

Scottish Further and Higher Education Funding Council - Framework Document

Contents

Introduction.....	2
Purpose	2
Governance and Accountability	2
The Board	2
The Chief Executive	4
The Accountable Officer	5
The Scottish Ministers	5
SG Portfolio Accountable Officer	6
Relationship between Scottish Government and the SFC.....	7
NDPB staff management responsibilities.....	8
Broad responsibilities for NDPB staff.....	8
Pay and conditions of service	8
Pensions, redundancy and compensation	8
Strategic and business plans	9
Annual report and accounts	9
External audit	9
Internal audit	10
Budget management and delegated authority	10
Risk management	11
Internal control	11
Budget and finance	12
Remuneration.....	13
Banking and cash management	14
Annex A: Specific Delegated Financial Authorities	15

Approved	Version	Next Review	Signed by
24 July 2026	1.0	As required, but before 1 April 2027	Ben Macpherson MSP, Minister for Innovation, Technology and Tertiary Education

Introduction

1. This framework document is agreed between the Scottish Further and Higher Education Funding Council (SFC) and the Scottish Ministers. It summarises how SFC and Scottish Government (SG) will work together, and the key roles and responsibilities of:

- the Board;
- the Chief Executive and Accountable Officer of SFC;
- the Scottish Ministers; and
- the Portfolio Accountable Officer within the SG whose remit includes SFC.

While this document does not confer any legal powers or responsibilities, it forms a key part of the accountability and governance framework and as a live document it should be reviewed by SG and the SFC regularly, and at least every 2-3 years. Any significant changes will be agreed between the Board and the Scottish Ministers.

2. Any question regarding the interpretation of the document will be determined by the SG after consultation with the SFC. Legislative provisions take precedence over any part of the document.

3. The SFC is not permitted to establish any subsidiaries or enter into joint ventures without express approval from Scottish Ministers

4. Copies of the document will be published on the SFC website.

Purpose

5. The SFC is established under the Further and Higher Education (Scotland) Act 2005 (the Act).

6. The SFC is the national, strategic body for the funding of further and higher education and research in Scotland. Its purpose is to secure coherent, high quality further and higher education by colleges and universities in Scotland (as a whole), and the undertaking of research among those bodies.

7. The SFC's main statutory duties are set out in the Act. It has the general duty under the Act to exercise its functions for the purposes of securing –

- the coherent provision by the post-16 education bodies (as a whole) of a high quality of fundable further education and fundable higher education; and
- the undertaking of research among the post-16 education bodies.

Governance and Accountability

8. This section summarises the specific responsibilities and accountabilities of the key people involved in governance of the SFC.

Powers and duties

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

The Board

10. Members of the SFC Board include the Chair, Chief Executive, and non-executives appointed by the Scottish Ministers in line with the [Code of Practice for Ministerial Public Appointments in Scotland](#). The Chair and Board Members are accountable to the Scottish Ministers and also to the Scottish Parliament and may be required to give evidence to Parliamentary Committees.

11. **The Board has overall responsibility for the delivery of the functions of the SFC**, as set out at paragraphs 5 to 7 above, in accordance with the aims, policies and priorities of the Scottish Ministers. It [the Board] has corporate responsibility, under the leadership of the Chair, and will:

- a. set strategic plans to deliver the functions of the SFC, focusing on how the work of the SFC can most effectively contribute to achievement of SFC's statutory duties and the outcomes

in the National Performance Framework, the Programme for Government and Scotland's Economic Strategy in collaboration with the SG and other public bodies;

