and in support of a just transition.
- Day to day decision making on net zero content in policies and funding is owned by the relevant local policy or funding lead, with net zero best practice support available from the Policy Team leads.



Photo: SRUC

Strategy

Our [Net Zero & Sustainability Framework](#) includes both SFC's operational emissions and activities, and actions we will take towards 2026 and beyond to embed net zero and environmental responsibility through our policy and funding levers with the tertiary education and research sector in Scotland.

In FY 2023-24, we have:

- Embedded net zero in SFC's Accounts Direction to universities and to colleges - seeking compliance with the requirements of the Climate Change (Scotland) Act 2009.
- In reviewing our strategic funding programmes, including the Innovation Centre Review, we have considered net zero / environmental sustainability as part of the review process.
- Focused SFC's [Financial Transactions](#) on targeted carbon reduction/climate emergency related projects within university estates e.g. retrofit projects.

Risk Management

Our approach to climate risk for our organisation and our role with the sector is aligned to a TCFD approach. We understand the scale and scope of the risks (and rewards) involved in making a net zero transition, not just in the context of environmental requirements, but firmly in the context of supporting the transition of our organisation, staff, relationships with funders and stakeholders (including the tertiary sector), and service delivery (net zero integration with business as usual). In the future we intend to move to risk planning approaches for climate risk that include more focused climate scenario planning and impacts, as well as horizon scanning, assisting further integration of climate risk inside financial risk. Key elements of our current approach are:

- Facilitating a just, orderly, and well-managed transition, that is legally compliant, and reduces the cost of transition to us and our stakeholders where possible, seeking to also harness available benefits.
- Expecting institutions, in interpreting new net zero and sustainability measures under SFC's [Outcome Agreement Guidance \(AY 2023-24\)](#) to take a similar broad approach to climate risk and resilience (adaptation) accountability.
- Integrating climate adaptation risk with existing risks in our risk register. There are both known and unknown (emerging) risks to us and the sector. We are working together with other Scottish public bodies in the Public Sector Climate Adaptation Network.
- Committing to undertake the full Adaptation Scotland benchmarking and embedding appropriate climate adaptation measures or policies in SFC's business resilience and continuity and governance areas.

EAUC-Scotland, sponsored by SFC, delivered a sector-wide [climate adaptation and risk tool](#) in 2023, assisting institutions to assess and adapt to climate risk. Our [College Infrastructure Strategy Delivery Plan](#) provides an up-ramp to consider adaptation metrics or measures integration within future estates delivery for colleges.

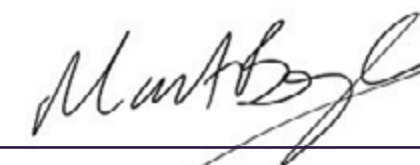
Metrics

Our own operations are centred from our office in Haymarket Terrace in Edinburgh. We lease our office space and do not own or manage any land assets. Neither do we have fleet vehicles. We have no regional offices. We disclose available data on our scope 1, 2 and 3 emissions annually through our [Statutory Carbon Reports](#) to the Scottish Government.

Our [Carbon Management Plan](#) sets out more details on reducing our operational emissions. For reference SFC's emissions in FY 2022-2023 (the latest data available) were 81.7 tCO₂e.

We are committed to moving to full compliance with public sector leadership on the global climate emergency guidance ([PSLGCE](#)), namely climate mitigation (including emissions reductions) and climate adaptation. Key measures taken in FY 2023-24 include alignment with the Scottish Government's travel policy guidance for public bodies under PSLGCE and the inclusion of environmental sustainability within our procurement policy review project. Moving to full compliance means continuous improvement and delivery in key areas to comply with interim statutory climate targets and requirements of the Scottish Government for public bodies including:

- Data gathering on our emissions for our Statutory Carbon Report to the Scottish Government, including improving understanding of our baseline and boundary.
- Delivering key measures to meet interim targets from the Scottish Government and gradually reduce our emissions, e.g., business travel.
- Continuous upskilling of staff in all business areas with corporate and field-specific resources.
- Improving our internal understanding of our long-term pathway to net zero operational emissions by 2040-2045 including costed options.



MARTIN BOYLE
Interim Chief Executive of SFC

2 October 2024



Photo: Edinburgh College



SECTION 2: THE ACCOUNTABILITY REPORT

Corporate Governance Report

Directors' report

The Chair and Board members of SFC are appointed by the Scottish Ministers in accordance with the *Code of Practice for Ministerial Appointments to Public Bodies in Scotland*, issued by the Commissioner for Ethical Standards in Public Life in Scotland.



This section explains the governance structures at the SFC and how they support the achievement of our objectives.

In FY 2023-24, membership of the SFC Board was as follows:

CHAIR

Dr Mike Cantlay OBE

CHIEF EXECUTIVE

Karen Watt

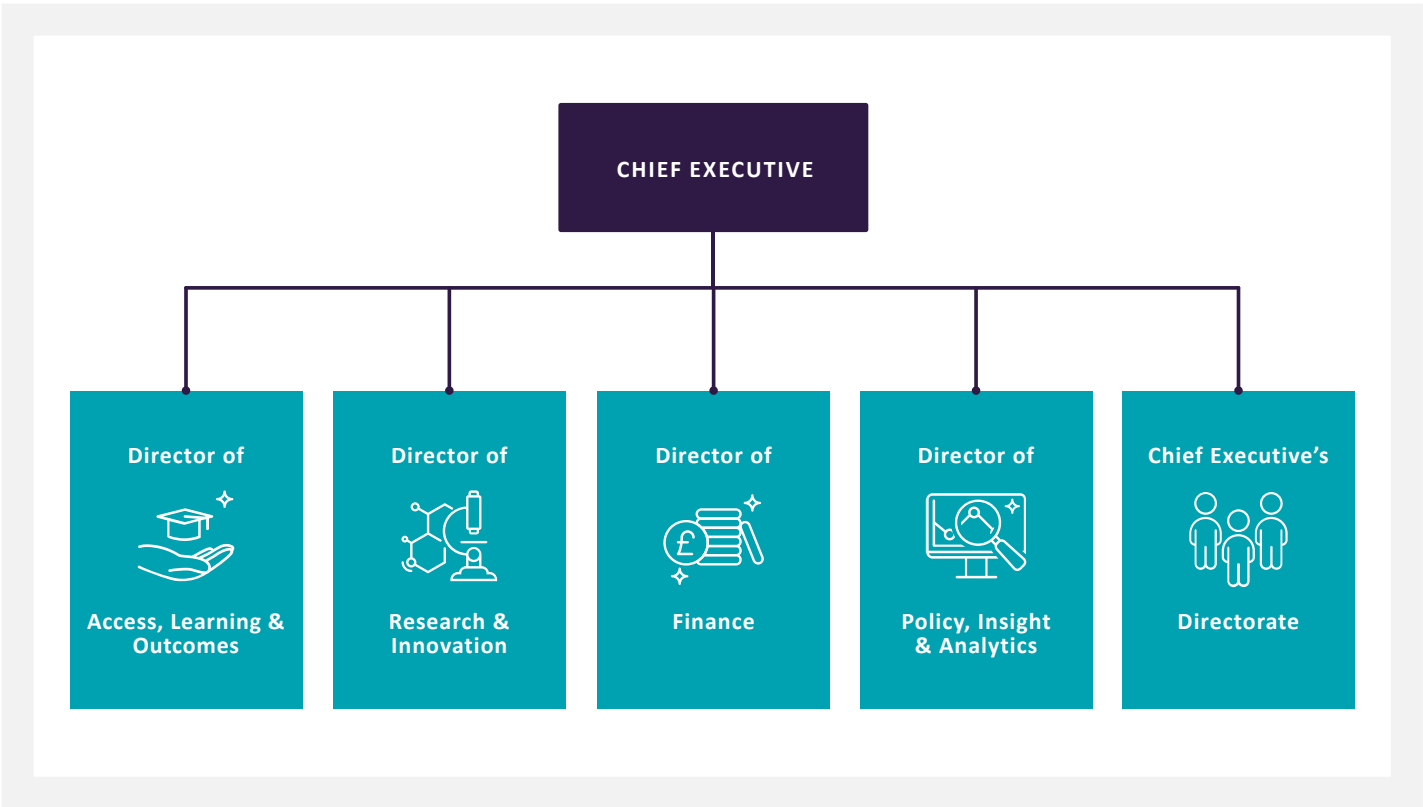
MEMBERS

- David Alexander
- Sheila Duncan
- Linda Hanna (joined 13-Nov-23)
- Mhairi Harrington OBE
- Lorna Jack (Deputy Chair)
- Professor Ewart Keep
- Andy Kerr
- Dr Paul Little CBE (retired 3-Oct-23)
- Professor Sir Peter Mathieson
- Professor Irene McAra-McWilliam OBE
- Dr Veena O’Halloran (retired 3-Oct-23)
- Grant Ritchie (joined 13-Nov-23)
- Caroline Stuart (retired 3-Oct-23)
- Professor John Wallace CBE
- Professor Lesley Yellowlees OBE

SFC Board meetings are attended by observers from NUS Scotland, Research England, and the Higher Education Funding Council for Wales (HEFCW). A staff representative, who is a union-nominated member of staff also normally attends the Board as an observer. A representative from the Scottish Government may attend.

Executive Team

The Executive Team is responsible for operational delivery in accordance with agreed plans. Our current organisational structure is:



Executive team members during FY 2023-24 and as at 31 March 2024, were:

CHIEF EXECUTIVE

Karen Watt

DIRECTORS

- Interim Director of Access, Learning and Outcomes - Jacqui Brasted (from 19 October 2023)
- Director of Access, Learning and Outcomes - James Dunphy (until 30 September 2023)
- Director of Finance - Richard Maconachie
- Director of Policy, Insight and Analytics - Martin Boyle
- Director of Research and Innovation - Helen Cross

Register of interests

The Executive Team and Board members must complete a register of interests. There were no declarations of significant company directorships or other interests that may have conflicted with their management responsibilities. No member of the Executive Team or Board had any other related-party which conflicted with their responsibilities. Further information can be found at:

- [Our Board](#)
- [Our team](#)

Information governance and security

SFC is committed to good cyber security practices which enable us to achieve a level of security which ensures legal compliance, minimises risk and enables staff to do their work securely and effectively, underpinned by organisational and technical controls. During the FY 2023-24, SFC implemented a programme of cyber security enhancement in line with our digital transformation strategy and to respond to internal audit actions.

We carry out regular network security testing of our perimeter infrastructure. We have implemented and gone live with a number of additional security products. We work closely with advisers to ensure that we continually improve the way we manage our sensitive systems and information.

SFC continues to address our cyber culture and awareness through a combination of learning and development for staff, learning supported phishing campaigns, leveraging industry leading technologies in the form of Microsoft Azure services and protections whilst realigning our business continuity processes, measurement and governance with our new ways of operating.

We have mandatory cyber e-training and learning for all employees to reduce the risk of phishing emails being successful. We review our mitigation strategy on an ongoing basis, using any incident to review the effectiveness of our controls and identify any opportunities for improvement.

There have been no cyber security breaches during FY 2023-24.

Personal data related incidents

We are required to report incidents of loss of personal data to the UK Information Commissioner where it is likely to result in a high risk to the rights and freedoms of individuals.

To support our continued engagement with data incident loss prevention and staff awareness, our all-staff UK GDPR training has a dedicated component to preventing, identifying and reporting data loss incidents. For the period FY 2023-24 we have a 100% completion rate.

