

**NOTES OF THE MEETING OF THE FINANCE AND RESOURCES COMMITTEE,
HELD ON 1 JUNE 2022 AT 4.30PM.**

The meeting was held remotely.

PRESENT:

D Newall	Chair
W French	Committee Member
K Rosser	Committee Member
L Paterson	Committee Member
J Vincent	Committee Member (from 5pm onwards)

IN ATTENDANCE:

J Thomson	Vice Principal, Resources & College Development (up until 22.25 due to technical issues from that point)
T Elliott	Assistant Principal, Finance & Infrastructure
D McDougall (for Item 22.27)	Assistant Principal, International and Business Development
K Mavor	Clerk to the Board (Minute Taker)

ACTION

22.18 WELCOME AND APOLOGIES

The Chair welcomed everyone to the meeting, acknowledged that it was K Rosser's last meeting and thanked him for his contributions to this Committee.

Apologies were noted from Johanna Thompson.

22.19 DECLARATIONS OF INTEREST

There were no declarations of interest.

**22.20 MINUTES OF THE FINANCE AND RESOURCES COMMITTEE
MEETING HELD ON 9 MARCH 2022**

The draft Minute was approved as an accurate record of the meeting held on 9 March 2022.

22.21 MATTERS ARISING GRID

The Committee noted that all actions on the grid were complete or on the agenda.

J Thomson confirmed that the Head of Estates, Facilities and Energy had been appointed and will start with the College in mid-July.

With regard to item 21.48, the Chair asked for an update to be provided at the October meeting setting out what steps had been taken to refresh the approach to the Annual College Financial Statements Report following previous feedback.

JT

**22.22 FINANCIAL REPORT YEAR TO APRIL 2022 AND FORECAST TO
JULY 2022**

T Elliott spoke to the Report and the Appendices, which provided an update on the financial position and cash position of the College for the nine-month period to April 2022 and the Forecast Outturn to July 2022.

The Report is prepared on the basis that there continues to be a risk of an SFC credits funding clawback and the current credit forecast is -4.55% under target. Reflecting the risk of the potential SFC credits funding clawback and also the impact of a confirmed one-off HMRC rebate (in respect of historic Lennartz VAT payments of £1,044k), the 2021/22 forecast outturn position has improved against the flexed budgeted position to a balanced outturn position.

It was noted that this one-off HMRC rebate improved the College's financial position for this year and the relevant balance sheet KPIs are now green.

The Committee was pleased to note the improved financial position for this year and acknowledged the background work that had been carried out by T Elliott to obtain the one-off HMRC rebate. The Committee noted that the uncertainty regarding the risk of an SFC credits funding clawback remained and that the College's financial position for the upcoming years will continue to be challenging.

The Committee noted the report and agreed that the Board should be advised of the improved financial position for this year, due to the one-off HMRC rebate, but alerted to the fact that there are financial challenges ahead.

22.23 DRAFT REVENUE BUDGET FOR 2022/23

T Elliott presented the paper outlining the Draft Revenue Budget for 2022/23 including the comparative analysis of movements between the 2021/22 Forecast Outturn position and the 2022/23 Draft Budget position. The adjusted operating position is the key factor in demonstrating whether the College remains financially sustainable and the Draft Budget shows an adjusted operating deficit of £690k.

The Committee noted both the College and the College sector as a whole faced financial challenge due to a flat cash settlement, the impact of unfunded pay awards and the increasing cost of living. In line with previous financial plans, the draft budget includes forecast Voluntary Severance costs as the College will need to continue to reduce staffing costs during 2022/23 in order to achieve recurring savings in 2023/24 and beyond. It is not anticipated that the SFC will assist with funding the costs associated with any staff severance.

T Elliott advised the Committee that SFC have indicated they will not issue planning assumptions for funding beyond 2022/23 until August. Therefore, Colleges are required to submit an 'interim' Financial Forecast Return (FFR) to SFC outlining the 2021/22 forecast outturn

ACTION

and the 2022/23 budget by the end of June. Once future funding assumptions are made available, Colleges will then be required to submit a full FFR covering the period to 2026/27 by the end of September.

The Committee expressed concern with the financial challenges facing the College and the College sector as a whole. The Committee was asked to approve a forecast deficit budget being presented to the Board. This approach has been taken before but the Committee was concerned that this was not a 'one off' deficit budget and the position is even worse once non-recurring items are removed (£1,200k of GCEF financial sustainability funding).