- b. regularly scrutinise current and projected performance against the aims, objectives and targets set out in plans and take decisions on remedial action where required;
- c. ensure that effective governance is established and maintained, including ensuring that decision-taking is open and transparent and, with support from the Accountable Officer and the Audit and Risk Committee, ensure that key risks are identified and managed;
- d. approve the annual report and accounts and ensure these are provided to the Scottish Ministers to be laid before the Scottish Parliament;
- e. promote the efficient, economic and effective use of resources consistent with the principles of [Best Value](#), and regularly scrutinise financial performance and compliance with financial guidance issued by the SG;
- f. promote the wellbeing, learning and development of staff, provide support and challenge to the Chief Executive on staffing matters and ensure that the SFC meets the **NDPB staff management responsibilities** described in the section below;
- g. in operating and making decisions, act in accordance with legislation, terms and conditions of grant and any other relevant directions, determinations or guidance issued by Ministers;
- h. develop well-informed strategic connections across and between further and higher education and with businesses and wider civic Scotland;
- i. support and challenge the SFC to collaborate with partners including other NDPBs to achieve outcomes;
- j. ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Board will set up an audit and risk committee chaired by a non-executive member to provide independent advice and assurance on the effectiveness of the internal control and risk management systems;
- k. receive and review regularly performance and financial information concerning the management and performance of the SFC and be informed in a timely manner about any concerns regarding the activities of the SFC;
- l. ensure systems are in place to enable early notification to be provided to the SG about emerging issues which will impact on the operation or reputation of the SFC and/or the SG;
- m. appoint with the approval of the Scottish Ministers the SFC Chief Executive and, in consultation with the SG, set appropriate performance objectives and remuneration terms linked to these objectives which give due weight to the proper management and use of resources within the stewardship of the SFC and the delivery of outcomes.

12. The Chair is accountable to the Scottish Ministers and, in common with any individual with responsibility for devolved functions, may also be held to account by the Scottish Parliament. Communications between the SFC Board and the Scottish Ministers should normally be through the Chair. They are responsible for ensuring that the SFC's policies and actions support the Scottish Ministers' wider strategic policies and that its affairs are conducted with probity and in ways that demonstrate high standards of corporate governance.

13. The Chair will:

- a. lead the Board, ensuring that all Board members have suitable induction to understand the role and their responsibilities, that the skills and experience of all Board Members are used effectively and that the Board undertakes regular self-assessment of its performance;
- b. ensure that the performance of each Board member is reviewed at least once per year and that the Board and/or individual Board members undertake development activity when required to ensure the effectiveness of the Board;
- c. ensure that the Board reviews its effectiveness annually;

- d. ensure that a Code of Conduct (aligned to the Model Code of Conduct for Board Members) is in place, that corporate actions are taken to implement it as required and that Members understand their responsibilities, using the guidance provided by the Standards Commission;
 - e. work with the Portfolio Accountable Officer or their delegate(s) and the Public Appointments Team in SG on succession planning for the Board, action necessary to fill vacancies as they arise, skills requirements and promoting diversity by encouraging applications from less represented groups, including younger people, people from minority ethnic backgrounds and people with disabilities;
 - f. ensure the priorities of the SG are fully understood;
 - g. ensure the Board, in accordance with Ministerial direction and recognised good practice in corporate governance, is diverse both in terms of relevant skills, experience and knowledge appropriate to directing the NDPB business, and in terms of protected characteristics under the Equality Act and the Gender Representation on Public Boards Act and Guidance, where these apply;
 - h. ensure Board Members are fully briefed on terms of appointment, duties, rights and responsibilities;
 - i. together with the other Board Members, receive appropriate induction training, including on financial management and reporting requirements and, as appropriate, on any differences that may exist between private and public sector practice;
 - j. ensure the Board co-operates and collaborates effectively with partner organisations and other stakeholders. In particular, together with Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and the South of Scotland Enterprise, co-operates with and contributes to the effective delivery of the key aims of the NSET.
14. Specific guidance on how the Chair and Board Members should discharge their duties will be provided in their appointment letters and in [On Board – A Guide for Members of Statutory Boards](#). Guidance on governance good practice is available in the Scottish Public Finance Manual and from the sponsor team, who may consult the SG Governance and Risk Team. A list of key aspects of governance to consider is included in the section on Governance and Risk below.

The Chief Executive

15. The Chief Executive is employed and appointed by the Board with the approval of the Scottish Ministers and is the principal adviser to the Board on the discharge of its functions and is accountable to the Board. The Chief Executive is a member of the SFC's Board. Their role is to provide strategic leadership, working closely with the Board, and operational leadership to staff working for the SFC and to ensure that its aims and objectives are met, its functions are delivered, and its targets are met through effective and properly controlled executive action.
16. The specific duties of the Chief Executive will be set out in a job description, and annual objectives will be agreed with the Chair and used in appraisal of the Chief Executive's performance.
17. In addition to any other specific duties, the Chief Executive will:
- a. advise the Board on the discharge of its responsibilities – as set out in this Framework Document, in the founding legislation and in any other relevant instructions and guidance issued by or on behalf of the Scottish Ministers;
 - b. implement or oversee implementation of the decisions of the Board;
 - c. work with the Board on preparation of the Strategic Plan, including liaising with the Senior Sponsor and/or Sponsor Team on key points which need to be addressed and the timetable for preparation and review, and work with the Board to ensure that delivery / business plans are put in place to meet the Strategic Plan aims, objectives and performance measures;