We record and review all information security incidents and as in previous years there have been no incidents of loss of personal data by SFC which required to be reported to the UK Information Commissioner.

Statement of Accountable Officer's Responsibilities

Under paragraph 17 of Schedule 1 to the Further and Higher Education (Scotland) Act 2005, SFC is required to prepare a statement of accounts in respect of the year ended 31 March 2024 in the form, and on the basis, determined by Scottish Ministers.

The accounts are prepared on an accruals basis and must give a true and fair view of SFC's state of affairs at 31 March 2024 and of its net resource outturn, application of resources, changes in taxpayers' equity, and cash flows for the financial year.

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and, in particular, to:

- Observe the accounts direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Ensure that the department has in place appropriate and reliable systems and procedures.
- Make judgements and estimates on a reasonable basis.
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the financial statements.
- Prepare the financial statements on a going concern basis.
- Confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.



The Principal Accountable Officer for the Scottish Administration has designated the Chief Executive as the Accountable Officer of SFC. The responsibilities of an Accountable Officer are set out in the Memorandum to Accountable Officers of other Public Bodies issued by the Scottish Government.

The Accountable Officer has taken all steps to make himself aware of any relevant audit information and to establish that Forvis Mazars is aware of that information. There is no relevant audit information of which Forvis Mazars is not aware. The Annual Report and Accounts, as a whole, are fair, balanced and understandable.

The Accountable Officer confirms that he takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that they are fair, balanced and understandable.

Governance statement

The Scottish Public Finance Manual (SPFM) requires that I, as Accountable Officer, take personal responsibility for the Governance Statement. The statement below sets out the key elements of SFC’s internal control framework and my conclusion on this. The statement is approved personally by me, as Accountable Officer, and is also approved by the Board as part of their overall approval of the Annual Report and Accounts.

Scope of responsibility

As Accountable Officer, with the SFC Board, I have responsibility for maintaining a sound system of internal control that supports the achievements of SFC’s policies, aims and objectives whilst safeguarding public funds and assets assigned to SFC, in accordance with the responsibilities set out in the Memorandum to Accountable Officers of Other Public Bodies.

Governance structure

SFC’s governance structure is based on the legislative powers of the organisation and its Framework Document with Scottish Government. The Framework document was reviewed and updated in September 2022.

The Board

The SFC Board is responsible for providing strategic leadership, direction, support and guidance, and in ensuring that SFC delivers its functions effectively and efficiently and in accordance with the aims, policies and priorities of Scottish Ministers.

Members of the SFC Board are appointed by Scottish Ministers and have a collective responsibility for the proper conduct of SFC’s affairs. Members have full and timely access to all relevant information to enable them to perform their roles effectively.

Members’ roles and responsibilities are described in the [Framework Document](#) and [Code of Conduct](#) for members of the Scottish Further and Higher Education Funding Council.

Board effectiveness

The SFC Board reviews its effectiveness regularly and uses the outcomes to develop and implement a Board Development Plan. The last Board Effectiveness Review was completed in December 2023.

A strategy session was held during the year to inform future decision-making. This session enabled the Board to listen to a broad range of contextual information and discuss the external operating environment, as well as the challenges and opportunities ahead. Presentations were received about the context SFC is working in, including the challenging fiscal position, institutional sustainability, research strategy and the Scottish Government reform agenda. The Minister for Higher and Further Education provided a briefing on the Scottish Government’s reform agenda.

In addition, during the year, the Chair and the Scottish Government sponsor department jointly developed a Board skills matrix to inform future Board appointments.



Standing committees

During FY 2023-24, six standing committees provided the SFC Board with advice or undertook functions on behalf of the Board, as follows:



The remit of the six Committees are set out in the table below and available on SFC website under [Board committees](#).

	Capital Decision-point Committee	The Committee has oversight of SFC capital programmes, and in particular the governance arrangements, for both colleges and universities. The Committee provides assurance to the Board that the SFC Executive has undertaken the necessary scrutiny and due diligence for its capital programmes; traditional capital, revenue-funded and Financial Transaction loan finance.
	Skills, Enhancement, Access and Learning	The Skills, Enhancement, Access and Learning Committee provides advice to the SFC on strategies and policies for improving the learning experience and outcomes for students, including widening access to learning, equalities, quality enhancement, and meeting the skills needs of Scotland.
	Research and Knowledge Exchange Committee	The Research and Knowledge Exchange Committee has a key role to respond to, recommend and advise the SFC on research and knowledge exchange strategy, policy and funding issues relevant to Scottish HE institutions and colleges, with broad areas of advice.
	Audit and Compliance Committee	The Committee considers SFC’s annual report and accounts and matters relating to the internal operations of the executive, in particular those relating to risk management, corporate governance, internal audit, external audit and compliance with legislation and regulation.

	Finance Committee	The Finance Committee reviews the medium-term financial plans, scrutinises the annual budgets and the financial position of the SFC to ensure that it can meet its commitments and strategic objectives and review the financial aspects of the annual report and accounts. The Committee considers institutions’ financial sustainability, financial governance and compliance with financial memoranda.
	Remuneration Committee	The Remuneration Committee provides advice to the Board on staffing matters, including the remuneration of the SFC Chief Executive, and provides oversight of SFC’s human resource and organisational development strategies.

SFC Board members’ attendance at meetings

The full Standing Orders and membership of all [SFC committees](#) are published on the SFC’s website.

Board members’ attendance at Board and committee meetings in FY 2023-24 is shown in the table below. In addition to this, SFC Board members chair other forums, serve on other working parties and attend meetings on behalf of SFC. While not a formal member of these committees, the Chief Executive has attended one or more of these committee meetings.



Photo: City of Glasgow College

Member	Board meetings attended	Audit & Compliance Committee meetings attended	Skills, Enhancement, Access and Learning Committee meetings attended	Finance Committee meetings attended	Research & Knowledge Exchange Committee meetings attended	Remuneration Committee meetings attended	Capital Decision Point Committee meetings attended
Dr Mike Cantlay (Chair)	6/7	N/A	N/A	N/A	N/A	N/A	N/A
Karen Watt (Chief Executive)	7/7	N/A	N/A	N/A	N/A	N/A	N/A
David Alexander (Chair of Audit & Compliance Committee)	6/7	5/5	-	-	-	-	-
Sheila Duncan (Chair of Remuneration Committee)	4/7	3/5	2/3	-	-	2/2	-
Linda Hanna (joined 13-Nov-23)	3/3*	-	-	-	1/1* (from 17-Nov-23)	1/1* (from 17-Nov-23)	-
Mhairi Harrington (Chair of Capital Decision Point Committee and Chair of Skills, Enhancement, Access and Learning Committee)	6/7	-	1/1* (from 17-Nov-23)	5/5	2/3* (until 17-Nov-23)	1/1* (until 17-Nov-23)	1/1
Lorna Jack (Deputy Chair) (Chair of Finance Committee)	6/7	-	-	5/5	-	1/1* (from 17-Nov-23)	-
Professor Ewart Keep	7/7	-	3/3	3/3* (until 17-Nov-23)	1/1*	-	-
Andy Kerr	7/7	4/5	3/3		-	-	-
Dr Paul Little (retired 3-Oct-23) (Chair of Skills, Enhancement, Access and Learning Committee)	2/4*	-	2/3 (until 3-Oct-23)	-	-	-	-
Professor Sir Peter Mathieson	5/7	-	-	-	-	-	-
Professor Irene McAra-McWilliam	7/7	-	3/3		4/4	1/1* (from 17-Nov-23)	-
Dr Veena O'Halloran (retired 3-Oct-23)	4/4*	3/3 (until 3-Oct-23)	-	3/3* (until 3-Oct-23)	-	0/1* (until 3-Oct-23)	-
Grant Ritchie (joined 13-Nov-23)	3/3*	2/2* (from 13-Nov-23)	-	3/3* (from 17-Nov-23)	-	-	-
Caroline Stuart (retired 3-Oct-23)	4/4*	3/3* (until 3-Oct-23)	-	-	-	-	-
Professor John Wallace	7/7	2/2*	-	5/5	-	1/1* (until 17-Nov-23)	1/1
Professor Lesley Yellowlees (Chair of RKEC)	7/7	-	-	-	4/4	-	-

Risk management and control

We identify, assess, manage, review and record risks in line with our Risk Management Strategy and Framework. SFC is committed to:

- Ensuring that SFC’s strategic priorities and business functions are not adversely affected by significant risks.
- Ensuring that risk management is a key element of effective corporate governance within the organisation.
- Having a risk management framework for identifying, assessing, and managing risks at group and corporate levels.
- Embedding a risk management framework that is manageable, proportionate to our business, and integrated with our planning and reporting processes.
- Identifying significant risks in a corporate risk register and ensuring that appropriate controls and mitigating actions are in place to manage risks.
- Having arrangements for ensuring the effectiveness of our approach to risk management, including through the Audit and Compliance Committee, and the programme of internal audit.
- Maintaining a Risk Management Strategy and Framework which identifies the assurance relied upon to assess whether risks are being managed effectively.

As part of our commitment to continuous improvement, the annual review of the SFC Risk Management Strategy and Framework commenced during the year. This focused on making improvements to the approach through implementing best practice and providing additional guidance to risk owners. Further refinement will occur ahead of implementation in FY 2024-25.

Aligned with industry best practice, the SFC Board has delegated responsibility for the on-going review of the effectiveness of our risk management arrangements to its Audit and Compliance Committee.

The Corporate Risk Register is regularly reviewed and discussed by the SFC Board and is included in meetings of other Board Committees to help inform our decision-making.


While, as Accountable Officer, I remain ultimately responsible for managing and implementing SFC’s risk management strategy and framework on a day-to-day basis, and for reporting changes to risk management arrangements to the Audit and Compliance Committee, delegation of responsibility for managing the key risks in the register is essential if risk management is to be effective. The Corporate Risk Register identifies ‘owners’ for each risk within the senior staff of the SFC executive, chosen for their expertise in the particular areas of risk.

Risk management is embedded in the operations of the organisation. Risks are reviewed by managers regularly as part of their work, and the Executive Team review the Corporate Risk Register and updates are presented to the SFC Board for discussion and noting.

Internal audit

Internal audit is a key independent source of assurance. The strategic and annual planning of internal audit reviews is risk based, in which work is targeted to the areas identified as greatest risk and strategic importance.

The internal audit plan for FY 2023-24 covered the following areas:

 Whistleblowing.	 Cyber security.
 People.	 IT Risk Assessment.
 Distribution of Grant Funding.	 Financial Management.

Reports with recommended actions were reported to the Audit and Compliance Committee.

All internal audit recommendations are closely monitored and reported to each meeting of the Audit and Compliance Committee. In addition, our internal auditor carries out an independent review of progress with implementation to validate the executive’s monitoring and reporting. The majority of internal audit recommendations have been implemented within the target dates, with formal approval and a risk assessment completed for any delays to original target dates.

The provision of internal audit services has been carried out by the in-house audit team at Scottish Enterprise since 1 April 2020.

