

Finance Committee

Minute

The thirty sixth meeting of the Finance Committee of the SFC was held on Tuesday, 7 December 2021 at 1.00pm by video-conference.

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

Officers: Andrew Millar
Chris Brown (Secretary)
Fiona O'Neill
Gavin Bruce
Karen Watt
Sybille Rush (Clerk)
Tiffany Ritchie

In attendance: Kamran Durrani (Scottish Government, Tertiary Education)
Peter Hookway (Scottish Government Finance)
Owen McKinstry (Scottish Government Finance)

Apologies: Duncan Condie

21/67 Welcome

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

21/68 Chair's business: papers for discussion and declarations of interest

The Chair informed members that she will be involved in the recruitment of the permanent post for the Director of Finance.

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 declarations of interest were made:

- Dr Veena O'Halloran – in relation to her role at the University of Strathclyde
- Professor Ewart Keep – in relation to his role at the University of Strathclyde and with the City of Glasgow College
- Professor John Wallace – in relation to his role at the University of St Andrews

21/69 Minutes of the previous meeting: 5 October 2021 (FC21Min05)

The minute of the meeting on 5 October 2021 was **agreed** as a true record of the meeting.

21/70 Matters arising (FC/21/44)

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

The Committee **noted** its current remit and agreed to address any potential changes in the meeting in February 2022.

SFC plans to carry out a Board effectiveness review early in the New Year, and any review of the Finance Committee remit may be tied in with this.

21/71 Governance and financial sustainability of the college sector: update (FC/21/45)

The Committee received a paper providing an update on colleges based on the latest forecasts for 2020-21 to 2023-24.

This paper 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.

The Committee **considered** the update on institutions' financial health based on an analysis of the latest forecast returns and **noted** that:

8 × { } paragraphs

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

4 × { } paragraphs

The Committee **agreed** that there is a need to:

- Clarify which interventions are appropriate for SFC to make.
- Achieve a fairer distribution of funding across the sector as well as increasing employer engagement in upskilling and following up with student dropouts.
- Include more strategic analysis in the reports on financial sustainability, in particular with history and trend.
- Identify genuine sustainability issues at particular institutions where they are more serious than short-term issues.

21/72 Governance and financial sustainability of the university sector: update (FC/21/46)

The Committee received a paper with an update on institutions where there are financial sustainability concerns following a report the committee received at its last meeting which included a summary of the Council executive's analysis of the 2021 Strategic Plan Forecasts (SPFs), comprising an outturn forecast for 2020-21 and forecasts for the following two years.

This paper 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.

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

11 × { } paragraphs

In discussion, the Committee:

- **Sought clarification** on the 'suspension of [SFC's] normal assessment activity' as mentioned in the paper. The Committee was reassured that SFC had ongoing engagement but

considered whether there was any risk associated with this approach and when we might return to business-as-usual.

- **Noted** that in the first year of the pandemic, SFC was careful to strike a balance between business-as-usual and offering flexibility to institutions. However, SFC was now looking to re-establish and renew its approach and return to cyclical engagement. SFC was now moving into more strategic engagement with individual institutions as well as regions.
- **Noted** that in the short or medium-term, there was no large threat to institutions. However, in the long-term, there was a real risk that institutions would struggle to repay their loans if international students no longer came to Scotland at the levels previously expected.

Following discussion, the Committee **agreed** that:

- There is a need to reduce our reliance on overseas students.
- There is a need to join up the thinking of the different committees and to develop a long-term holistic view.
- Reports to the Committee should include more detail on volatility.

21/73 Resource Return (FC/21/47a and FC/21/47b)

The Committee received and **considered** a paper providing SFC's Summary Resource Return for October (based on September results) for Financial Year 2021-22.

This paper 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:

3 × { } paragraphs

21/74 Financial Year 2021-22 year to date spend and forecast outturn (FC/21/48)

The Committee received and **noted** a paper presenting the

latest financial monitoring information for Financial Year 2021-22 for FE and HE revenue (RDEL) funds, FE and HE capital (CDEL) funds and SFC Running Costs.

This paper will be withheld from publication on the Council's 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:

- The paper presents information seven months into the FY but only three months into the AY, meaning a prognosis was difficult to make at this stage.

1 x { } paragraph

- SFC engages with SG on a daily basis to identify any potential areas of underspend. As part of these discussions, SFC and SG are considering which monies can be re-profiled into the next financial year.
- There is great interdependency between the different funds and recruitment.
- Clawback is a retrospective measure that can put colleges into hardship as they will often have already incurred costs and it is then too late to make the savings. SFC intends to discuss clawback with Principals in the near future.

21/75 Scottish Government budget update planning

The Committee **received** an oral update on the Scottish Government's budget planning in light of the forthcoming announcement of the draft budget on 9 December.

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

- SFC provided invaluable input into a process which has been very challenging with difficult decisions having been taken.
- Following the budget announcement on 9 December, work on the Spending Review (SR) will begin in earnest covering a period of four years from 2023-24 onwards. The first three months of 2022 will see very intense work in order to prepare the SR for

May 2022.

- Reasons for the difficulties this year included large increases in consequentials meaning more money was allocated to Health as well as Social Security.

The Committee **discussed** the scope for exploring possibilities around colleges borrowing money and for funds to be transferred into the next FY, such as the development of an educational public sector methodology which takes into account the disjuncture between FY and AY.

The Committee **noted**:

- The potential auditing risks connected with a review of re-profiling and
- SFC's current privileged position in being able to profile certain monies.

21/76 Update on REG/REF

The Committee received an oral update on REG/REF and **noted** the following points:

- A consultation was issued on 11 November by RKEC to develop proposals for changing to the Research Excellence Grant and the Research Post-graduate Grant.
- HEIs and other interested bodies are being asked to respond and it is the intention for RKEC to consider the responses to the consultation and this may feed into the Research allocation processes.
- The Finance Committee will consider the proposed allocation results and make a judgement on how practical these are.
- The COVID-19 pandemic as well as potential strike action may impact on the REF results and thus on SFC's ability to introduce change.

The Committee **noted** the REG timetable.

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

- There is a question around the handling of the security of the information as it is not due to be published until 12 May 2022.
- There are time pressures to consider during January and February 2022.
- The delay of implementation by one year is a possibility.
- The SFC Board is likely to ask to see trends. While this will be difficult, colleagues will use RKEG and the Finance Committee to discuss and then advise the Board. MH will provide a link between the two committees.

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

- SFC would provide more detailed information on potential risks and scenarios at its January meeting.
- There is a need for the Committee to support this work, especially in light of the SFC Review, and to agree on the future direction of travel.

21/77 Finance Risk Register

The Committee received an oral update on the Finance Risk Register and **noted** the following points:

- SFC is in daily communication with SG to provide feedback on the potential impacts on options that are being considered by Ministers.
- SFC has been meeting with Finance Directors Groups as well as Principals Groups to prepare the sector for a potentially difficult announcement and to encourage particularly the College sector to deliver on its target in the current year.

21/78 Long-term agenda (FC/21/49)

The Committee **noted** and **agreed** to the long-term agenda.

The Committee **noted** the additional meeting on 27 January 2022 and the addition of REF/REG to the meetings of quarter 1 in 2022

and **agreed** to address its remit before it carries out its annual evaluation.

The Committee **expressed an interest** in regular updates from the Capital Decision Point Committee (CDPC) in the form of a standing item on the FC agenda.

21/79 Future meetings

The Committee **noted** the date of the next meeting: **27 January 2022**