- d. lead and manage the staff of the SFC, ensuring their wellbeing, learning and development are prioritised, and ensuring that the **NDPB staff management responsibilities** set out in the section below are addressed;
 - e. manage the budget for the SFC in line with Scottish Government Finance guidance, policies and procedures, including the Scottish Public Finance Manual, and advise the Board on financial implications of all Board decisions, ensuring that appropriate financial appraisal and evaluation techniques are followed (see the [Appraisal and Evaluation](#) section of the SPFM);
 - f. agree with the Board and the Portfolio AO or Senior Sponsor what information is required to enable the Board and SG to scrutinise the performance of SFC and progress against overall strategic and business plan aims and objectives, and ensure that the agreed information is provided and that is both accurate and timely.
18. the Chief Executive and their Executive Team will manage the day-to-day relationship with the Senior Sponsor and/or Sponsor Team, with other SG officials who have an interest in the work of SFC and other key stakeholders, including staff of other public bodies.
19. In advising the Board, the Chief Executive will ensure that the key governance issues highlighted in the section on Governance and Risk below are addressed.

The Accountable Officer

20. The Principal Accountable Officer for the Scottish Administration will designate a senior official in the SFC, usually this will be the Chief Executive unless there are specific reasons not to, as the Accountable Officer. The Accountable Officer is **personally** responsible for the propriety and regularity of the public finances of the SFC and ensuring that its resources are used economically, efficiently and effectively, as required by section 15 of the Public Finance and Accountability (Scotland) Act 2000, and may be called to give evidence to the Public Audit Committee of the Scottish Parliament. The responsibilities of the Accountable Officer are set out in full in the [Memorandum to Accountable Officers for Other Public Bodies](#) in the Scottish Public Finance Manual.

21. It is important for the Chair and Board members to recognise that one aspect of these duties is the requirement under section 15(8) of the Public Finance and Accountability (Scotland) Act 2000, where the Accountable Officer considers that any action they are required to take is not consistent with their Accountable Officer responsibilities, they must obtain written authority from the Board and send a copy of the written authority to the Auditor General for Scotland as soon as possible and send to the Clerk of the Public Audit Committee. The Accountable Officer should consult the Portfolio Accountable Officer before seeking written authority from the Board in these circumstances and should always notify the Portfolio Accountable Officer when such a written authority has been issued.

22. Where the duties of the Accountable Officer and the Chief Executive are not combined in one person, the Accountable Officer will work closely with the Chief Executive on governance, and in particular to ensure that the key governance issues highlighted in the section on Governance and Risk below are addressed.

The Scottish Ministers

23. The Scottish Ministers appoint the Chair and Board Members and hold the Board to account for the performance of the SFC and its use of resources. Ministers are ultimately accountable to the Scottish Parliament for ensuring that the Board is discharging its duties effectively, although the Parliament will scrutinise the performance of the SFC directly as it does with all public sector bodies. The Scottish Ministers are not directly responsible for the operation of the SFC.

24. The Scottish Ministers will:

- a. agree the strategic aims, objectives and key targets of the SFC as part of the strategic planning process;
- b. agree the budget for the SFC, and secure the necessary Parliamentary approval;
- c. approve the Code of Conduct of the SFC Board;

- d. approve pay remits or proposals and superannuation arrangements for the staff, Chief Executive, Chair and Board members;
- e. lay the accounts of the SFC before the Scottish Parliament;
- f. appointing the Chair and other non-executive members of the SFC, including determining the terms and conditions of their appointment, and approving the appointment of the Chief Executive (and their terms and conditions of appointment)

SG Portfolio Accountable Officer

25. The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the SG) has designated the Director General for Education and Justice as the Portfolio Accountable Officer (AO) for the SG portfolio budget which will provide funding for the SFC.