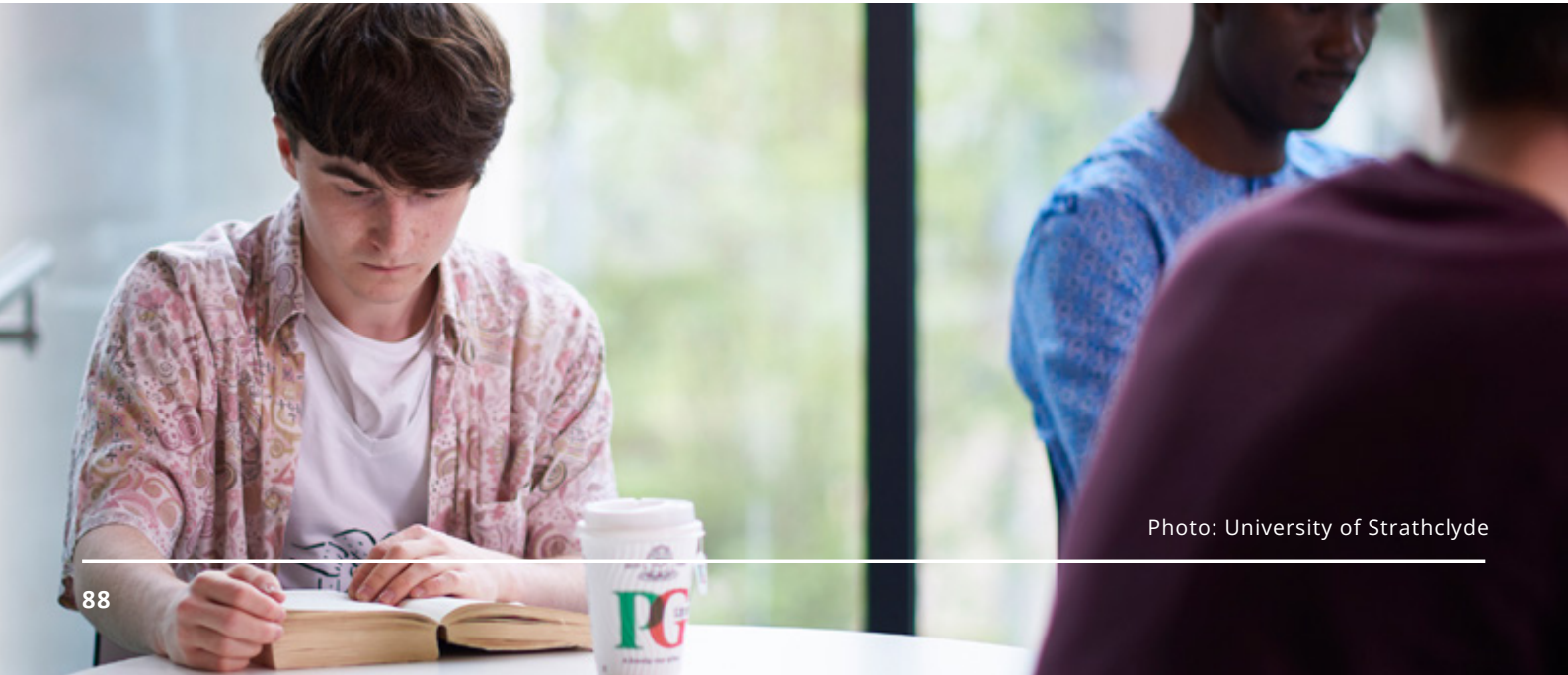


Photo: University of Strathclyde



Significant issues

Significant issues are those that might have a negative impact on our ability to deliver our strategic priorities, or which might affect our performance or reputation, or have a material impact on our accounts. Significant issues are raised mainly through the risk management strategy and framework, audit process and the Certificates of Assurance process. During FY 2023-24, the following issues required significant management attention.



Financial health of colleges and universities

The financial health of colleges and universities continues to be closely monitored by SFC. Colleges and universities continue to operate in an extremely tight fiscal environment alongside many challenges such as increasing staff costs, general inflationary pressures, high energy costs and higher interest rates impacting on loan repayments. The financial position of colleges continues to deteriorate as flat cash SFC grants and reduction in tuition fees are not matched by the same level of reductions in costs. Additional details can be found in SFC's January 2024 report on [Financial Sustainability of Colleges in Scotland 2020-21 to 2025-26](#).

Financial sustainability also remains challenging for many universities, with increased reliance on international fee income at a time when the latest data on international recruitment shows a less positive position than expected. Additional details can be found in SFC's January 2024 report on [Financial Sustainability of Universities in Scotland 2020-21 to 2024-25](#).

SFC is continuing to engage closely with institutions to monitor financial health and to support them in managing their financial sustainability.



Cybersecurity

There continues to be a significant risk of cyber-attacks to public bodies, and SFC remains committed to ensuring appropriate cyber security arrangements are in place. As part of this, SFC instructed a further review of Cybersecurity and IT Risk Assurance in December 2023, following a review in 2022. Both reviews highlighted improvements in our cyber security posture over the past 12 months, with areas identified that will support the further maturity of our approach due to the gravity of this risk. Progress on audit actions is monitored by the Executive Team and Audit and Compliance Committee.

Review of the effectiveness of the system of internal control

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

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

- SFC's Audit and Compliance Committee, which assesses the effectiveness of assurances in relation to the systems of governance, risk management and internal control.
- The executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework and line management processes within the organisation.
- Regular meetings between SFC staff and our sponsor directorate at the Scottish Government to review the risk register and our process for risk management.
- The work of the internal auditors, undertaken by the in-house internal audit team at Scottish Enterprise for the year to 31 March 2024, who submit regular reports to SFC's Audit and Compliance Committee, which include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement.
- Findings and recommendations made by external auditors in their reports.
- Certificates of assurance provided to me by the executive managers in accordance with the guidance contained within the SPFM.

For the year to 31 March 2024, the Head of Internal Audit reported completion of all reviews in the Audit Plan. Internal Audit was of the opinion they could provide a satisfactory level of assurance on SFC's framework of governance, risk management and management control. This opinion was based on in-depth reviews completed throughout the year, as well as consideration of other audit activity. The Head of Internal Audit's Annual Audit Opinion is that:

We provide independent assurance on the adequacy and effectiveness of the framework of Scottish Funding Council's governance, risk management, and internal control. Our Internal Audit opinion is based on internal audit activity conducted during the period, as well as being informed by meetings with senior management, observations at governance fora, and our wider understanding of the control environment.

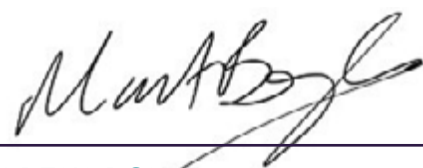
Overall sufficient assurance work has been carried out, in accordance with the Public Sector Internal Audit Standards, to enable a reasonable conclusion to be formed on the adequacy and effectiveness of the internal control environment. The Internal Audit Plan for FY 2023-24 was approved by the Audit and Compliance Committee in March 2023.

For FY 2023-24, we are providing a satisfactory level of assurance on SFC's framework of governance, risk management and management control. This opinion is based on in-depth reviews completed throughout the year, as well as consideration of other audit activity (e.g., advisory work, real-time audits, and other assurance sources). We reviewed areas aligned to strategic risk activity in the organisation, as well as areas of core control, and the opinion reflects an overall assessment of these outputs.

We completed reviews relating to financial management, whistleblowing, project management, and cyber security, as well as undertaking an IT risk assessment with our external specialists. The outputs of these reviews reflected an overall positive internal control environment, although we identified areas for control improvement where needed. In particular, we noted the improvements made in managing cyber security and broader IT-related risks from previous years, with ongoing action plans in place to strengthen risk management. While our follow up reviews of previous audit actions highlighted areas that were overdue, a concerted effort was made in-year to address some of these outstanding actions and reducing the levels of risk exposure.

Towards year-end, we were also asked to complete a sample review of the Education Maintenance Allowance Return and we were able to certify these claims accordingly. During the year, we were also asked to provide advice relating to Board and committee governance, including the constitution and role of these bodies. These are now being revised to align with SFC's current governance approach."

Based on the assurances provided above, I can confirm that sound systems of governance, risk management and internal control, consistent with the requirements of the SPFM, have operated for the year ended 31 March 2024 and up to the date of approval of the Annual Report and Accounts.



MARTIN BOYLE
Interim Chief Executive and Accountable Officer
2 October 2024

Photo: Fife College



The Remuneration And Staff Report

Remuneration report

The sections marked '*' in this Remuneration Report have been audited by Forvis Mazars. The other sections of the Remuneration Report were reviewed by Forvis Mazars to ensure that they were consistent with the Financial Statements.

Remuneration policy

Our Remuneration Committee reviews and determines the remuneration of the Chief Executive and Directors of the Executive on an annual basis and within the context of budgetary constraints and Scottish Government pay strategy. The Committee also determines the remuneration and annual increase for the Chair and SFC Board members, in line with the Scottish Government pay strategy. The pay strategy requires that all of the above decisions are subject to Scottish Government approval. Current membership of the Remuneration Committee consists of four non-executive members of the SFC Board.

Chair and SFC Board members

Members of the SFC Board are appointed by Scottish Ministers and have a collective responsibility for the proper conduct of SFC's affairs. The SFC Board membership during FY 2023-24 is detailed below.

Chief Executive

The Chief Executive is an ordinary member of the Civil Service Pension Scheme arrangements. The employer's contribution to the scheme amounted to 30.3% of the Chief Executive's pensionable salary.



This section provides details on our remuneration policy, pay, benefits and staff numbers.

Senior staff

The remuneration of senior staff is reviewed annually in line with Scottish Government policy and may provide for progression and a cost-of-living increase, subject to not exceeding the salary scale maximum. Any pay review is subject to satisfactory performance on the part of the individual.

Senior staff are employed on an open-ended contract with a notice period, after completion of probation, of three months from employee or employer. The notice period for the Chief Executive is six months.

SFC Board membership for the period 1 April 2023 to 31 March 2024*		
Member	Remuneration FY 2023-24 (£'000)	Remuneration FY 2022-23 (£'000)
Dr Mike Cantlay OBE (Chair)	50 - 55	50 - 55
Karen Watt (Chief Executive)	See page 95	See page 95
David Alexander	10 - 15	10 - 15
Sheila Duncan	10 - 15	10 - 15
Linda Hanna	5 - 10	N/A
Mhairi Harrington OBE	10 - 15	10 - 15
Lorna Jack (Deputy Chair)	10 - 15	10 - 15
Professor Ewart Keep	10 - 15	10 - 15
Andy Kerr	10 - 15	10 - 15
Dr Paul Little CBE	5 - 10	10 - 15
Professor Sir Peter Mathieson	0 - 5	0 - 5
Professor Irene McAra-McWilliam OBE	10 - 15	10 - 15
Dr Veena O'Halloran	5 - 10	10 - 15
Grant Ritchie	5 - 10	N/A
Caroline Stuart	5 - 10	10 - 15
Professor John Wallace CBE	10 - 15	10 - 15
Professor Lesley Yellowlees OBE	10 - 15	10 - 15

The Chair receives a daily fee of £494.09 for a time commitment of an average of two days per week. SFC Board members' attendance at meetings is given on pages 85 to 87.

As at 31 March 2024 there were 14 Board members (including the Chair and CEO) of whom seven are females and seven are males.

