

Finance Committee

Minute

The thirty-ninth meeting of the Finance Committee of the SFC was held on Tuesday, 22 March 2022 at 1.00pm by video-conference.

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

Officers: Andrew Millar
Chris Brown (Secretary)
Fiona O'Neill
Gavin Bruce
Gordon Craig
Gordon McBride
Karen Watt
Morag Campbell (item 22/41)
Stuart Fancey (item 22/41)
Sybille Rush (Clerk)
Tiffany Ritchie
Ursula Lodge

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

Apologies: Dr Veena O'Halloran
Martin Boyle

22/32 Welcome

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

The Chair also welcomed Richard Maconachie as an observer.

22/33 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 declarations of interest were made:

- 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.

22/34 Minutes of the previous meeting: 25 February 2022 (FC22Min02)

The minute of the meeting on 25 February 2022 was **agreed** as a true record of the meeting.

22/35 Matters arising (FC/22/19)

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

On the point of ESF risk exposure, the Committee **noted** that a full update would be provided at the next meeting.

22/36 Governance and financial sustainability in the college sector (FC/22/20)

The Committee **received** a paper providing a summary of the college sector's financial results for 2020-21 and an update 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 which, if disclosed, would be likely to prejudice substantially the commercial interests of a person, company or a public authority (Freedom of Information (Scotland) Act 2002, Section 33).

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

- As a result of an additional one-off injection of £15 million SFC grant to address the challenges of the global pandemic, Coronavirus Job Retention Scheme (CJRS) income of £9.5 million and lower staff and other operating costs, the college sector

adjusted operating position has improved against forecast with a surplus of £19.3 million being recorded during the year ending 31 July 2021. Three colleges reported adjusted operating deficits in 2020-21;

- The sector reported cash balances of £122.9 million at the end of July 2021. The cash position at the end of July 2021 is higher than previous forecasts due to a combination of the more favourable operating position and unspent balances of 'ring-fenced' SFC monies. It is expected that unspent 2020-21 funds will be spent or recovered during 2021-22. No college reported a negative cash position at the end of July 2021;
- As a result of additional funding from SFC and CJRS, and their own mitigating actions, colleges managed the impact of the COVID-19 pandemic more positively than anticipated during 2020-21 but the financial climate remains challenging, with the sector forecasting deficits over the next two years;
- While the additional funding made available to the college sector through COVID-19 support has helped to stabilise institutions' finances through the pandemic, it is important to note that this is non-recurring funding. One-off cost savings generated during 2020-21 will not be repeated and staff and other operating expenses are expected to increase reflecting a return to pre-COVID levels of activity with a return to full campus operations;
- Colleges remain heavily dependent on SFC grant funding which amounted to 79% of total income at a sector level in 2020-21; and
- The aggregated sector position masks varying degrees of challenges across all individual colleges.

The following ten paragraphs 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.

[10x paragraphs]

22/37 Governance and financial sustainability in the university sector

The Committee **received** an oral update providing details on the governance and financial sustainability in the university sector.

The following three paragraphs 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.

[3x paragraphs]

22/38 SFC Budget Allocation and Monitoring letter reflecting Spring Budget Revisions (SBR) (FC/22/21)

The Committee **received** a paper providing details on the SFC Budget Allocation and Monitoring letter reflecting the Spring Budget Revisions (SBR).

This paper will be published but its annexes will be 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 there had been no change in the Spring Budget Revision to the figures presented to the Committee at its February meeting.

The Committee **asked** how the SFC managed the funding to Sabhal Mòr Ostaig (SMO) and **noted** that the money for the institution is received from a different portfolio in the SG, with a separate grant award letter.

22/39 Financial Year 2022-23 projected spend and re-profiling (FC/22/22)

The Committee **received** a paper providing an update on the Financial Year 2022-23 projected spend and re-profiling.

The following six paragraphs 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.

[6x paragraphs]

The Committee **considered** and **agreed to** the re-profiling as set out in the paper.

22/40 Scottish Government update on 2026-27 Spending Review

The Committee **received** an oral update on the 2026-27 Spending Review.

The following two paragraphs 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.

[2x paragraphs]

22/41 Update on REG/REF

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

The following four paragraphs 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.

[4x paragraphs]

22/42 Finance Risk Register (FC/22/23)

The Committee **noted** the latest version of the SFC Finance Risk Register.

The following six paragraphs 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.

[6x paragraphs]

22/43 Long-term agenda (FC/22/24)

The Committee **noted** and **agreed** to the long-term agenda subject to the following changes:

The Committee **agreed** to reschedule the following items from April to May to allow time in April for discussion on the REF/REG outcome and final funding allocations:

- Review of self-evaluation questionnaire
- Capital Decision Point Committee
- Finance Risk Register

The Committee **agreed** that it would extend the April meeting by 30 minutes.

22/44 Future meetings

The Committee **noted** the date of the next meeting: **26 April 2022**

The Chair expressed the Committee's thanks to Chris Brown who will depart SFC in mid-April to hand over to Richard Maconachie as Director of Finance.