26. The Portfolio AO's duties are to establish a framework for the relationship between SG and a public body, oversee the operation of that framework, ensure the public appointments to the body are made appropriately and ensure that appropriate assurance is provided on the performance and governance of the body. These activities are known collectively as '**sponsorship**'. In practice, the Portfolio AO is likely to delegate some or all sponsorship duties to a Director or Deputy Director as Senior Sponsor and/or to other SG officials in a 'Sponsor Team'. The responsibilities of a Portfolio Accountable Officer are set out in detail in the [Memorandum to Accountable Officers for Parts of the Scottish Administration](#).

27. The Portfolio AO will:

- a. make sure the framework document is agreed between the Scottish Ministers and the Board of SFC and reviewed regularly and will oversee the operation of the roles and responsibilities set out;
- b. ensure that financial and other management controls being applied by SFC are appropriate and sufficient to safeguard public funds and conform to the requirements both of propriety and of good financial management;
- c. in line with [Code of Practice for Ministerial Appointments](#), ensure that public appointments are made in good time and secure appropriate skills, experience and diversity amongst Board members, working with the Chair on succession planning; that there is effective induction for new appointees; and ensure that there is regular review and a formal annual appraisal of the performance of the Chair;
- d. support regular and effective engagement between SFC and the relevant Scottish Minister(s); and
- e. make sure there is clear, documented delegation of responsibilities to a Senior Sponsor and/or Sponsor Team and that the Board and senior officials of SFC are aware of these delegated responsibilities.

28. The Portfolio AO remains personally answerable to the Scottish Parliament for the effectiveness of sponsorship activity.

Scottish Government Director and Deputy Director

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

30. The designated Director and Deputy Director shall be responsible for assessing the performance of the SFC's Chair, at least annually.

Responsibilities of the Sponsor Team

31. The SG Sponsor team for the SFC is the normal point of contact for the SFC in dealing with the SG on the SFC corporate matters. The Sponsor team, under the direction of the designated Director/Deputy Director, is the primary source of advice to the Scottish Ministers on the discharge of their responsibilities in respect of the SFC and undertakes the responsibilities of the Portfolio Accountable Officer on their behalf. Specific responsibilities include:

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

Relationship between Scottish Government and the SFC

32. Strategic engagement between the SG and the SFC is essential in order that they work together as effectively as possible to maintain and improve public services and deliver improved outcomes. Specific governance and accountability roles are described in the section above, but more generally, both the SG and the SFC will take all necessary steps to ensure that their relationship is developed and supported in line with the jointly agreed principles set out in the statement on '[Strategic Engagement between the Scottish Government and Scotland's NDPBs](#)'. This emphasises the need for cooperation and good communication, and particularly early warning from either side about any emerging risk or issue with significant implications for the operation or governance of the SFC.

33. The Sponsor Team's primary function is to carry out the responsibilities delegated to it by the Portfolio AO, directly or via the Senior Sponsor, as described above. In addition to ensuring that the arrangements in this framework document operate effectively, managing public appointments and providing assurance to the Portfolio AO, the Sponsor Team will usually be the first point of contact for the body on any issue with SG. As part of the assurance they provide to the Portfolio AO, they must ensure that key actions and decisions agreed are documented and implemented. This includes ensuring that SG teams implement any agreed actions.

NDPB staff management responsibilities

Broad responsibilities for NDPB staff

34. The Chief Executive, challenged and supported by the Board, has responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward staff are to ensure that:

- HR policies, practices and systems comply with employment and equalities legislation, and standards expected of public sector employers;
- the level and structure of staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness (subject to the SG [Pay Policy for Staff Pay Remits](#));
- the performance of staff at all levels is regularly appraised and performance management systems are reviewed from time to time;
- staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the body's objectives;
- proper consultation with staff takes place on key issues affecting them, as appropriate, including working in partnership with trade unions;
- effective grievance and disciplinary procedures are in place and staff know where to access and how to use;
- effective whistle-blowing policy and procedures consistent with the Public Interest Disclosure Act 1998 are in place and staff know where to access and how to use; and
- a code of conduct for staff is in place.