Remuneration information for senior employees for the period 1 April 2023 to 31 March 2024*						
Single total figure of remuneration	Salary (£'000)		Pension Benefits (£'000)		Total (£'000)	
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
Karen Watt (Chief Executive)	135 - 140	130 - 135	25	-	160 - 165	130 - 135
Martin Boyle (Director of Policy, Insight & Analytics)	110 - 115	100 - 105	57	29	165 - 170	130 - 135
Jacqui Brasted (Interim Director of Access, Learning & Outcomes) post started on 19 October 2023 – note 1	40 - 45 pro-rata	-	17 pro-rata	-	55 - 60	-
Helen Cross (Director of Research & Innovation) joined SFC on 1 Nov 2022 - note 2	95 - 100	35 - 40 pro-rata	38	19	135 - 140	55 - 60
James Dunphy (Director of Access Learning & Outcome) employed by SFC and on outward secondment from 1 October 2023 – note 3.	55 - 60 pro-rata	100 - 105	22 pro-rata	40	75 - 80	140 - 145
Stuart Fancey (Director of Research & Innovation) (1 April to 3 June 2022)	-	20 - 25	-	-	-	20 - 25
Richard Maconachie (Director of Finance) joined 19 April 2022 – see Note 4	105 - 110	95 - 100	43	37	150 - 155	130 - 135
Chris Brown (Interim Director of Finance, Oct 21-15 April 2022).	-	5 - 10	-	-	-	5 - 10

There were no bonus payments or benefits in kind payments made in either FY 2023-24 or FY 2022-23.

Note 1 – Full 12 month equivalent Director level salary would be £95k-100k. No remuneration data is shown for FY 2022-23 as the interim Director started in post 19 Oct 2023.

Note 2 – Full Year Equivalent for FY 2022-23: £90k-95k.

Note 3 – On secondment from 1 October 2023: all employment costs covered by SFC

Note 4 - Full Year Equivalent for FY 2022-23: £100k - £105k.

Pension information for senior employees for the Period 1 April 2023 to 31 March 2024*					
	Accrued pension at pension age as at 31/03/2024	Real Increase in pension and related lump sum at pension age	CETV at 31/3/24	CETV at 31/3/23	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Karen Watt (Chief Executive)	65 - 70 plus a lump sum of 175 - 180	0 - 2.5 plus a lump sum of 0	1,638	1,492	9
Martin Boyle (Director of Policy, Insight & Analytics)	35 - 40 plus a lump sum of 75 - 80	2.5 - 5 plus a lump sum of 0 - 2.5	761	650	45
Jacqui Brasted (Interim Director of Access, Learning and Outcomes) interim director post started on 19 October 2023	20 - 25	0 - 2.5	376	354	11
Helen Cross (Director of Research & Innovation) joined 1 Nov 2022	20 - 25	0 - 2.5	339	278	22
James Dunphy (Director of Access Learning & Outcome) on outward secondment since 1 October 2023, but remains SFC employee	5 - 10	0 - 2.5	83	63	11
Stuart Fancey (Director of Research & Innovation) left 3 June 2022	-	-	-	658	-
Richard Maconachie (Director of Finance)	25 - 30	2.5 - 5	453	364	37

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that were extant at 31 March 2024. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of FY 2023-24 CETV figures.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements for staff employed directly by SFC. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on career average basis with a normal pension age equal to the member’s State Pension Age (or 65 if higher).

From that date all newly appointed civil servants and the majority of those already in the service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65. As a result of the Government’s obligation to remove discrimination from the way the alpha scheme was introduced all staff, from 1 April 2022, have been moved to membership of the alpha scheme unless they join partnership or decline to join.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pension Increase legislation. Existing members of the PCSPS, who were within 10 years of their normal pension age on 1 April 2012, remained in the PCSPS after 1 April 2015 (protected membership). Those who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 switched into alpha sometime between 1 June 2015 and 1 February 2022.

The Government is currently in the process of implementing the arrangements to address the discrimination identified by the courts in the way that the 2015 pension reforms were introduced. Eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefit options in relation to that period and will be written to in turn or when they plan to retire, if that is sooner (and



Photo: St. Andrews University

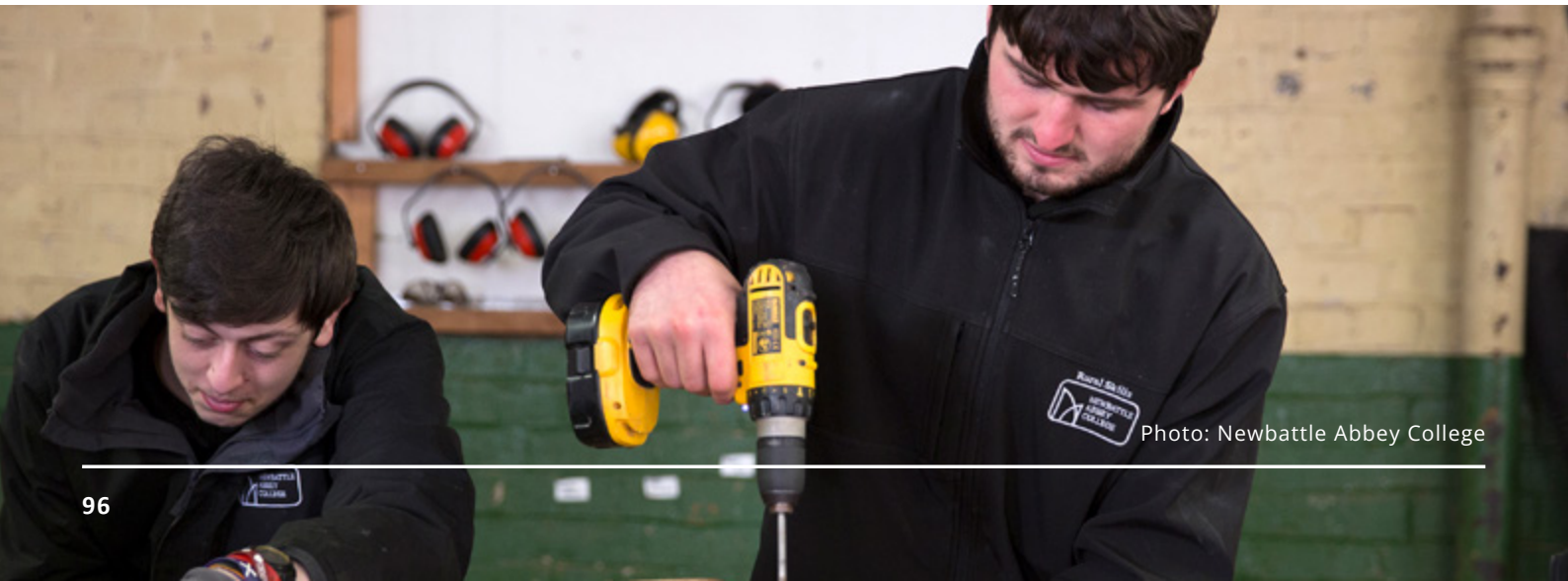


Photo: Newbattle Abbey College

this may affect the Cash Equivalent Transfer Values shown in this report – see below).

All members who were moved to alpha have had their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes). Members joining from October 2022 may opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and participants in alpha contribute a percentage of their pensionable earnings – the rates vary from 4.6% up to 8.05%. The legacy schemes classic, premium, classic plus and nuvos are now closed to new members. However, benefits accrued in them remain, and were accumulated using different methodologies. In classic, pension accrued at the rate of 1/80th of final pensionable earnings for each year of service. In addition, an automatic lump sum equivalent to three years’ initial pension is payable on retirement under classic. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is a hybrid with benefits for service before 1 October 2002 for service from October 2002 worked out in a similar way to premium.

In nuvos, a member built up a pension based on his or her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited

with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with the scheme’s Pensions Increase rules. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for members show pension earned in PCSPS or alpha – as appropriate. Where the member has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk



Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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



Photo: University of the Highlands and Islands

Civil Service pension

The Civil Service Pension arrangements are an un-funded multi-employer defined benefits scheme and as a consequence SFC is unable to identify its share of the underlying assets and liabilities.

The scheme actuary last valued the CSPS as at 31 March 2020 and the [Actuarial valuation](#) report was published in September 2023. You can find details in the resource account of the Cabinet Office: [Civil Superannuation](#).

For FY 2023-24, employers’ contributions of £2,122,015 were payable to the Civil Service Pension Scheme (FY 2022-23: £1,676,124) at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during FY 2023-24 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Fair pay disclosures*

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation’s workforce and the same ratio for the 25th and 75th percentiles of the organisation’s workforce.

Total remuneration includes salary, any allowances in payment and non-consolidated performance-related pay (no benefits in kind are payable). It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The banded remuneration of the highest-paid director in SFC in FY 2023-24 was £135,000-£140,000 (FY 2022-23: £130,000-135,000).

Fair Pay Disclosures			
		2023-24	2022-23
Remuneration banding for highest paid individual		£135,000 - £140,000	£130,000 - £135,000
Percentage change from the previous financial year for the highest paid individual		3.8%	3.9%
Staff Median	Total pay and benefits	£49,853	£46,662
	Pay ratio	2.76	2.84
Staff 25th percentile	Total pay and benefits	£43,378	£40,662
	Pay ratio	3.17	3.26
Staff 75th percentile	Total pay and benefits	£62,616	£61,571
	Pay ratio	2.20	2.15
Average % change in remuneration from the previous financial year for all SFC employees (excluding the highest paid individual)		6.8%	7.0%
Remuneration range		£21,459 to £137,500	£19,959 to £132,500

The SFC believes the median pay ratio for FY 2023-24 is consistent with the pay, reward and progression policies for our employees taken as a whole, reflecting the implementation of the FY 2023-24 pay award combined with an increasing number of middle and senior level staff.

The ratios show a reduction from the FY 2022-23 results where the highest paid director is compared to the staff median and the staff 25th percentile. However, the ratio for the highest paid director to the staff 75th percentile has marginally increased due to changes in staffing composition as at 31 March 2024, including a greater number of Grade E2 and E3 staff compared with 2022-23.

In FY 2023-24, nil (FY 2022-23: nil) employees received remuneration in excess of the highest paid director.

Remuneration change from prior year

During FY 2023-24, the highest paid director received a 2.6% pay increase (base pay and progression), in FY 2022-23 this was 1.9%. This compares to the FY 2023-24 average pay increase (base pay and progression) for eligible staff of 7% (in FY 2022-23 this was 5.9%).

The staff pay settlement in FY 2023-24 was phased so that those eligible received a base pay award and (if applicable) pay progression from April 2023 and a further base pay element from 1 January 2024. This was in line with Scottish Government Pay Strategy.

By the end of FY 2023-24, 43% of SFC staff were on the maximum for of their pay range: this compares with 45% in FY 2022-23.



Photo: University of Glasgow

Staff report

Staff numbers (including Chief Executive)				
	Year Ended 31 March 2024			2023
	Permanent staff	Seconded and agency staff	Total	Total
Average number of FTE employees	137.5	4	141.5	123

Salaries and related costs (excluding Chief Executive)				
	Year Ended 31 March 2024			2023
Cost of employing staff:	Permanent staff	Seconded and agency staff*	Total	Total
	£'000	£'000	£'000	£'000
Wages and salaries	7,681	178	7,859	6,393
Social security costs	816	10	826	689
Other pension costs	2,081	19	2,100	1,671
Apprenticeship levy	24	-	24	15
Voluntary exit	-	-	-	-
Sub-total	10,602	207	10,809	8,768
Secondment	(121)	-	(121)	(140)
Total staff costs reported in the SOCNE	10,481	207	10,688	8,628
Charge to programme funds	(918)	(27)	(945)	(560)
Admin payroll costs	9,563	180	9,743	8,068

SFC Board members' remuneration (including Chair and Chief Executive)		
	Year Ended 31 Mar 2024	Year Ended 31 Mar 2023
	£'000	£'000
Salary and Allowances	337	341
Social Security Costs	29	30
Other Pension Costs	41	40
Total	407	411

SFC employed 106 females and 51 males as at 31 March 2024 (FY 2022-23: 86 females and 42 males).

