

Disclosable in edited form.

FINANCE COMMITTEE MEETING MINUTES

The 47th meeting of the Finance Committee of the Scottish Funding Council was held via Microsoft Teams on 30 May 2023.

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

Officers: Richard Maconachie (Secretary)
Andrew Millar
Gordon Craig
Gordon McBride
Liz Welch
Louisa Baker
Paula Haynes
Susan McKenzie
Sybille Rush (Clerk)
Tiffany Ritchie
Ursula Lodge

Scottish Government: Owen McKinstry

Apologies: Karen Watt
Martin Boyle

23/45 Welcome

The Chair welcomed members, officers and visitors to the meeting.

The Chair also welcomed Louisa Baker who had recently joined SFC as Deputy Director Governance and Planning.

23/46 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.

The following members declared an interest:

- **Professor Ewart Keep** – in relation to his role as Associate Fellow at a research centre at the University of Strathclyde, and in his role with the City of Glasgow College Board of Management.
- **Professor John Wallace** – in relation to his role at the University of St Andrews working in the outreach of the Laidlaw Music Centre and in relation to his role as Professor Emeritus of the Royal Conservatoire, and as former Vice President and fellow of the RSE.
- **Dr Veena O'Halloran** – in relation to her role as Special Adviser to the Principal of the University of Strathclyde, and in relation to her husband's role as a fellow of the RSE.
- **Mhairi Harrington OBE** – in relation to her role as Associate Fellow with College Development Network.

23/47 Minutes of the previous meeting: 25 April 2023 (FC/23/Min03)

The minute of the meeting on 25 April 2023 was **agreed** as a true record of the meeting, save for the following amendment:

The Chair's question regarding an SFC submission to the Covid-19 consultation under point 23/41 of the minute referred to the Scottish Covid-19 Inquiry chaired by Lord Brailsford¹, rather than the UK-wide inquiry.

23/48 Matters arising (FC/23/34)

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

¹ <https://www.covid19inquiry.scot/>

This paper will be published on the Council website in edited format, as it contains information which will be withheld under the Freedom of Information (Scotland) Act 2002, Section 30: Prejudicial to the effective conduct of public affairs.

Members **noted** the updates set out in the paper.

23/49 Strategic finance overview and budget update

The Committee **received** an oral report on strategic finance issues and **noted** the key points.

{7x paragraphs}

23/50 Financial Risk Register and Risk Deep Dive

The Committee **received** an oral report on work to refresh the SFC-wide risk register and the continuing challenges in the external environment.

{4x paragraphs}

23/51 Financial sustainability and governance of the college sector (FC/23/35)

The Committee **received** a paper with a summary of the college sector's latest forecasts for 2022-23 and updates on SFC's assessment of colleges' financial sustainability and governance.

This paper will be published on the Council website in edited format (to remove references to specific institutions or forecast information) as it includes information which, if disclosed, would be prejudicial to the effective conduct of public affairs (Freedom of Information (Scotland) Act 2002, Section 30).

The Committee **noted** the following key messages:

- Colleges continue to operate in an extremely tight fiscal environment alongside many challenges such as notably increased staff costs, high energy costs, other inflationary pressures and rising interest rates impacting on loan repayments.
- The sector is forecasting an adjusted operating deficit of £26.7m to 31 July 2023 which represents a substantial deterioration of 183% against the September 2022 FFR forecast (£9.4m deficit).

{1x paragraph}

- Colleges remain highly dependent on SFC grant which is forecast to remain at 78% of total income for the sector in 2022-23.
- The sector is forecasting staff restructuring costs of £7.4m, an increase against the September FFR forecast (£5.4m or 37%) and the previous year (£6.7m or 10%), reflecting the increased activity colleges are undertaking to rebalance their financial position.
- The sector cash balances of £141.1m at the end of July 2022 are forecast to reduce by 57% to £61.3m by the end of July 2023.
- Overall sector borrowing is forecast to reduce to £221.0m by the end of July 2023, in line with expectations.
- Financial Forecast Returns are due to be provided at the end of June and will provide an update on the outturn for the current AY and forecasts for the following three years. An analysis of these returns will be reported to the Committee in October.

The Committee **considered** and **discussed** the paper and **welcomed** the information presented in the paper which members found very helpful.

{7x paragraphs}

23/52

Financial sustainability and governance of the university sector (FC/23/36)

The Committee **received** a paper with a summary of the university sector's latest financial forecasts for 2022-23 and updates on SFC's assessment of institutions' financial sustainability.

This paper will be published on the Council website in edited format (to remove references to specific institutions or forecast information) as it includes information which, if disclosed, would be prejudicial to the effective conduct of public affairs (Freedom of Information (Scotland) Act 2002, Section 30).

The Committee **noted** the following key messages:

- The sector is forecasting an adjusted operating surplus of £151.8m for AY 2022-23, representing a significant improvement on the previous forecast for the year (£34.6m surplus).
- While the overall financial sustainability remains challenging for many institutions, the sector position is skewed by the forecasts of the two largest institutions.