Pay and conditions of service

35. The SFC will comply with SG Pay Policy in relation to staff and the Chief Executive. The Chief Executive will ensure that a pay remit, in line with the SG [Pay Policy for Staff Pay Remits](#), is submitted to the SG for approval in line with the timetable notified and negotiate a pay settlement within the terms of the approved remit. This should normally be done annually, unless a multi-year deal has been agreed. Payment of salaries should also comply with the [Tax Planning and Tax Avoidance](#) section of the SPFM. Proposals on non-salary rewards will comply with the guidance in the [Non-Salary Rewards](#) section of the SPFM.

36. The SFC will also seek appropriate approval under the SG [Pay Policy for Senior Appointments](#) for the Chief Executive's remuneration package prior to appointment, annually or when a new appointment or change to the remuneration package is being proposed.

Pensions, redundancy and compensation

37. Superannuation arrangements for staff are subject to the approval of the Scottish Ministers. SFC staff will normally be eligible for a pension provided by the Civil Service Pension Scheme. Staff may opt out of the occupational pension scheme provided by Civil Service Pensions (Alpha) and set up a Partnership Pension Account (Managed by the Cabinet Office). Aside from these two schemes SFC will not make any contributions to any other personal pension arrangements.

38. Any proposal by the SFC to move from existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of the Scottish Ministers. Proposals on compensation payments will comply with the [Settlement Agreements, Severance, Early Retirement and Redundancy Terms](#) section of the SPFM. This includes referral to the Scottish Ministers of any proposed severance scheme (for example, a scheme for voluntary exit), business case for a settlement agreement being considered for an individual, or proposal to make any other compensation payment. In all instances, a body should engage with the Sponsor Team prior to proceeding with proposed severance options, and prior to making any offer either orally or in writing.

Strategic and business plans

39. The SFC will prepare a draft strategic plan setting out its strategic aims, objectives and performance measures over that period, for consideration by the Scottish Ministers. When a new plan is to be prepared, the Chief Executive or their delegate will liaise with the Sponsor Team to agree the key points to be addressed and the timetable for preparation and review. The final, agreed version of the strategic or corporate plan will be published on the SFC website.

40. The Strategic or corporate plan will include the SFC's:

- purpose and principal aims;
- contribution to the national outcomes set out in the [National Performance Framework](#), the Programme for Government and Scotland's Economic Strategy in collaboration with the SG and other public bodies;
- analysis of the environment in which it operates;
- key objectives and associated key performance targets for the period of the plan, and the strategy for achieving those objectives;
- indicators against which its performance can be judged;
- details of planned efficiencies, describing how better value for money will be achieved, including through collaboration and use of shared services; and
- other key points agreed with the Sponsor Team as described above.

41. The strategic or corporate plan will inform the development of a separate annual Delivery plan for each financial year, which will include key targets and milestones for the year immediately ahead, aligned to the NPF, and be linked to budgeting information so that, where possible, resources allocated to achieve specific objectives can be identified. A copy of the business plan will be provided to the sponsor unit prior to the start of the relevant financial year.

Annual report and accounts

42. The SFC will publish an annual report of its activities together with its audited accounts after the end of each financial year. The annual report and accounts will cover the activities of any corporate, subsidiary or joint ventures under the control of the SFC. It will comply with the Government [Financial Reporting Manual](#) (FRoM) and outline the NDPB's main activities and performance against agreed objectives and targets for the previous financial year. It is the responsibility of the Chief Executive, as Accountable Officer, to sign the accounts.

43. The accounts will be prepared in accordance with relevant statutes and the specific accounts direction and other relevant guidance issued by the Scottish Ministers. Any financial objectives or targets set by the Scottish Ministers should be reported on in the accounts and will therefore be within the scope of the audit.

44. The SG Sponsor Team should receive a copy of the annual report for comment, and a copy of the draft accounts for information, in the Autumn. The SFC is responsible for the publication of the annual report and accounts after they have been laid by the Scottish Ministers. Whilst the statutory deadline for laying and publishing accounts audited by the Auditor General for Scotland is 31 December after the end of the relevant financial year, the Scottish Ministers expect that accounts will be laid before the Scottish Parliament and published as early as possible.

External audit

45. The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, the SFC's annual accounts and passes them to the Scottish Ministers who then lay them before the Scottish Parliament, together with the auditor's report and any report prepared by the AGS. The AGS, or examiners appointed by the AGS, may also carry out examinations into the economy, efficiency and effectiveness with which the body has used its resources in discharging its functions and/or carry out examinations into the arrangements made by the SFC to secure Best Value.

