

Finance Committee

Minute

The thirty first meeting of the Finance Committee of the SFC was held on Tuesday, 23 February 2021 at 10.00am by videoconference.

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

Officers: Karen Watt
Martin Boyle
James Dunphy
Martin Smith
Andrew Millar
Gavin Bruce
Fiona O'Neill

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

Apologies: Lorna MacDonald

21/01 Welcome

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

21/02 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.

21/03 Minutes of the previous meeting: 1 December 2020 (FC/20/Min05)

The minute of the meeting on 1 December 2020 was **agreed** as a true record of the meeting.

21/04 Matters arising (FC/21/01)

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

21/05 Financial sustainability of the college sector: update (FC/21/02)

The Committee received a paper providing a summary of the college sector's financial results for 2019-20 and an update on 2020-21.

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

- Colleges were due to provide their 2019-20 annual reports and accounts, along with associated audit reports, to SFC by the end of December 2020, however, the returns for four colleges remain outstanding as a result of the exceptional circumstances arising from COVID-19.
- The results show a sector adjusted operating surplus of £2.9 million in 2019-20 based on the returns received to date. While this is much improved on forecast (£9.2 million deficit), it represents a deterioration on 2018-19 results (£12.9 million surplus) largely due to loss of income associated with COVID-19.
- The number of colleges recording deficits has increased from six colleges in 2018-19 to seven colleges in 2019-20 but is much improved on the forecast position when eighteen colleges projected deficits.
- The current Academic Year (2020-21) has also proved to be extremely challenging for colleges with their finances under

significant pressure again due, in part, to a loss of income associated with COVID-19.

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 further discussion, the Committee:

- 2 x { } paragraphs

21/06 Financial sustainability of the university sector: update (FC/21/03)

The Committee received a paper providing a summary of the current financial sustainability of the university sector.

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

- The paper captures the position at a particular point in time, based on institutions' latest financial returns, but the situation remains fluid and the 2020-21 projections remain subject to further change.
- The forecasts for both 2019-20 and 2020-21 continue to be impacted by the COVID-19 pandemic, however, the sector has responded well to the crisis and, on the basis of the latest projections, the operating position is now better than expected in overall terms.
- The majority of institutions are reporting significant improvements in international fee income against previous returns although residences income is markedly down on 2018-19 levels. The latest projections for both years still show deterioration in operating performance against 2018-19 results.
- There is significant variation between universities in terms of their financial positions and performance. Fourteen institutions are forecasting underlying operating deficits in 2020-21, albeit the levels of deficit, in general, are significantly reduced against previous returns.
- An increase in cash balances, particularly in 2019-20, reflects delays in implementing capital programmes. However, several institutions anticipate having less than two months of cash reserves by the end of July 2021.

- Sector borrowing has increased significantly in recent years. Ancient institutions account for the bulk of the sector borrowing and have, along with other institutions, been exploring accessing UK Government loan schemes.

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 further discussion, the Committee:

- 1 x { } paragraph

21/07 SFC Grant-in-Aid letter following the Autumn Budget Revision (FC/21/04)

The Committee received a paper setting out the Council's budget allocation for Financial Year 2020-21 following the Autumn Budget Revision. The Committee **noted** the paper and the overall budget of £2,053,333,000.

21/08 SFC Summary Resource Return (FC/21/05)

The Committee received and **noted** a paper providing SFC's Summary Resource Return for February (based on January results) for Financial Year 2020-21, including the allocation to SFC of a further £90 million.

21/09 Year-to-date spend and projected outturn (FC/21/06)

The Committee received and **noted** a paper presenting the latest financial monitoring information for Financial Year 2020-21 for FE and HE revenue and capital funds.

21/10 College indicative funding allocations for AY 2021-22 (FC/21/07)

The Committee received a paper setting out indicative budget plans and allocations for colleges for Academic Year 2021-22.

The following five paragraphs are 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

The Committee **noted** that:

- 5 x { } paragraphs

The Committee considered the options presented to it in the paper and **agreed** to recommend to the Board that:

- 3 x { } paragraphs.

The Committee **noted** and **agreed** to the other recommendations in the paper.

21/11 University indicative funding allocations for AY 2021-22 (FC/21/08)

The Committee received a paper setting out indicative budget plans and allocations for universities for Academic Year 2021-22.

The following five paragraphs are 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

The Committee **noted** that:

- 5 x { } paragraphs

The Committee considered the options presented to it in the paper and **agreed** to recommend to the Board that:

- 6 x { } paragraphs

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- The Committee **noted** and **agreed** to the other recommendations in the paper.

21/12 Recovery and penalties: AY 2018-19 and update on AY 2019-20 (FC/21/09)

The Committee received and **noted** a paper setting out the final position on the recovery of funding from colleges and universities in AY 2018-19, and providing a brief update for AY 2019-20.

21/13 Finance risk register

The Committee **noted** that an oral update on the Finance risk register would be provided to members at the April meeting.

21/14 Long-term agenda

The Committee **noted** and **agreed** to the long-term agenda, subject to the addition of an oral update on the Finance risk register at the meeting of the Committee on 23 March 2021.

25/15 Future meetings

The Committee **noted** the date of the next meeting: 23 March 2021.