- The sector forecast cash position is improved on the original forecast and on AY 2021-22, with no institution forecasting a negative cash balance at the end of July 2023.
- Overall sector borrowing at the end of July 2023 is slightly lower than both the original forecast and the position reported for AY 2021-22.
- Strategic Plan Forecasts from institutions are due to be provided at the end of June and will provide an update on the outturn for the current AY and forecasts for the following two years. An analysis of these returns will be reported to the Committee in October.

The Committee **considered** and **discussed** the paper.

{7x paragraphs}

23/53 Arms-length foundations 2021–22: update (FC/23/37)

The Committee **received** a paper with an annual update on the funds held within Arms-Length Foundations (ALFs), along with details of the inflow and outflow of funds in the 2021-22 financial year (FY 2021-22).

This paper will be published on the Council website in edited format as it contains information which will be withheld under the Freedom of Information (Scotland) Act 2002, Section 33: Commercial interests and the economy.

The Committee **noted** the paper.

23/54 Recovery and penalties for funded student places AY 2021-22 update

The Committee **received** an oral update on the potential recovery for funded student places for AY 2021-22. Members **noted** that the corresponding paper was being finalised and would be circulated to the Committee for comment following the meeting.

Meanwhile, SFC will consider (i) the extent of any potential recovery and (ii) any mitigations. SFC is also in the process of finalising with SG the approach to clawback for controlled subjects.

Action: SFC to circulate paper FC/23/38 for committee members to provide comment.

23/55 Strategic infrastructure & investment fund update (FC/23/39a)

The Committee **received** a paper providing an update on the ongoing project to review the Strategic Infrastructure & Investment Fund (SIIF).

This paper will be withheld from publication on the SFC website as it includes information which, if disclosed, would be prejudicial to the effective conduct of affairs (Freedom of Information (Scotland) Act 2002, Section 30).

The Committee **noted** the update provided and recognised the work by Finance and Funding staff to take this forward.

23/56 Strategic infrastructure investments over £1m (FC/23/39b)

The Committee **received** a paper seeking the Committee's consideration of strategic & infrastructure investments that exceed the Chief Executive's delegated authority limit (£1m).

This paper will be withheld from publication as it includes information which is intended for future publication (section 27).

{4x paragraphs}

The Committee **considered** the proposals set out in the paper and was **content to recommend approval** to the SFC Board.

23/57 College Funding Model update

The Committee **received** an oral report on updates relating to SFC's work on the College Funding Model.

The Committee **noted** the key points.

{4x paragraphs}

The Committee **welcomed** SFC's view across both sectors and **noted** that SFC would report back later in the year on progress with this engagement.

23/58 Available funds reconciled to latest Grant-in-Aid letter

The Committee **received** an oral update relating to SFC's Grant-in-Aid letter.

The Committee **noted** the update.

23/59 Resource Return and provisional outturn (FC/23/40)

The Committee **received** a paper providing a summary of the April resource return to SG, based on financial information to 31 March 2023.

This paper will be withheld from publication on the SFC website as it includes information which, if disclosed, would be prejudicial to the effective conduct of affairs (Freedom of Information (Scotland) Act 2002, Section 30).

The Committee **noted** the update provided.

23/60 SFC Draft Statutory Accounts (FC/23/41)

The Committee **received** a paper providing a summary of the approach taken and current status of SFC's Annual Report and Accounts for FY 2022-2023.

This paper is withheld from publication on the Council website under the Freedom of Information (Scotland) Act 2002, under Section 27 (information intended for future publication).

The Committee **considered** the update and provided comments on the draft report.

{4x paragraphs}

The Committee was **content** with the timeline and approach set out in the paper.

23/61 Finance and Funding Transformation Delivery Group update

The Committee **received** a paper providing an update the Finance Committee on the progress of the Finance and Funding Transformation Delivery Group.

This paper will be withheld from publication on the SFC website as it includes information which, if disclosed, would be prejudicial to the effective conduct of affairs (Freedom of Information (Scotland) Act 2002, Section 30).

The Committee **noted** the update provided and **welcomed** the insight into SFC's internal planning and related resource needs.

23/62 European Social Fund update

The Committee **received** an oral report on updates relating to European Social Fund (ESF) programmes which SFC is involved in.

The Committee **noted** that SFC's preparations to submit its double claim for AY 2019-20 and 2020-21 to SG were nearing completion.

23/63 Finance Committee draft Annual Committee Report (FC/23/43)

The Committee **received** a paper providing a draft of the Committee's annual report.

This paper will be withheld from publication on the SFC website as it includes information which, if disclosed, would be prejudicial to the effective conduct of affairs (Freedom of Information (Scotland) Act 2002, Section 30).

The Committee **noted** the update provided and **agreed** that any outstanding self-evaluation questionnaires should be submitted to the Finance Committee Clerk as soon as possible.

The final draft of the Finance Committee Annual Report should then be submitted to the Chair for sign-off.

Actions:

- i. Committee members to submit outstanding self-evaluation questionnaires.
- ii. SFC to finalise report and submit to Chair for sign-off.

23/64 **Long-term agenda (FC/23/44)**

The Committee **noted** the long-term agenda.

23/65 **Date of next meeting**

Members **noted** that the next meeting of the Committee would take place on Tuesday, 3 October 2023. This will be a longer in-person meeting to include a session on strategic focus.