The Committee agreed that it was not in a position to approve the budget as presented. It was noted that the forecast budget deficit was not due to any action/inaction by the Senior Leadership Team but attributable to the challenging financial position facing the College sector. However, the Senior Leadership Team was asked to set out steps that were going to be taken to decrease the deficit and present these to the October meeting. Also, it was important that the SFC was fully advised of the deteriorating financial position facing the College once 'one off' non-recurring items are removed.

SLT

22.24 SFC INDICATIVE FUNDING ALLOCATION 2022/23

T Elliott presented slides setting out the indicative funding for 2022/23 and advised that the baseline credits funding is likely to remain the same at a flat cash level with a relatively small reduction in the baseline credit target. An increase in Foundation Apprenticeship credits funding partially offsets the removal of non-recurring 2021/22 Deferred credits funding. Overall, T Elliott advised the Committee that there will be no real easing of financial pressures as a result of this funding allocation.

T Elliott also presented the Indicative 2022/23 SFC Funding allocations for Student Support Funding which has reduced by £982k from 2021/22 levels and Capital Funding which has increased by £360k from 2021/22 levels. The College is forecasting a significant underspend in Student Support Funding for 2021/22 largely as a result of reduced student demand as a result of the pandemic and the eligibility criteria for some of this funding had not been met. The related underspent funding is required to be returned to the SFC.

22.27 COMMERCIAL AND EXTERNAL FUNDING UPDATE

This item was considered earlier in the Agenda with D McDougall providing an update on commercial and external funded activity to 30 April 2022 with forecasts to the end of July 2022.

D McDougall advised that the initial budget was re-forecasted in February 2022 after 6 months of the 12-month activity period, to a total

of £2.078M. However, as at May 2022, there is more confidence to re-forecast to the original target of £2.255M which is likely to be met.

The Committee was pleased to note the positive update and also the positive outcome of the internal audit report on the Business Development Unit. The Committee referred to the various future opportunities noted in the paper and the increasing confidence that the Business Development Unit will be able to meet this year's original target and also forecasting an expansion of commercial income to £3million for 2022/23. The Committee thanked D McDougall for attending the meeting and for the progress made by the Business Development Unit.

22.25 ESTATES, CAPITAL EXPENDITURE AND MASTERPLAN UPDATE

This report provided the Committee with a summary of current estates matters including an update on the capital expenditure for current/completing projects against the 2021/22 plan and the future capital masterplan for years 2022/23 and future years.

The Committee noted the contents of the update and approved the capital masterplan for 2022/23. The masterplan will be submitted to the Board of Management for approval at its June meeting.

22.26 KEY PERFORMANCE INDICATORS

The Committee considered the KPI Report. Due to the one-off HMRC VAT refund the forecast/actual annual operating position was classified as green but as already discussed, this did not reflect the extent of the financial challenges facing the College. It was agreed that two KPIs should be reported to the Board; (i) percentage delivery against SFC credit targets, and (ii) annual operating position (in respect of 2022/23).

KM

22.27 COMMERCIAL AND EXTERNAL FUNDING UPDATE

(This item was heard earlier in the agenda)

22.28 FINANCIAL FORECAST RETURN

T Elliott presented slides to the Committee setting out the financial forecast over the next five years. The College has, in the short term, benefitted from one-off payments however these payments, in fact, mask only temporarily the true extent of the financial challenges facing the College. The Committee noted that in future years the impact of savings expected to be generated from voluntary severance would provide some assistance in improving the financial position but, over time, if SFC funding and activity levels remain at similar levels, increasing deficits remain likely largely due to unfunded pay awards. The financial forecast return will be revisited by the Committee once SFC confirms future funding assumptions.

22.29 COLLEGE STRATEGIC RISK REGISTER

The Committee noted the report which recorded a decreasing risk for four areas, three of which were financial related risks. It was noted that the financial risks had reduced for the short-term period until the end of the academic year but overall and in the long term, there was increasing risks associated with the financial challenges facing the College. The Committee noted that the style and format of the risk register was currently being worked on and the updated version will be available for the next meeting.

22.30 PROCUREMENT UPDATE

The Committee noted this paper providing an overview of recent, current and future procurement related activities within the College

22.31 GLASGOW CLYDE EDUCATION FOUNDATION UPDATE

The Committee noted the GCEF Update Report providing an update on GCEF projects as at May 2022

21.32 SFC UPDATE

The Committee noted the SFC's update regarding the financial sustainability of Colleges and Universities in Scotland.

22.33 BUSINESS DEVELOPMENT INTERNAL AUDIT REPORT

The Committee noted the report and it was discussed under item 22.27.

22.34 ANY OTHER BUSINESS

There was no other business.

DATE OF NEXT MEETING

Wednesday, 5 October at 4.30pm.