During the year, the chief executive was a female employee, and in addition there were four Directors working at the SFC and one Director (male) on outward secondment, funded by SFC. As at 31 March 2024 there were two males and two females (one interim) working as Directors at the SFC (FY 2022-23: three males and one female).

Loans

Interest free loans are payable to staff for the purchase of season travel tickets or bicycles for use in travel to work. No loans were outstanding as of 31 March 2024 (FY 2022-23: there were no loans outstanding).

Staff turnover

During FY 2023-24, 16 staff left SFC. Of these, three were Student Interns on short term contracts and we sadly, had one death in service. Thus 12 staff chose to leave SFC on a voluntary basis. However, taking all 16 leavers into account this gives a turnover figure of 10.8% based on the average monthly number of employees in the year (148 headcount for directly employed staff). FY 2022-23: 17.7% based on 124 directly employed staff headcount).

Turnover for directly employed staff is calculated on the basis of voluntary resignations, including staff who choose to retire, and expiry of fixed-term contracts or dismissals (in line with [Cabinet Office methodology](#)).

Staff engagement

Our last full People Survey was in 2023. The response rate and engagement scores from this are given below, together with the results of the previous full People Survey. We normally work on a two year cycle for our full People Survey and would expect to carry out the next one in 2025. We also monitor and gauge employee views and experience through a range of other mechanisms including focus groups and thematic reviews.

Staff Engagement Surveys		
	Response Rate	Engagement Score
SFC People survey 2023	87%	71%
SFC People survey 2019	81%	73%

SFC does not use the Civil Service survey as we are a Non-Departmental Public Body. As an indication the 2023 Civil Service survey mean response rate across participating departments was 65% with a mean engagement index of 64%.

Health, safety and well-being

We have a Health and Safety Committee which assesses the workplace regularly to ensure that our staff work in a safe environment which supports their well-being.

Staff relations


We recognise the importance of good industrial relations and effective communication with our staff. We have a Joint Negotiation and Consultation Forum (JNCF) which meets regularly and includes both senior management and representatives from our staff trade union, Unite. Through this we share information, discuss issues of mutual concern, consult and, where appropriate, negotiate on policies, procedures and terms and conditions of employment.

Staff policies applied during the financial year


We are required to disclose staff policies applied during the financial year for:

- Giving full and fair consideration to applications for employment by SFC made by disabled persons, having regard to their particular aptitudes and abilities.
- Continuing the employment of, and for arranging appropriate training for employees of the company who have become disabled persons during the period when they were employed by the company.
- Otherwise for the training, career development and promotion of disabled persons employed by the company.


The key policies which apply in this case are:




Equality and Diversity Policy.




Recruitment and Selection Procedure.



Disciplinary Procedure.



Dignity at Work Policy, which provides a framework for staff to deal with inappropriate behaviour.



Fair Absence Management Guidance.

We offer workstation assessments and homeworking risk assessments to assess whether further action is needed to meet individual needs. We can call upon occupational health support and feedback from Access to Work to assist in making reasonable adjustments for staff with disabilities.

Compensation for loss of office*

No compensation payments were made to staff during FY 2023-24 (FY 2022-23: none).



Photo: Fife College

Trade Union facility time

SFC recognises that Facility time brings benefits to employees, managers and the wider community from effective joint working between union representatives and employers. It forms a crucial mechanism through which trade unions can represent their members and ensure the effective voice of workers and is a key dimension in how we demonstrate our commitment to Fair Work practices.

SFC has a Fair Work agreement with Unite the Union, and is committed to ensuring there are fair working practices in place and demonstrates its commitment to the Scottish Government's Fair Work First policy by supporting workforce development, ensuring no use of zero hours contracts, taking action to tackle the gender pay gap and and create a more diverse and inclusive workplace, ensuring no individuals are paid less than the real Living Wage, offering flexible and family friendly working practices for all workers from day one of their employment and opposing the use of fire and rehire practices.

Facility time is an investment in the prevention of workplace disputes, providing savings to both the public sector and the public purse, through a reduction of negative impacts on staff time and the number of working days lost through industrial action. The information provided below to meet the statutory requirements of the Trade Union (Facility Time Publications Requirements) Regulations 2017 should therefore be considered in the context of the benefits both for the workforce and the employer.

In the period 1 April 2023 to 31 March 2024 we provided the following support through paid facility time for union officials working at SFC. During FY 2023-24 there were seven employees (FTE of 6.7) who held appointments as union officials (FY 2022-23: nine employees; FTE of 8.5). These seven employees spent between 1-50 per cent of their working hours on facility time (FY 2022-23: 1-50 per cent of their time).

The total cost of this facility time was £17,728 (FY 2022-23: £20,397), which represents 0.17% (FY 2022-23: 0.2%) of the total staff costs of £10.7m (FY 2022-23: £8.6m). 95% (FY 2022-23: 95%) of facility time was spent on trade union activity.

Sickness absence

We are committed to the physical and mental health of our people. We have a comprehensive sickness management policy and aim to keep our sickness absence rates as low as possible.

The 12-month rolling absence figure for the SFC was 2.4% at 31 March 2024 (as at 31 March 2023: 2.2%). The absence rate for public sector organisations in the most recent ONS data was 3.6% (ONS Labour Force Survey 2022, published April 2023).

We maintained a dedicated area on our intranet for advice and support on managing physical and mental health and have an employee assistance programme available.

Ill-health retirement

No individuals retired early on ill-health grounds during FY 2023-24 (FY 2022-23: none). The total additional accrued pension liabilities in the year amounted to £Nil (FY 2022-23: £Nil).

Consultancy

Consultancy costs incurred in FY 2023-24 were £1.1m (FY 2022-23: £1.1m).



Photo: Forth Valley College



Equality and diversity

In FY 2023-24 we have continued to build upon our previous work to ensure that Equality, Diversity and Inclusion (EDI) underpins all that we do within SFC. We have worked towards achieving our Equality Outcomes internally and continued to support colleges and universities across the sector to become more inclusive through our National Equality Outcomes.

In February 2023 we received a positive Internal Audit on our practices to promote Equality and Diversity within our policies, procedures and guidance at SFC. This included recommendations to help us further develop and strengthen our approach to EDI. In FY 2023-24 we appointed an Equality, Diversity and Inclusion specialist for 12 months to help us develop this, guided by a maturity model.

We are accredited as a Disability Confident Employer. This includes a guaranteed interview for candidates who meet the minimum criteria for a vacancy and indicate they have a disability. We are also accredited as a Carer Positive Engaged Employer by Carer Scotland.

Across SFC we undertake Equality Impact Assessments on our policies and funding proposals.

As a consequence of having introduced a hybrid approach to working we have over the past year drawn job applicants from a far wider geographical base than before. This is making a positive impact in terms of increasing the diversity of staff working at the SFC.

Our last Mainstreaming Equalities Report which covers our Public Sector Equalities Duties was published in March 2023 and is available on our website [Mainstreaming Equality Outcomes Progress Report 2021-23](#). Our next update is due in 2025.

Photo: Heriot-Watt University

Parliamentary Accountability Report

Regularity of expenditure

The expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Losses and special payments

SFC suffered no losses. No special payments were made during FY 2023-24 (FY 2022-23: £nil).

Gifts

No gifts were made during FY 2023-24 (FY 2022-23: £nil).

Fees and charges

SFC applied no fees or charges during FY 2023-24 (FY 2022-23: nil).

Remote contingent liabilities

SFC has no remote contingent liabilities to disclose.

MARTIN BOYLE

*Interim Chief Executive and
Accountable Officer*

2 October 2024



SECTION 3: INDEPENDENT AUDITOR'S REPORT

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

Reporting on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Scottish Funding Council for the year ended 31 March 2024 under the Further and Higher Education (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Government Financial Reporting Manual (the 2023/24 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2024 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 FReM; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 2005 and directions made thereunder by the Scottish Ministers.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section

of our report. We were appointed by the Auditor General on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, we report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland Website](#).

Risks of material misstatement

We report in our separate Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the central government sector to identify that the Further and Higher Education (Scotland) Act 2005 and directions made

thereunder by the Scottish Ministers are significant in the context of the body;

- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited parts of the Remuneration and Staff Report

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 2005 and directions made thereunder by the Scottish Ministers.

Other information

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in

the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 2005 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 2005 and directions made thereunder by the Scottish Ministers.

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Karen Murray

KAREN MURRAY

Partner

For and on behalf of Forvis Mazars LLP

One St Peter’s Square
Manchester
M2 3DE
3 October 2024

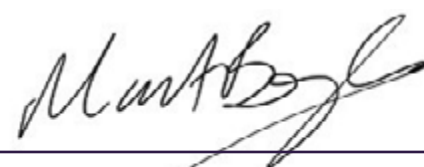


SECTION 4: FINANCIAL STATEMENTS AND NOTES TO THE ACCOUNTS

Statement of Comprehensive Net Expenditure for the year ended 31 March 2024			
Expenditure	Notes	Year ended 31 March 2024	Year ended 31 March 2023
		£'000	£'000
Grants paid to HEIs and other bodies	2	1,252,033	1,244,730
Grants paid to colleges and other bodies	2	772,084	762,268
Staff costs	-	10,688	8,628
Depreciation	3	20	14
Amortisation	4 & 16	406	273
Other operating charges	5	3,161	2,794
TOTAL	-	2,038,392	2,018,707
Income			
European Social Fund income	7	(9,344)	(7,951)
Income from HEIs and colleges	8	(23,462)	(18,629)
Other grants	9	(9,649)	(10,489)
Other income	10	(604)	(430)
TOTAL	-	(43,059)	(37,499)
Net expenditure	-	1,995,333	1,981,208
Comprehensive net expenditure	SoCTE	1,995,333	1,981,208
There are no recognised gains and losses other than those recorded above.			
The notes on pages 123 to 138 form part of these accounts.			

Statement of financial position as at 31 March 2024			
Non-current assets	Notes	31 March 2024	31 March 2023
		£'000	£'000
Property, plant and equipment	3	26	27
Right of use assets	16	2,027	1,976
Intangible assets	4	80	82
Loans	11	186,669	165,670
Total non-current assets	-	188,802	167,755
Current assets			
Loans	11	17,206	15,394
Trade and other receivables	12	305	2,522
Cash and cash equivalents	13	6,509	100,880
Total current assets	-	24,020	118,796
Total assets	-	212,822	286,551
Current liabilities			
Trade and other payables	14	(24)	(141)
Other liabilities	14	(1,436)	(3,008)
Total current liabilities	-	(1,460)	(3,149)
Assets less current liabilities	-	211,362	283,402
Non-current liabilities			
Other liabilities	16	(1,725)	(1,717)
Total non-current liabilities	-	(1,725)	(1,717)
Total Assets less liabilities	-	209,637	281,685
Taxpayers' equity	-	209,637	281,685

The financial statements on pages 123 to 138 were approved by the SFC on [xx September 202x] and signed on its behalf by:



MARTIN BOYLE
Interim Chief Executive and Accountable Officer
2 October 2024

The Interim Chief Executive and Accountable Officer authorised these Financial Statements for issue on 2 October 2024.