46. The AGS, or the AGS's appointed auditors or examiners, have a statutory right of access to documents and information held by relevant persons, including any contractors to or recipients of grants from the SFC. The SFC will ensure that this right of access to documents and information is made clear in the terms of any contracts issued or conditions of any grants awarded and will also use its best endeavours to secure access to any other information or documents required which are held by other bodies.

Internal audit

47. The SFC will:

- establish and maintain arrangements for internal audit in accordance with the [Public Sector Internal Audit Standards](#) and the [Internal Audit](#) section of the SPFM;
- set up an Audit Committee of its Board, in accordance with the [Audit Committees](#) section of the SPFM, to advise both the board and the Accountable Officer;
- ensure that the Sponsor Team and the Portfolio AO/Senior Sponsor receive promptly after they are produced or updated: the audit charter, strategy, periodic audit plans and annual audit assurance report, including the Head of Internal Audit opinion on risk management, control and governance – and provide any other relevant audit reports as requested by sponsors;
- keep records of, and prepare and forward promptly to the SG, an annual report on fraud and theft suffered by the SFC and notify the Portfolio AO or Senior Sponsor immediately of any unusual or major incidents.

48. The SG's Internal Audit and Assurance Directorate has an expectation of cooperation and access to relevant material when required, the parameters for which would be set out in an engagement document before information was shared. The SFC should make it clear on their own Privacy Notice that material may be shared with SG's Internal Audit and Assurance Directorate in certain circumstances.

Budget management and delegated authority

49. Each year the Sponsor Team will send the Board a Budget Allocation and Monitoring letter, notifying the SFC of the budget provision, any related matters and details of the budget monitoring information required. The SFC will comply with the format and timing of the monitoring information requested and with any requests for further information.

50. The statement of budgetary provision will set out the budget within the classifications of resource Departmental Expenditure Limits (RDEL), capital DEL (CDEL) and Ring-fenced (non-cash) (RfDEL) – and, where applicable, Annually Managed Expenditure (AME). These categories are explained in [Annual Budget Processing](#) in the SPFM, and the SFC will not transfer budgetary provision between the categories without the prior approval of the SG Finance Directorate, which should be sought via the Sponsor Team. Transfers within the categories are at the discretion of the Board or, subject to delegated authority, the Chief Executive or relevant senior manager, if these do not breach any other constraints, for instance the approved pay remit.

Where budgetary provision includes projected income, the Chief Executive will ensure that the SG Finance Directorate and Sponsor Team are made aware promptly of any forecast changes in income – usually via the monthly budget monitoring statement. The Scottish Ministers' expectation is that any shortfall in income will be offset by a matching reduction in gross expenditure, and prior approval from the SG Finance Directorate and the Sponsor Team must be sought for any alternative arrangement.

51. Similarly, if income is higher than originally projected, this may only be used for additional spending or to meet pressures with the prior approval of the SG Finance Directorate and Sponsor Team.

Failure to obtain prior approval for the use of excess income to fund additional expenditure may result in corresponding reductions in budgets for the following financial year.

The only exception is where the income is from gifts, bequests and donations but this must be spent within the same financial year as the receipt.

52. The SFC's specific delegated financial authorities - as agreed in consultation between the Board and the Scottish Ministers - are set out in Annex A. The SFC will obtain the prior written approval from sponsors and SG Finance before entering into any undertaking to incur any expenditure that falls outside these delegations, and before incurring expenditure for any purpose that is or might be considered novel, contentious or repercussive or which has or could have significant future cost implications.

Governance and Risk

53. Guidance on governance requirements is available in several documents referred to earlier in this framework document:

- [the Scottish Public Finance Manual](#) (SPFM)
- [the Audit and Assurance Committee Handbook](#)
- [On Board - A Guide for Members of Statutory Boards](#)

54. If in any doubt about a governance issue, the Chair or Chief Executive should consult the Senior Sponsor or Sponsor Team in the first instance, and sponsors may in turn consult the SG Public Bodies Unit, the SG Governance and Risk Branch and/or other teams with relevant expertise.

55. The Board and Chief Executive are advised to pay particular attention to guidance on the following issues.

Risk management

56. The SFC must develop an approach to **risk management** consistent with the Risk Management section of the Scottish Public Finance Manual and establish reporting and escalation arrangements with the Portfolio AO or Senior Sponsor.

