



Finance Committee Annual Report

Purpose

1. To provide the Council with a report of the work of the Finance Committee for the period October 2016 to April 2018.

Background

2. The Council requires its committees conduct an annual self-evaluation on the main activities of the Committee, and to highlight and identify any forthcoming issues and mechanisms to engage with them, where appropriate.
3. The Finance Committee has the responsibility of scrutinising the financial position of the Council to ensure that it can meet its commitments and strategic objectives and considering and reporting to the Council the key outputs from the Council executive's monitoring of the financial health and governance and management of colleges and universities.
4. The Committee's remit is attached at Annex 1.

Areas of focus

5. The annual report outlines the work of the Finance Committee and includes an overview of:
 - Committee membership and meetings
 - The Committee's main activities – scrutiny of the annual budgets and financial position of the Council
 - The Committee's self-evaluation.

Membership and meetings

6. The Committee comprises three Council members. Committee membership and attendance are attached at Annex 2 and Annex 3.
7. Members' experience includes senior financial management; senior industrial/business management; and economics and current working knowledge of the university sector.

8. Representatives from the Scottish Government Finance Directorate, Sponsor Team and SFC's Chief Executive attend all meetings of the Committee where possible. Members of the Council executive who support the work of the Committee also attend meetings, where appropriate.
9. The Committee met on nine occasions during the reporting period and the minutes of each meeting were submitted to the Council Board.

Main activities

10. The Committee's main activities are described below.

Financial Reports

11. Throughout the year the Committee considered SFC's Grant-In-Aid letter and the reconciliation of available funds, projected spend and projected/actual reprofiling and received updates of the resource return and running costs as necessary.

Finance Risk Register

12. The Finance Risk Register was considered at each meeting.

Scrutiny of the evidence behind SFC's Performance Report

13. The Committee reviewed the evidence of SFC's Performance Report in full.

European Social Funds

14. The Committee received regular updates on SFC's European Social Funds programmes, including relevant issues, throughout the year.

Governance and Financial Health of the sectors

15. The Finance Committee reviewed the governance and financial health of the college and university sectors at all meetings (except the first meeting of the calendar year which focussed on the indicative funding allocations).

Spending Reviews/ Scottish Budget

16. The 2016-17 Spending Review impacted considerably on the work of the Finance Committee and additional meetings were undertaken to consider the

funding settlement. Taking on board lessons learned from this experience, the meeting schedule was amended to fit better with the Scottish Government timetable and this has proved successful.

17. The Council executive are keeping in mind that future amendments to the meeting schedule are likely to be required to fit with any change in the Scottish Government timetable going forward.

Self-evaluation of performance

18. In compiling the Committee's annual report, self-evaluation questionnaires were completed by Committee members and members of the Council executive and their combined responses are detailed below.

Role of the Committee

19. Committee members were of the view that the Committee had focussed on the central issues relevant to the remit of the Committee successfully, and had fulfilled its remit adequately.
20. They also felt that, at the moment, there was adequate expertise on the Committee (including input from Scottish Government officials and Council executive) to allow for effective scrutiny. However, it was noted that only one member had a professional finance background and that this capacity should be increased in future if possible.

Effectiveness of Committee meetings

21. Members highlighted the clarity of the papers presented to Committee meetings and their appreciation of the detailed explanations provided on the funding complexities, while stressing their concerns on the short-term pressures that the Finance team had to respond to.
22. Members stated that the Finance team were achieving a huge amount with the resources available.

Consideration of the Committee's remit

23. Members confirmed that there was good consideration of all items noted in the Committee's remit as well as of matters that required to be reported to Council and how best to do that.
24. The Council Board will be considering updates to committee remits at its June 2018 meeting and the Finance Committee is invited to consider any

possible revisions to the remit as it stands to feed into the Board's consideration.

Forward look

25. The Committee identified the following issues and priorities for the forthcoming year:

- Adequacy of/balancing of the financial settlement with the needs of the sectors.
- Adequacy of resource and the running cost budget going forward.
- Ensuring that reviews of financial sustainability and governance are sufficiently robust.
- Implications of Brexit.
- European Social Funds issues.
- Reprofiting information to be provided as early as possible.

Risk assessment

26. There are no risks associated with this paper.

Equality and diversity assessment

27. An equal opportunity and diversity assessment has not been carried out.

Recommendation

28. The Council is invited to note the Finance Committee's Annual Report.

Financial implications

29. There are no programme fund or running cost implications associated with this paper which have not already been accounted for with the Council's current budget and budgetary planning.

Publication

30. This paper will be published on the Council website following the meeting.

Further information

31. Contact: Lorna MacDonald, Director of Finance (direct line: 0131 313 6690, email: lornamacdonald@sfc.ac.uk), or Sheila Meehan, Finance Clerk (direct line: 0131 313 6619, email: smeehan@sfc.ac.uk).

Annex 1

Remit of the Finance Committee

Responsibilities

1. The primary method of reporting performance to the Board is through SFC's Performance Report. The Finance Committee will strengthen that reporting through more detailed scrutiny of the work of the executive in relation to financial strategy and providing assurance on the evidence lying behind the executive's reports in SFC's Performance Report.
2. The specific duties of the Committee are listed under the headings below:
 - Review the financial strategy and recommend to the Board its approval and any subsequent changes
 - Scrutinise the annual budgets for programme funds, for both financial (April to March) and academic (August to July) years, prepared by the Council executive and recommend to the Board their adoption
 - Scrutinise the financial position of the Council to ensure that it can meet its commitments and strategic objectives, by reviewing reports on expenditure against plan and budgets, including the Scottish Government's budgetary and cash controls
 - Consider and report to the Council the key outputs from the executive's monitoring of the financial health and governance and management of colleges and universities
 - Consider and advise the Council on all external reports relevant to the above
 - Oversee institutional compliance with the financial memoranda
 - Review the financial aspects of the annual report and accounts for consistency with financial information reviewed by the Committee during the year.

Other

- Consider and report to the Council any other matters remitted to the Committee by the Council.
3. The Committee is an advisory body with no executive powers. However, it is authorised by the Council to investigate any activity within its terms of reference, and to seek any information it requires from staff in the conduct of its enquiries. The Committee is authorised to obtain independent professional advice if it considers this necessary. The Committee should be mindful of the cost of such resources.

Annex 2

Finance Committee membership

Membership

Marlene Wood (Chair) ***(from October 2017)***

Robin Crawford (Chair) ***(from October 2016 to October 2017)***

Douglas Mundie

Anton Muscatelli

In attendance

Representatives from Scottish Government, Finance Department

Representatives from Scottish Government, Sponsor Department

John Kemp, Interim Chief Executive, Accountable Officer

SFC executive support

Lorna MacDonald Finance Committee Secretary; Director of Finance

Sheila Meehan Finance Committee Clerk; Clerk to the Council

Other members of the Council executive provide support as appropriate.

Annex 3

Finance Committee attendance

	Marlene Wood (Chair)	Robin Crawford (Chair)	Douglas Mundie (Chaired October meeting)	Anton Muscatelli
6 December 2016		x	x	a
20 January 2017		x	x	tc
9 March 2017		x	x	a
4 April 2017		x	x	x
24 May 2017		x	x	tc
10 October 2017			x	x
28 November 2017	x		a	x
23 January 2018	x		x	x
18 April 2018	x		x	x

x – present

a – absent

tc – attended by teleconference

 - not applicable, membership either ended or not begun by that date