The notes on pages 123 to 138 form part of these accounts.

Statement of cash flows for the year ended 31 March 2024			
Cash flows from operating activities	Notes	Year ended 31 March 2024	Year ended 31 March 2023
		£'000	£'000
Net operating costs	SCNE	(1,995,333)	(1,981,208)
Adjustments for non-cash transactions			
Depreciation and amortisation charges	3, 4, 16	426	287
Increase in debtors	11	(22,811)	(8,660)
Movements in working capital			
(Increase)/decrease in trade and other receivables	12	2,217	(579)
Increase/(decrease) in trade and other payables	14	(2,049)	124
Net cash outflow from operating activities	-	(2,017,550)	(1,990,036)
Cash flows from investing activities			
Purchase of intangible assets	4	(87)	(68)
Purchase of tangible assets	3	(19)	(41)
Net cash outflow from investing activities	-	(106)	(109)
Cash flows from financing activities			
Grant-in-aid	6	1,901,819	2,038,405
Other Scottish Government grants	6	1,180	1,180
Other Government grants	6	20,286	43,305
Net cash inflow from financing activities	-	1,923,285	2,082,890
Net increase/(decrease) in cash and cash equivalents	-	(94,371)	92,745
Cash and cash equivalents at 1 April 2023	13	100,880	8,135
Cash and cash equivalents at 31 March 2024	13	6,509	100,880

The notes on pages 123 to 138 form part of these accounts.

Statement of changes in taxpayers' equity for the Year ended 31 March 2024		
Changes in Taxpayers' Equity 2023-24	Notes	Year ended 31 March 2024 £'000
Balance as at 1 April 2023		281,685
Scottish Government grant-in-aid funding	6	1,993,729
Cash advance	6	(91,910)
Other Scottish Government grants	6	1,180
Other Government grants	6	20,286
Comprehensive net expenditure for the year	-	(1,995,333)
Balance at 31 March 2024	-	209,637

Statement of changes in taxpayers' equity for the Year ended 31 March 2023		
Changes in Taxpayers' Equity 2022-23	Notes	Year ended 31 March 2023 £'000
Balance as at 1 April 2022		180,003
Scottish Government grant-in-aid funding	6	2,038,405
Other Scottish Government grants	6	1,180
Other Government grants	6	43,305
Comprehensive net expenditure for the year	-	(1,981,208)
Balance at 31 March 2023	-	281,685

The Taxpayers' Equity balance includes £203.9m (FY 2022-23: £181.1m) in respect of loans advanced to institutions (note 11).

The notes on pages 123 to 138 form part of these accounts.

Notes to the accounts for the Year ended 31 March 2024

1. Accounting policies

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with UK adopted International Accounting Standards as adapted and interpreted by the Government Financial Reporting Manual (FReM). The accounts have been prepared under a direction issued by Scottish Ministers in accordance with paragraph 17 of Schedule 1 to the Further and Higher Education (Scotland) Act 2005. The Accounts Direction given by Scottish Ministers is produced as an appendix to these accounts.

The accounting policies contained in the FReM apply UK adopted International Accounting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the SFC for the purpose of giving a true and fair view has been selected. The particular policies adopted by the SFC are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Going concern

The Scottish Government's estimates and forward plans include provision for the SFC continuation and it is therefore appropriate to prepare these accounts on a going concern basis.

Significant judgements and estimates

In preparing these accounts the SFC makes certain judgements on key areas of income, expenditure and assets which are detailed in the Accounting Policies stated below. Where estimates have been made, for example, in the useful life of an asset, the SFC considers that none have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Recovery of grants

The SFC's policy is to recognise funding adjustments as recoverable grants only when there is sufficient certainty of recovery. Recovery is made through adjustments to institutions' future grant funding.

The SFC has powers under the Further and Higher Education (Scotland) Act 2005 to determine amounts of grant to recover from institutions where the terms and conditions of grant have not been met. In exercising these powers the SFC Executive may in some cases decide not to seek recoveries from institutions relating to prior years. In such cases the decision is taken on an individual basis with due regard to the overall financial position of the institution and the circumstances giving rise to a potential recovery.

Property, plant and equipment

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

The useful lives are as follows:

Furniture and fittings: 5 years

Information technology and other equipment: 3 years

Intangible assets

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

Taxation

HM Revenue and Customs does not consider the activities of the SFC to be a trade and the grant income received is not therefore liable to corporation tax. The SFC is currently registered for VAT and, although most of the SFC's activities are outside the scope of VAT, tax is levied on consultancy income including staff secondments. VAT payable is included as an expense to the extent that it is not recoverable from HMRC and non-recoverable VAT is included in the capitalised purchase cost of non-current assets.

Grants and loans

Grants receivable

Grant-in-aid received for revenue, capital and running costs purposes and other Government grants are regarded as financing and are credited to taxpayers' equity. Grant-in-aid received is treated on a cash basis. European Social Fund (ESF) and European Regional Development Fund (ERDF) income are treated on a cash basis in view of the uncertainty over the level of income the SFC will receive. Recoverable grants are recognised at the dates agreed with the organisations concerned.

Grants payable

The SFC pays grants on the basis of monthly instalments which take into account the pattern of the institution's receipts and payments; or on agreed profiles; or on receipt of claims from institutions. This reflects the pattern of need at institutions. Funds to institutions are distributed on an academic year basis as a result of which there may be prepayments at the end of the financial year. Recovery and penalties are recognised when the amount of the funding adjustment has been established and approved by Council. Recoverable grants are recognised at the dates agreed with the organisations concerned.

Financial instruments

IFRS 7, IFRS 9 and International Accounting Standards (IAS) 32 require an organisation to present and disclose information on the possible impact of financial instruments on its financial position and performance, and on the extent of its risk exposure. As a non-departmental public body (NDPB) funded by the government, the SFC is not exposed to any liquidity or interest rate risks.

SFC has no overseas operations and does not operate any foreign currency bank accounts. It is not subject to any foreign currency, credit or market risks. Loans to institutions are charged at nominal interest rates over a period of 10 to 20 years and are repayable by deduction from future grant-in-aid. As a result, SFC considers there to be minimal impairment risk from these transactions.

In accordance with IFRS 9 the loans should be initially recognised at fair value and thereafter at amortised cost. However, the loan cost has been used as a reasonable estimate of the carrying value of loans as the amortised cost would not be materially different.

Loans

Interest free loans are payable to staff for the purchase of season travel tickets or bicycles for use in travel to work. Any other loans are payable under the terms set out in the Further and Higher Education (Scotland) Act 2005.

Statement of Comprehensive Net Expenditure

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

Operating leases

IFRS 16 requires lessees to recognise nearly all leases in the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payment. SFC has two property leases, one for its main office and a pepper corn lease with Scottish Enterprise for the right to use meeting room space.

The lease liability is measured at the present value of the lease payments, discounted at the rate implicit in the lease or, if that is not readily determinable, the HM Treasury discount rate promulgated in the PES papers as an incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured, with a corresponding adjustment to the right of use asset, when there is a change in future lease payments.

The right of use asset is initially measured at cost, comprising: the initial lease liability; any lease payments already made less any lease incentives received; initial direct costs; and any dilapidation or restoration costs. The right of use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. The right of use asset is tested for impairment if there are any indicators of impairment.

Leases of low value assets and short-term leases of 12 months or less are expensed, as are non-lease service components.

Pension costs and other post-retirement benefits

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded multi-employer defined benefit scheme, but the SFC is unable to identify its share of the underlying liabilities.

The scheme is accounted for as a defined contribution scheme under the multi-employer exemption permitted in IAS 19 'Employee Benefits'. The expected costs are accounted for on a systematic and rational basis over the period during which the SFC benefits from employees' services by payment to the PCSPS of an amount calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. Payments to the defined contribution schemes are expensed as they become payable. Early severance payment obligations are expensed in the year in which the employee leaves.

Short-term employee benefits

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

Financial guarantees

In accordance with IFRS 9, financial guarantees are considered for recognition as liabilities. The likelihood of a liability occurring is considered to be remote therefore the financial guarantees have been treated as a contingent liability in line with IAS 37 and are not recorded on the balance sheet.

2. Grants paid to institutions and other bodies

a) The Framework Document between the Scottish Government and the SFC requires the SFC and its Chief Executive to ensure that grant-in-aid receipts were used for their intended purpose. In turn, the Financial Memorandum between the SFC and the institutions that it funds requires the governing bodies of those institutions to ensure that grant-in-aid has been used for its intended purpose. Institutions' external auditors are required to verify that grant-in-aid has been properly applied and to incorporate their opinion on this matter into their audit reports. The most recently available accounts for institutions are to 31 July 2023. Grants to institutions for the period up to 31 March 2024 are yet to be verified by institutions and their auditors to ensure that grant-in-aid receipts from the SFC have been used for their intended purpose. Any material differences arising, which are related to the regularity of grant-in-aid for the period covered by these accounts, will be subject to adjustment in subsequent financial years. Subject to the above, grant-in-aid receipts received from the sponsor department have been applied for their intended purpose.

b) Grants to institutions to finance capital expenditure may be subject to repayment in full, or in part, if the assets purchased are disposed of at a later date.

c) Distribution of funds.

Grants paid to institutions and other bodies	Year ended 31 March 2024	Year ended 31 March 2023
	£'000	£'000
Recurrent grants	873,772	838,035
Capital grants	378,261	406,695
TOTAL	1,252,033	1,244,730
Grants paid to colleges and other bodies	Year ended 31 March 2024	Year ended 31 March 2023
	£'000	£'000
Recurrent grants	578,944	596,591
Bursary and student support payments	130,372	131,210
Capital and major works	62,768	34,467
TOTAL	772,084	762,268

3. Property, plant and equipment

Historic cost	Furniture and fittings	ICT	Other equipment	Total
	£'000	£'000	£'000	£'000
At 1 April 2023	144	351	27	522
Additions	-	19	-	19
Disposals	-	-	-	-
At 31 March 2024	144	370	27	541

Depreciation				
At 1 April 2023	144	324	27	495
Provided during the year	-	20	-	20
Disposals	-	-	-	-
At 31 March 2024	144	344	27	515

Net Book Value				
At 31 March 2024	-	26	-	26
At 1 April 2023	-	27	-	27

Historic cost				
At 1 April 2022	144	310	27	481
Additions	-	41	-	41
Disposals	-	-	-	-
At 31 March 2023	144	351	27	522

Depreciation				
At 1 April 2022	144	310	27	481
Provided during the year	-	14	-	14
Disposals	-	-	-	-
At 31 March 2023	144	324	27	495

Net Book Value				
At 31 March 2023	-	27	-	27
At 1 April 2022	-	-	-	-

4. Intangible assets

Intangible assets comprise IT software and software licences.

