

Finance Committee

Minute

The twenty-ninth meeting of the Finance Committee of the SFC was held at 10.00 am on Tuesday 6 October 2020 by videoconference.

Present: Douglas Mundie (Chair)
Lorna Jack
Mhairi Harrington
Professor John Wallace
Professor Ewart Keep

Officers: Lorna MacDonald (Secretary)
Karen Watt
Martin Boyle
Andrew Millar
Gavin Bruce
Fiona O'Neill
Angela Seymour (Clerk)

In attendance: Pamela McBride (Scottish Government Sponsor Team)
Peter Hookway (Scottish Government Finance)
Owen McKinstry (Scottish Government Finance)

Apologies: Dr Veena O'Halloran

20/45 Welcome

The Chair welcomed members and officers to the meeting. The Chair also welcomed Pamela McBride, Peter Hookway and Owen McKinstry, from Scottish Government, to the meeting.

20/46 Chair's business: papers for discussion and declarations of interest

The Chair reminded members, and those in attendance, of their responsibility to indicate if they have, or may be perceived to have, a conflict of interest under any item.

20/47 Minutes of the previous meeting on 28 May 2020 (FC/20/Min03)

The minute of the 28 May 2020 meeting was **agreed** as a true record of the meeting.

20/48 Matters arising (FC/20/29)

The Committee **noted** the actions taken since the last meeting.

20/49 Governance and financial sustainability of the college sector: update on financial sustainability of colleges (FC/20/30)

The Committee received a paper providing an update on colleges where there are significant concerns about their short-term liquidity and financial sustainability, and actions taken to date in response to the COVID-19 pandemic.

The Committee considered the paper and **noted** that:

- The college sector's reported financial position over the period to 2022-23 is challenging across all indicators of sustainability, reflecting the impact of COVID-19 and other cost pressures facing the sector.
- The sector is forecasting an adjusted operating deficit up to 2020-21 followed by a return to marginal surpluses in later years. The forecasts assume SFC funding for staff restructuring costs.
- Levels of cash are expected to reduce over the planning period, reflecting the weak operating position, and will further deteriorate if no funding is provided for staff restructuring. Maintaining short-term liquidity is the key challenge for colleges at this time.
- The immediate actions taken by SFC to mitigate the impact of COVID-19 on colleges.
- That consideration was being given to establishing a Transformation Fund in the autumn to support colleges to make specific one-off investments, including voluntary severance costs, to achieve lasting improvement in their financial health.

In addition, the Committee considered and **noted**:

- The Annex to the paper setting out a detailed commentary on each of the colleges where there are significant short-term liquidity and financial sustainability concerns, covering the main issues affecting these colleges and details of mitigating actions being taken.

The following paragraph is withheld from publication on the Council website under the Freedom of Information (Scotland) Act, 2002, Section 30, Prejudicial to the effective conduct of public affairs.

[] x 1 paragraph

20/50 Governance and financial sustainability in the university sector: update on financial sustainability of universities (FC/20/31)

The Committee received a paper providing an update on universities where there are significant concerns about their short-term liquidity and financial sustainability, and actions taken to date in response to the COVID-19 pandemic.

Lorna Jack declared an interest in relation to the University of Aberdeen.

Ewart Keep declared an interest in relation to the University of Strathclyde.

Douglas Mundie declared an interest in relation to the University of St. Andrews.

John Wallace declared an interest in relation to the University of St Andrews.

The Committee considered the paper and **noted** that:

- COVID-19 has heightened the financial challenges facing universities particularly those with high levels of international and commercial income.
- Forecasts for 2019-20 and 2020-21 are improved on the returns provided at the end of April but a substantial underlying deficit is still projected for 2020-21.
- Most institutions have set out mitigating actions which only include staff restructuring activity in the most pessimistic scenarios.
- Short-term liquidity remains institutions' main challenge and many are focusing on protecting their cash position and thereby their ability to absorb short-term operating deficits.

- The immediate actions taken by SFC to mitigate the impact of COVID-19 on universities.

In addition, the Committee considered and **noted**:

- That universities will be asked to provide a further update on the AY 2019-20 outturn and 2020-21 forecast at the end of November 2020. Institutions will also be asked to provide updates on 2020-21 international fee income at the end of October 2020 and January 2021 as part of the arrangements for implementing the UK Government Research Stabilisation programme.
- The Annex to the paper setting out a detailed commentary on each of the universities where there are significant short-term liquidity and financial sustainability concerns, covering the main issues affecting these universities and details of mitigating actions being taken.

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20/51 SFC Grant-in-Aid letter: (FC/20/32)

The Committee received and **noted** a paper presenting the budget allocation and monitoring letter for the Financial Year (FY) 2020-21.

20/52 SFC Summary Resource Return (FC/20/33)

The Committee received and **noted** a paper providing SFC's Summary resource return for September (based on August results) for FY 2020-21.

20/53 Financial Year 2020-21 to date, projected spend and financial pressures (FC/20/34)

The Committee received a paper presenting the financial monitoring information for FY 2020-21 for FE and HE Revenue funds and FE and HE Capital funds.

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20/54 Running Costs report (FC/20/35)

The Committee received a paper providing an update on SFC's running cost position.

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20/55 Budget scenario planning (oral)

The Committee received an update on Scottish Government/SFC planning for the Spending Review.

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20/56 European Social Funds update (FC/20/36)

The Committee received a paper providing an update on SFC's European Social Fund (ESF) programmes.

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20/57 Finance Risk Register (FC/20/37)

The Committee received a paper providing the Finance Risk Register.

In discussion the Committee **agreed** that:

- The risk of cybersecurity, which is included on the SFC Risk Register, would also be added to the Finance Risk Register.

20/58 Long term agenda (FC/20/38)

The Committee received proposed agenda items for future meetings of the Committee.

20/59 Date of next meeting: 1 December 2020