

Finance Committee

Minute

The thirtieth meeting of the Finance Committee of the SFC was held on Thursday, 1 December 2020 at 10.00am by videoconference.

Present: Douglas Mundie (Chair)
Lorna Jack
Mhairi Harrington
Dr Veena O'Halloran
Professor John Wallace
Professor Ewart Keep

Officers: Lorna MacDonald (Secretary)
Karen Watt
Martin Boyle
James Dunphy
Martin Smith
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: None

20/60 Welcome

The Chair welcomed members, officers and visitors to the meeting. The Chair also welcomed James Dunphy, Director of Access, Learning and Outcomes, to his first meeting of the Committee.

20/61 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.

20/62 Minutes of previous meeting, 6 October 2020 (FC/20/Min04)

The minute of the 6 October 2020 meeting was **agreed** as a true record of the meeting.

20/63 Matters arising (FC/20/39)

The Committee received and noted the paper and actions taken since the last meeting.

20/64 Governance and financial sustainability of the college sector: update (FC/20/40)

The Committee received a paper setting out further considerations in relation to the establishment of a Transformation Investment Fund in the college sector and an update on the operation of the Coronavirus Retention Scheme.

In discussion, the Committee **noted** that:

- The 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.
- SFC is currently working with Scottish Government and stakeholders on a possible Transformation Investment Fund to support colleges to make specific one-off investments, including restructuring or redevelopment of the staff base, to achieve lasting improvement in their financial health and support change in the sector.
- Without a commitment to additional funding in 2020-21, it is inevitable that the college sector's financial position will further weaken significantly and already low levels of cash reserves will further deteriorate.
- Financial forecasts submitted at the end of June indicated colleges expect to receive £7.5 million income from the Coronavirus Job Retention Scheme (CJRS) over 2019-20 and 2020-21, covering the costs of staff furloughed and thereby allowing colleges to maintain normal staff levels. The CJRS was due to end on 31 October 2020, but has been extended to the

end of March 2021 with staff continuing to receive 80% of wages (up to £2,500) from this source.

- Colleges have confirmed that they do not anticipate furloughing at the same level as was the case earlier this year but they will do so where opportunities arise.

20/65 Governance and financial sustainability of the university sector: update (FC/20/41)

The Committee received a paper providing an on various issues including:

- Institutions' latest international fee income projections.
- The Sustaining University Research Expertise Fund (SURE).
- The operation of the Coronavirus Job Retention Scheme and the 2020-21 Financial Transactions programme.

In discussion, the Committee **noted** that:

- Institutions were asked to provide an update on 2019-20 and 2020-21 international fee income at the end of October 2020 to reflect the actual September intake and anticipated January intake. The situation is now better than expected in overall terms but still remains very fluid.
- Institutions will be asked to provide a further update on international fee income at the end of January 2021 to reflect the actual January intake.
- The SURE Fund is expected to compensate for up to 80% of non-EU international student fee losses capped at each institution's non-public research income. However, the majority of Scottish institutions have not seen reductions in international fee income to benefit from this fund and institutions which have reported an increase in international student fee income between Academic Years 2018-19 and 2020-21 in the recent data collection exercise are not expected to submit an expression of interest.
- Due to the pandemic, the Financial Transactions remit was extended with the 2020-21 programme criteria expanded to create a COVID-19 University Support Fund (CUSF) to support financial sustainability in the transition to the post COVID-19 environment. This was open to institutions which have exhausted all other avenues of borrowing and still require support, for example, to provide an injection of working capital.

- Three institutions had signalled an expression of interest in the CUSF theme, but discussions have confirmed that none of these institutions require CUSF funding as a matter of last resort.
- Financial forecasts submitted at the end of July indicated institutions expect to receive £26.3 million income from the Coronavirus Job Retention Scheme (CJRS) over 2019-20 and 2020-21, covering the costs of staff furloughed and thereby allowing institutions to maintain normal staff levels. The CJRS was due to end on 31 October 2020 but has been extended to the end of March 2021 with staff continuing to receive 80% of wages (up to £2,500) from this source.

20/66 Available funds reconciled to the latest Grant-in-Aid letter

The Committee received an oral report on the reconciliation of available funds to the latest Grant-in-Aid letter.

20/67 SFC Summary Resource Return (FC/20/42)

The Committee received and **noted** a paper providing SFC's Summary Resource Return for November (based on October results) for FY 2020-21.

20/68 Financial Year 2020-21 year to date spend and forecast outturn (FC/20/43)

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

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.

In discussion the Committee **noted**:

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20/69 Running costs report (FC/20/44)

The Committee received an update on SFC's running cost budget and projected spend for Financial Year (FY) 2020-21.

20/70 2021-22 Budget planning and timetable

The Committee received a report on the proposed timetable for planning the budgets for Financial Year 2021-22, following the publication of the Scottish Government's draft Budget on 28 January 2021.

20/71 Foundation and Graduate apprenticeships (FC/20/45)

The Committee received a paper setting out some of the key challenges for the college and university sectors to deliver Foundation and Graduate Apprenticeships (FA and GA) once SDS/ESF funding ends and SFC core funds are used for delivery. The paper also set out some possible distribution models for FAs and GAs assuming that SFC funds new places from 2021-22.

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.

In discussion the Committee **noted** that:

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The Committee **agreed** that:

- We should engage with both sectors to agree delivery of FAs and GAs from core funding.
- We would seek to deliver in 2021-22 around the current levels of FAs (up to 3,500) and GAs (circa 1,020).

20/72 Additional school leaver places (FC/20/46)

The Committee received a paper providing two options on how SFC might meet the commitment to fund additional school leaver places at universities as a result of the improved 'Higher' and 'Advanced' Higher results in summer 2020.

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.

In discussion the Committee **noted** that:

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20/72 European Social Funds update (FC/20/47)

The Committee received a paper providing an update on European Social Fund (ESF) programmes that SFC is participating in as a Lead Partner.

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.

In discussion the Committee **noted**:

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It was **agreed** that the Committee would receive an update on this situation at the earliest opportunity.

20/73 Finance Risk Register

The Committee received an oral update on the Finance Risk Register.

20/74 Long term agenda (FC/20/48)

Members noted proposed agenda items for future meetings of the Committee.

20/75 Next meeting

The next meeting of the Committee will be held on 23 February 2021.

20/76 Any other business

There was no other business.