Cost	IT	Software licences	TOTAL
	£'000	£'000	£'000
At 1 April 2023	1,420	120	1,540
Additions	87	-	87
Disposals	-	-	-
At 31 March 2024	1,507	120	1,627
Amortisation			
At 1 April 2023	1,338	120	1,458
Provided during the year	89	-	89
Disposals	-	-	-
At 31 March 2024	1,427	120	1,547
Net Book Value			
At 31 March 2024	80	-	80
At 1 April 2023	82	-	82
Cost			
At 1 April 2022	1,352	120	1,472
Additions	68	-	68
Disposals	-	-	-
At 31 March 2023	1,420	120	1,540
Amortisation			
At 1 April 2022	1,309	120	1,429
Provided during the year	29	-	29
Disposals	-	-	-
At 31 March 2023	1,338	120	1,458
Net Book Value			
At 31 March 2023	82	-	82
At 1 April 2022	43	-	43

5. Other operating charges

Staff numbers and costs: all relevant disclosures relating to staff are included in the Remuneration and Staff Report on pages 93 to 108.

	Year ended 31 March 2024	Year ended 31 March 2023
	£'000	£'000
Operating leases – property rental	18	14
Accommodation costs	287	260
Council members' remuneration	407	411
Other support costs	630	560
Professional services	1,004	1,048
Staff recruitment and training	219	236
Legal costs	63	34
Travel and subsistence		
– Council members	5	5
– Staff	31	15
Internal Audit Fee	57	57
External Audit fee	107	96
Equipment and consumables	300	42
Hospitality costs		
– Council members	2	-
– Staff	14	6
Publication costs	14	9
Conference costs	2	1
Committee costs	1	-
TOTAL	3,161	2,794

Note: operating charges (above) includes overseas travel of £403 (FY 2022-23: £Nil) included in staff travel and subsistence.

A total of £1.1m was spent on consultancy in FY 2023-24 (FY 2022-23: £1.1m). Of this, £0.9m was spent within SFC operating costs (mainly on digital transformation and disclosed in professional services above), with a further £0.2m spent across the college and university sectors.

6. Government grant-in-aid received

Funds from Scottish Government for	Year ended 31 March 2024	Year ended 31 March 2023
	£'000	£'000
HEI and other bodies	880,172	874,413
HEI capital	348,105	349,600
Financial transactions	15,000	20,100
Colleges and other bodies	659,469	713,867
Colleges Capital	80,300	72,600
Council running costs	10,683	7,825
Sub-total	1,993,729	2,038,405
Reprofiling adjustment in FY 2022-23	(91,910)	-
Grant-in-aid	1,901,819	2,038,405
Other Scottish Government Grants		
Sabhal Mòr Ostaig	1,180	1,180
Other Government Grants		
Funds from Department for Science, Innovation and Technology (DSIT) for Research Capital	20,286	43,305

7. Income from European Social Fund (ESF)

	Year ended 31 March 2024	Year ended 31 March 2023
	£'000	£'000
ESF income received – colleges programme	7,954	5,190
ESF income received – HEIs programme	1,154	2,513
Sub-total	9,108	7,703
ESF income received – SFC running costs	236	248
TOTAL	9,344	7,951

8. Income from higher education institutions and colleges

	Year ended 31 March 2024	Year ended 31 March 2023
	£'000	£'000
Recovery from colleges	18,775	16,978
Recovery from higher education institutions	4,687	1,651
TOTAL	23,462	18,629

Generally, a recovery of funds arises where institutions have under-enrolled beyond threshold against funded places, with the grant paid out in one financial year and taken back in another. In addition, a recovery arises in student support where there is a variance between payment based on estimated and actual numbers. A financial penalty may be imposed on an institution if it exceeds its indicative student number for non-controlled full-time and sandwich undergraduates by more than 10% or if it exceeds its indicative number for a controlled subject area by more than 10% or 10 FTE whichever is the larger. The penalty for a breach of consolidation is the withdrawal of part of the Main Teaching Grant based on the student numbers above the indicative number in excess of the tolerance threshold.

9. Other grants

	Year ended 31 March 2024	Year ended 31 March 2023
	£'000	£'000
Other grant income	9,649	10,489
TOTAL	9,649	10,489

10. Other income

	Year ended 31 March 2024	Year ended 31 March 2023
	£'000	£'000
Finance income	604	430
TOTAL	604	430

11. Loans

Balances due within one year	Year ended 31 March 2024	Year ended 31 March 2023
	£'000	£'000
University of Aberdeen	286	286
University of Abertay	716	716
University of Dundee	1,082	1,082
University of Edinburgh	2,215	1,655
University of Glasgow	1,000	1,000
Glasgow School of Art	500	500
Glasgow Caledonian	286	286
Heriot-Watt University	629	629
Queen Margaret University, Edinburgh	169	157
The Robert Gordon University	323	401
University of St Andrews	1,296	950
University of Stirling	1,115	835
University of Strathclyde	5,402	4,680
SRUC	1,651	1,651
University of the Highlands & Islands	491	491
University of the West of Scotland	45	75
Total due within one year	17,206	15,394

Balances due after one year	Year ended 31 March 2024	Year ended 31 March 2023
	£'000	£'000
West Lothian College	2,211	2,211
University of Aberdeen	2,571	2,857
University of Abertay	8,110	8,826
University of Dundee	11,772	12,854
University of Edinburgh	17,357	6,295
University of Glasgow	5,000	6,000
Glasgow School of Art	8,000	8,500
Glasgow Caledonian	1,429	1,714
Heriot-Watt University	2,650	3,279
Queen Margaret University, Edinburgh	2,244	2,412
The Robert Gordon University	3,712	4,035
University of St Andrews	5,194	3,721
University of Stirling	28,035	21,642
University of Strathclyde	60,013	50,765
SRUC	21,320	22,971
University of the Highlands & Islands	6,881	7,373
University of the West of Scotland	170	215
Total due after one year	186,669	165,670
TOTAL OF ALL LOANS	203,875	181,064

University loans are funds provided to institutions on an individual basis to support the costs of specific projects, which are recovered through an adjustment to their future funding. The SFC Board has agreed the priorities, applications and principles for providing university loans. Loans are treated as financial instruments, and some are non-interest bearing and some have interest charged at 1%. The loan cost has been used as a reasonable estimate of the amortised cost of recoverable grants as the discounted cashflows would not be materially different. Amounts provided are within the total funding for the programme approved by the Board. University loans are normally for five to ten years but can be up to 25 years.

The SFC also offers flexibility in grant payments to colleges encountering financial liquidity challenges. This includes providing cash advances. The SFC

provided a repayable advance of £5.54m to West Lothian College in April 2007, to enable the college to voluntarily terminate its PFI contract, at which point the title of the college buildings transferred to the college. The £5.54m advance is interest free and was originally repayable in equal instalments over 16 years. The first repayment was made in August 2010 and at 31 March 2022 the amount outstanding was £2.21m. In March 2014 the college made an upfront repayment of £650,000 towards the loan and negotiated a reduced annual repayment with the SFC from April 2015. In 2020 the SFC agreed to the suspension of repayments on the loan from July 2021 to July 2025 inclusive, recommencing in July 2026. As a result, the loan period has been extended to July 2039.

12. Trade and other receivables

	Year ended 31 March 2024	Year ended 31 March 2023
	£'000	£'000
Prepayments and accrued income	269	290
Institutions recovery	-	2,200
Other HEI balances	-	-
Other college balances	-	-
Other debtors	36	32
TOTAL	305	2,522

13. Cash and cash equivalents

	Year ended 31 March 2024	Year ended 31 March 2023
	£'000	£'000
Funds held at Government Banking Service accounts	6,494	100,860
Funds held at commercial banks	15	20
TOTAL	6,509	100,880

14. Trade and other payables

	Year ended 31 March 2024	Year ended 31 March 2023
	£'000	£'000
Trade payables	24	141
Other liabilities	1,134	2,749
Lease liabilities	302	259
TOTAL CURRENT LIABILITIES	1,460	3,149

15. Capital and non-capital commitments

The level of funding for academic institutions is determined on the basis of the academic year; 1 August to 31 July each year. The SFC's financial year runs from 1 April to 31 March each year. Grant commitments that fall outwith the SFC's current financial year, but within the remaining period of the current academic year, are disclosed as committed grant.

Grants committed to be paid to HEIs and other bodies		
	31 March 2024	31 March 2023
Grant for distribution	£'000	£'000
Recurrent grant	347,100	311,941
Capital grants	119,547	118,790
TOTAL	466,647	430,731

Grants committed to be paid to colleges and other bodies		
	31 March 2024	31 March 2023
Grant for distribution	£'000	£'000
Recurrent grant	192,288	193,565
Student support payments	43,291	42,167
Capital grants	17,470	14,183
Unitary charge	10,290	10,212
TOTAL	263,339	260,127

16. Leases

The SFC does not own any land or buildings. Its premises in Edinburgh are leased: the lease for SFC's main office on the ground floor of 97 Haymarket Terrace began in September 2017 and ends in April 2031. The information below reflects that property lease.

	31 March 2024	31 March 2023
	£'000	£'000
Right-of-use assets		
Balance at 1 April	1,976	2,220
Increase	368	-
Depreciation charge for the year	(317)	(244)
Balance at 31 April	2,027	1,976
Lease liabilities		
	31 March 2024	31 March 2023
	£'000	£'000
Maturity analysis – contractual undiscounted cashflows:		
Less than one year	302	259
One to five years	1,210	1,035
More than five years	630	798
TOTAL	2,142	2,092
Lease liabilities included in the statement of financial position at 31 March:		
Current liability	302	259
Non-current liability	1,725	1,717
TOTAL LIABILITY	2,027	1,976
Amounts recognised in profit or loss		
Interest on lease liabilities	18	14

17. Related party transactions

The SFC is a Non-Departmental Public Body (NDPB) sponsored by the Scottish Government. The Scottish Government Lifelong Learning and Skills Directorate, as the sponsor directorate, is regarded as a related party. The SFC was financed by grant-in-aid from its sponsor directorate's parliamentary account. During the year the SFC had a number of material transactions with the Directorate. The universities and colleges funded by the SFC are regarded as related parties. Details of the major transactions between the SFC and the funded institutions are set out in Appendix 2 to the Report and Accounts. Amounts due to and from related parties are shown in notes 11, 12 and 14.

In addition, the SFC had various material transactions with other publicly funded bodies during the period, including College Employers Scotland (CES), Jisc, Royal Society Edinburgh (RSE) and Advanced Procurement for Universities and Colleges (APUC). The transactions with Jisc and APUC represent funding for sector-wide infrastructure for the benefit of universities and colleges. Payment to RSE is to fund Scotland's national academy. SFC pays CES as an administrative arrangement carried out on behalf of the colleges.

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

Related party declarations

- Dr Mike Cantlay OBE (Chair) holds an Honorary fellowship of SRUC.
- David Alexander is Principal at Gateshead College.
- Linda Hanna is the Board Chair of SRUC. She is a Strategic Adviser for the University of Glasgow and is a Partnership Director for Smart Things Accelerator Centre (STAC).
- Professor Ewart Keep is a member of the Management Board of City of Glasgow College, provides policy advice to the Association of Colleges (AoC), is an academic member of the ESRC Productivity Institute and provides advice to UKRI (ESRC), and has a number of roles supporting the Education and Training Foundation including committee chair.