57. The Board should have a clear understanding of the key risks, threats and hazards it may face in the personnel, accommodation and cyber domains, and take action to ensure appropriate **organisational resilience**, in line with the guidance in: [Having and Promoting Business Resilience](#) (part of the Preparing Scotland suite of guidance) and the [Public Sector Cyber Resilience Framework](#).

Internal control

58. The Board should establish **clear internal delegated authorities** with the Chief Executive, who may in turn delegate responsibilities to other members of staff and establish an **assurance framework** consistent with the [internal control framework](#) in the SPFM.

59. **Counter-fraud** policies and practices should be adopted to safeguard against fraud and theft - see the [Fraud](#) section of the SPFM.

60. Any **major investment programmes or projects** undertaken should be subject to the guidance in the [Major Investment Projects](#) section of the SPFM and in line with delegated authorities. The Sponsor Team must be kept informed of progress on such programmes and projects and Ministers must be alerted to any developments that could undermine their viability. **ICT investment plans** must be reported to the SG's Office of the Chief Information Officer.

61. The SFC must comply with the requirements of the **Freedom of Information** (Scotland) Act 2002 and ensure that information is provided to members of the public in a spirit of openness and transparency. The SFC must also register with [Information Commissioners Office](#) and ensure that it complies with the **Data Protection Act 2018** and the General Data Protection Regulations, commonly known as **GDPR**.

Budget and finance

62. Unless covered by a specific delegated authority, **financial investments** are not permitted without the prior approval of sponsors and SG Finance. This includes equity shares in ventures which further a body's objectives. Public bodies should not invest in any venture of a speculative nature.

63. Non-standard **tax management** arrangements should always be regarded as novel and/or contentious and must therefore be approved in advance by the Portfolio AO and SG Finance. Relevant guidance is provided in the [Tax Planning and Tax Avoidance](#) section of the SPFM. The SFC must comply with all relevant rules on taxation, including **VAT**, recover input tax where it is entitled to do so.

64. **Optimising income** (not including grant-in-aid) from all sources should be a priority, and sponsors should be kept informed about any significant projected changes in income. Novel or contentious proposals for new sources of income or methods of fundraising must be approved by sponsors and SG Finance. Fees or charges for any services supplied must be determined in accordance with the [Fees & Charges](#) section of the SPFM.

65. **Gifts, bequests or donations** received score as income and should be provided for in the agreed resource DEL and capital DEL budgets, but should not fund activities or assets normally covered by SG grant-in-aid, trading or fee income, and conflicts of interest must be considered – see the principles in the [Gifts](#) section of the SPFM. Note that this relates to gifts to the body - gifts to individuals are covered in the Model Code of Conduct.

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

Any lending must be in line with the guidance in the [Borrowing, Lending & Investment](#) section of the SPFM on undertaking due diligence and seeking to establish a security. Unless covered by a specific delegated limit, the SFC must not **lend money, charge any asset, give any guarantee or indemnity or letter of comfort, or incur any other contingent liability** (as defined in the [Contingent Liabilities](#) section of the SPFM), whether or not in a legally binding form, without the prior approval of sponsors and SG Finance. Guarantees, indemnities and letters of comfort of a standard type given in the normal course of business are excluded from this requirement.

67. An accurate and up-to-date record of **current and non-current assets** should be maintained, consistent with the [Property: Acquisition, Disposal & Management](#) section of the SPFM. The SFC is also subject to the [SG Asset Management Policy](#), including the requirement for acquisition of a new lease, continuation of an existing lease, decision not to exercise a break option in a lease or purchase of property for accommodation / operational purposes, to be approved in advance by Scottish Ministers. The Property Controls Team should be consulted as early as possible in this process.

68. Assets should be recorded on the balance sheet at the appropriate valuation basis in accordance with the FReM. When an asset (including any investment) suffers **impairment**, when there is significant **movement in existing provisions** and/or where **a new provision needs to be created**, this should be communicated to sponsors and SG Finance as soon as possible to determine the implications for the NDPB's budget.

69. Any **funding for expenditure on assets by a third party** should be subject to appropriate arrangements to ensure that they are not disposed of without prior consent and that a due share of the proceeds can be secured on disposal or when they cease to be used by the third party for the intended purpose, in line with the [Clawback](#) guidance in the SPFM.