- Andy Kerr was previously the Chair of South Lanarkshire College.
- Dr Paul Little CBE is Principal and Chief Executive of the City of Glasgow College, is Principal Observer on Glasgow Colleges Regional Board, is the Vice-Convenor of the College Principals Group of Colleges Scotland, is the Vice-Chair of College Employers Scotland, is a Fellow of Royal Society of Edinburgh (RSE), and is a member of the Board and Scottish Lead Ambassador for WorldSkills UK.
- Professor Peter Mathieson is Principal and Vice-Chancellor of the University of Edinburgh and the Lead Member for Health for Universities Scotland and is also an ex officio trustee for Newbattle Abbey College.
- Professor Irene McAra-McWilliam OBE is the Deputy Director Research and Innovation at Glasgow School of Art, a member of Universities UK (UUK) Pro Vice-Chancellor (Research & Innovation) Group, and a member of Advanced Care Research Centre Advisory Group at the University of Edinburgh.
- Dr Veena O'Halloran is the Special Adviser to the Principal at the University of Strathclyde, is on the Committee of Scottish University Chairs, and a governance adviser to the Royal College of Surgeons of Edinburgh.
- Grant Ritchie is an Associate Director for the College Development Network. He is also a former Principal of Dundee & Angus College.
- Caroline Stewart is Chair of Dumfries and Galloway College and a member of the Scottish Police Authority Board.
- Professor John Wallace CBE was previously Principal of The Royal Conservatoire of Scotland, he was the RSE vice-president for arts, humanities and social sciences and currently undertakes work with the University of St. Andrews outreach department and the University of St Andrews Laidlaw Music Centre, he is an Honorary Professor of Brass at the University of St Andrews and is Emeritus Professor at Royal Conservatoire of Scotland. He is connected to the University of St Andrews Music Participation Programme (StAMP).

- Professor Lesley Yellowlees OBE was previously Vice Principal and Head of the College of Science and Engineering at the University of Edinburgh, is a Director of Newbattle Abbey College, a Fellow of the RSE, and is a member of Edinburgh Napier University Court.

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

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

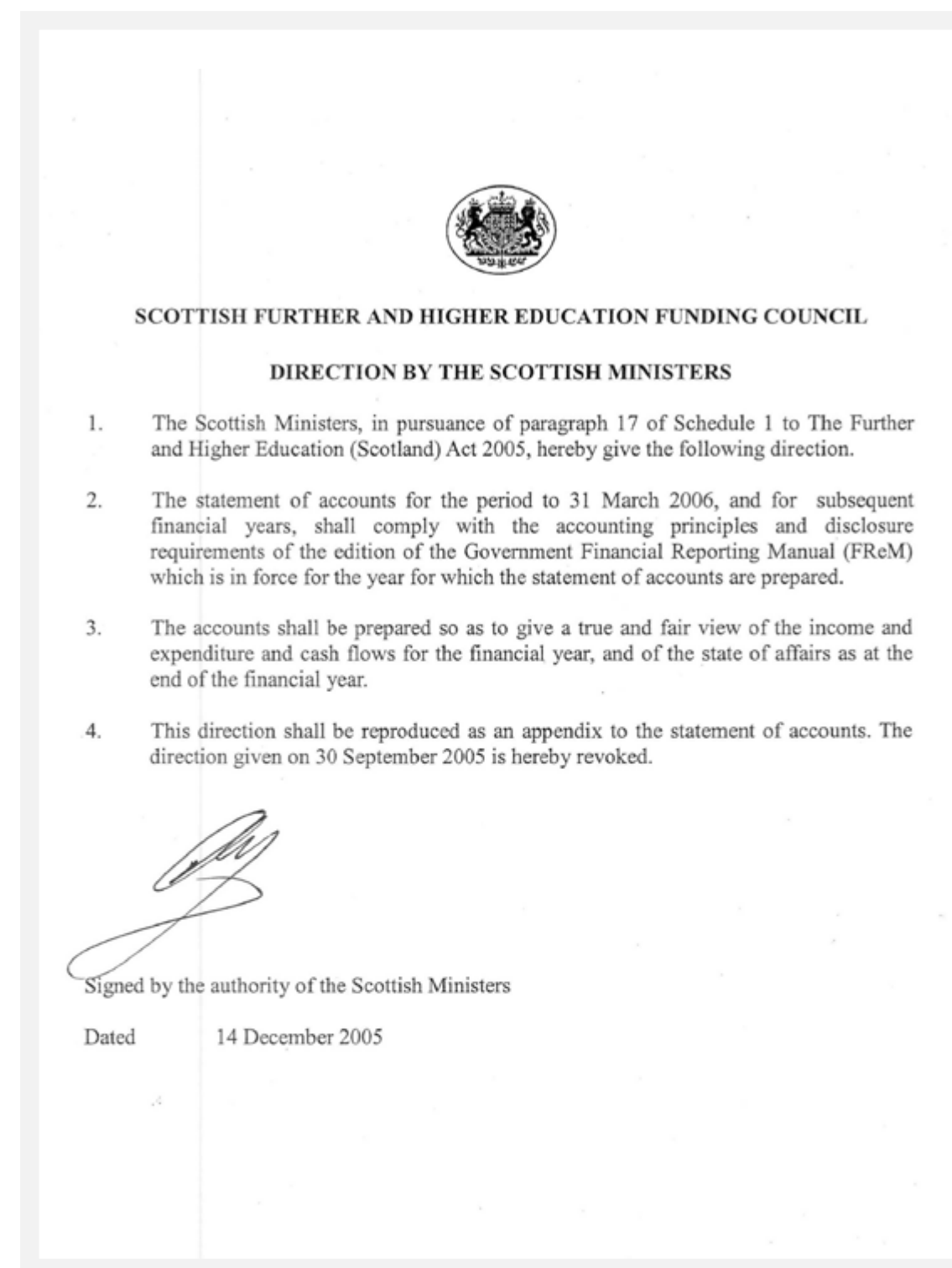
18. Intra-government balances

Intra-government balances				
	Trade receivables: amounts falling due within one year	Trade receivables: amounts falling due after more than one year	Trade payables: amounts falling due within one year	Trade payables: amounts falling due after more than one year
	£'000	£'000	£'000	£'000
2023-24				
Balances with other Central Government bodies	36	-	11	-
Balances with bodies external to Government	267	-	1,405	-
At 31 March 2024	303	-	1,416	-
2022-23				
Balances with other Central Government bodies	32	-	16	-
Balances with bodies external to Government	2,490	-	2,873	-
At 31 March 2023	2,522	-	2,889	-

19. Financial instruments

As the cash requirements of the SFC are met through grant-in-aid provided by the Scottish Government, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to loans made to HEIs. These are disclosed in Note 11. The SFC does not consider these to be a risk as repayments are deducted from future funding at source. The SFC also has contracts to buy non-financial items in line with the SFC's expected purchase and usage requirements and the SFC is, therefore, exposed to little credit, liquidity or market risk.

Appendix 1: Direction by the Scottish Ministers



Appendix 2: Analysis of funds paid to institutions and other bodies

College/regions	Distribution of grant-in-aid from the Scottish Government				
	Year ended 31 March 2024	Total year ended 31 March 2023	Total year ended 31 March 2022	Total year ended 31 March 2021	Total year ended 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Ayrshire	54,404	55,500	53,941	55,904	50,645
Borders	12,770	13,228	12,908	12,440	13,241
Dumfries and Galloway	14,653	14,538	14,729	13,952	16,399
Dundee and Angus	42,564	43,488	44,646	44,487	40,143
Edinburgh	67,179	68,164	70,188	66,716	60,642
Fife	90,975	66,535	57,577	53,234	49,098
Forth Valley	30,540	32,213	30,529	27,880	46,801
Glasgow Colleges' Regional Board	158,407	161,094	168,641	158,606	147,363
Highlands and Islands	66,435	68,103	69,041	68,225	61,591
New College Lanarkshire Regional Board	77,342	76,883	72,453	73,573	73,216
Newbattle	1,660	1,848	1,393	2,607	1,800
North East College Scotland	48,520	48,645	49,799	49,721	44,589
Open University in Scotland	-	-	166	1,000	-
Sabhal Mòr Ostaig	2,403	2,543	2,175	2,757	2,448
SRUC	13,193	13,116	13,357	13,072	12,200
West College Scotland	63,658	65,125	17,933	17,072	60,837
West Lothian	18,908	22,547	61,405	63,318	16,624
Sub-total	763,611	753,570	740,881	724,564	697,637
Total grant distributed to other organisations	8,473	8,698	9,245	9,574	8,654
TOTAL GRANT DISTRIBUTED	772,084	762,268	750,126	734,138	706,291

Distribution of grant-in-aid from the Scottish Government					
University or college	Year ended 31 March 2024	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Aberdeen	77,644	79,522	80,784	93,297	76,196
Abertay	22,443	22,037	22,254	24,046	20,210
Dundee	84,421	84,702	86,936	97,648	81,320
Edinburgh	205,603	205,583	197,532	239,243	187,751
Glasgow	181,234	177,905	175,388	204,619	162,829
Glasgow Caledonian	76,262	75,110	78,737	81,141	69,562
Glasgow School of Art	18,886	13,552	14,304	15,757	13,234
Heriot-Watt	46,573	47,499	48,885	56,830	48,311
Edinburgh Napier	63,840	63,517	66,041	68,565	59,280
Open University in Scotland	29,060	28,089	28,323	28,137	24,045
Queen Margaret Edinburgh	20,786	20,628	20,618	20,152	15,811
Robert Gordon	50,661	50,203	54,626	53,112	44,932
Royal Conservatoire of Scotland	14,263	13,257	13,275	13,953	12,144
St Andrews	42,988	43,280	42,567	52,696	39,574
Stirling	49,690	50,843	51,927	57,907	46,688
Strathclyde	113,119	112,078	112,824	127,712	103,486
Highlands and Islands	47,040	47,458	52,159	56,128	51,471
West of Scotland	75,437	75,307	77,886	81,727	70,763
SRUC	17,141	16,919	20,680	23,495	16,593
Borders College*	-	-	-	-	50
Dumfries and Galloway College*	26	20	-	8	24
Dundee and Angus College*	-	-	-	-	100
Edinburgh College*	-	-	-	-	55
Fife College*	-	-	-	-	5
Forth Valley College*	-	-	-	-	65
North East Scotland College*	78	17	-	-	-
Glasgow Colleges' Regional Board*	-	-	-	9	95
Sabhal Mòr Ostaig	422	587	419	467	-
West College Scotland*	-	-	-	-	130
Sub-total	1,237,617	1,228,113	1,246,165	1,396,649	1,144,724
Other organisations	14,416	16,617	20,568	15,832	15,583
TOTAL GRANT DISTRIBUTED	1,252,033	1,244,730	1,266,733	1,412,481	1,160,307

* The rationale for HE payments to colleges is set out in the table below.

Distribution of grant-in-aid from the Scottish Government					
	FY 2023-24	FY 2022-23	FY 2021-22	FY 2020-21	FY 2019-20
Borders College	N/A	N/A	N/A	N/A	CIF
Dumfries and Galloway College	Pathfinders	Pathfinders	N/A	Crichton Campus	CIF
Dundee and Angus College	N/A	N/A	N/A	CIF	CIF
Edinburgh College	N/A	N/A	N/A	N/A	CIF
Fife College	N/A	N/A	N/A	N/A	CIF
Forth Valley College	N/A	N/A	N/A	N/A	CIF
North East Scotland College	Pathfinders	Pathfinders	N/A	N/A	CIF
Glasgow Colleges' Regional Board	N/A	N/A	N/A	CIF	CIF
Sabhal Mòr Ostaig	Gaelic Dictionary	Gaelic Dictionary	Gaelic Dictionary	Gaelic Dictionary	N/A
West College Scotland	N/A	N/A	N/A	N/A	CIF

College innovation fund (CIF)



Photo: Forth Valley College



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