70. Unless covered by a specific delegated authority, prior approval from sponsors and SG Finance is required before **making gifts or special payments or writing off losses**. Special payments and losses are subject the guidance in the [Losses and Special Payments](#) section of the SPFM. Gifts by management to staff are subject to the guidance in the [Non-Salary Rewards](#) section of the SPFM.

71. Unless covered by a specific delegated authority the SFC must not enter into any **finance, property or accommodation related lease arrangement** – including the extension of an existing lease or the non-exercise of a tenant's lease break – without prior approval from sponsors. Before entering / continuing such arrangements the NDPB must be able to demonstrate that the lease offers

better value for money than purchase and that all options of sharing existing public sector space have been explored.

Non-property / accommodation related operating leases are subject to a specific delegated authority. There must be capital DEL provision in the budget allocation for finance leases and other transactions which are in substance borrowing.

72. **Procurement** policies should reflect relevant guidance in the [Procurement](#) section of the SPFM and any other relevant guidance issued by the SG's Procurement and Property Directorate. The SG's directory of [SG Framework Agreements](#), is available to support organisations but they should check the Framework Agreement's 'buyer's guide' before proceeding to ensure they are eligible to use the Framework.

73. All matured and properly authorised **invoices** relating to transactions with suppliers should be paid in accordance with the [Expenditure and Payments](#) section of the SPFM wherever possible and appropriate within Scottish Ministers' target of payment within 10 working days of their receipt.

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

75. Unless covered by a specific delegated authority the SFC must not provide **grant funding to a third party** without prior agreement from sponsors and SG Finance. Guidance on a framework for the control of third party grants is provided as an annex to the [Grant & Grant in Aid](#) section of the SPFM. Subsidy control requirements for any such funding are discussed below.

76. The EU State aid regime was effectively revoked from UK law from 1 January. Following this, subsidy control provisions were covered by the UK-EU Trade and Cooperation Agreement (TCA) and the UK's international obligations, including various Free Trade Agreements and those arising as a consequence of World Trade Organisation membership. However, a new UK subsidy control regime came into force on 4 January 2023 as a result of UK Government's Subsidy Control Act 2022. Currently, any activity that a public body undertakes itself, or funds other bodies to undertake, that can be offered on a commercial market for goods and services, is subject to the regulations set out in the Subsidy Control Act 2022. A full assessment is required prior to disbursing any funding, subject to the guidance in the subsidy control section of the SPFM.

77. Through re-profiling, the SFC can use an agreed mechanism to balance its budget lines at the end of the financial year. Re-profiling may be required due to the nature of the HE and FE budgets and differences between the academic and financial years. It is this difference between academic and financial years that enables re-profiling for the SFC. Re-profiling is subject to the approval of Scottish Ministers. SFC should seek agreement from SG, on an annual basis, prior to each financial year-end on the value of its budget re-profiling request.

Repayment

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

Remuneration

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

80. **Staff pay, pensions and any severance payments** must be in line with the requirements of Public Sector Pay Policy and the responsibilities described in the section on NDPB Staff Management Responsibilities.

81. All individuals who would qualify as employees for tax purposes should be paid through the payroll system with **tax deducted at source**.

Banking and cash management

82. **Banking** arrangements must comply with the [Banking](#) section of the SPFM.

83. **Cash management** arrangements need to be addressed as well as overall budget management. Any [grant in aid](#) (i.e. the cash provided to the SFC by the SG to support the allocated budget) for the year in question will be authorised by the Scottish Parliament in the annual Budget Act. The SFC will normally receive monthly instalments based on updated profiles and information on unrestricted cash reserves and will not seek any payment in advance of need. The SFC will keep its unrestricted cash reserves held during the year to the minimum level needed for efficient operation and any relevant liabilities which have to be met at the year-end. Grant in aid not drawn down by the end of the financial year will lapse. The SFC will not pay Grant-in-Aid into any restricted reserve it holds.

Helpful information

83. The Public Bodies Support Unit has produced a register of reporting requirements for devolved public bodies which will help in regard to compliance with certain legislative asks. Copies of the register can be obtained from the [PBSU mailbox](#).

Specific Delegated Financial Authorities

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

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