

Board of Management

Meeting of the Finance Committee

MINUTE OF 2nd MEETING HELD ON WEDNESDAY 29 NOVEMBER 2023 AT 1600 HRS
(FC2) AT CITY CAMPUS, ROOM C.06.106.

Present	
Ronnie Quinn (Convener)	Stuart Patrick
Paul Little (Remote)	
In attendance	
Andrew Dickson	Josh Taylor
Drew McGowan	Ann Butcher (Minute)
Alex Stewart	
Apologies for absence	
Douglas Baillie	Leo Subido

Item FC2-1	Apologies for Absence	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	Apologies were received from D Baillie and L Subido.	

Item FC2-2	Declarations of Interest	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	None.	

Item FC2-3.1	Minute of Previous Meeting held on 27 September 2023	
Paper No: FC2-A	Lead: Convener	Action requested: Approve
Decision/Noted	That the minute be approved.	
	<p>Action Points Arising from Previous Meeting COB Business Case Update The Committee noted that all actions relating to the COB Business Case Update would now fall under the oversight and remit of the Development Committee as part of their newly assigned responsibilities.</p>	

Item FC2-3.2	Annual Report and Accounts 2022-23	
Paper No: FC2-B	Lead: A Dickson/ D McGowan	Action requested: Approve
Discussion Matters Arising	A Dickson highlighted the key financial reporting insights within the Annual Report and Accounts for 2022-23. The underlying deficit was primarily	

attributed to government grants not increasing in line with inflation. This deficit marked a slight improvement compared to the budgeted deficit which included in year savings of £4 million to help reduce the loss as much as practically possible.

The year-end net current liabilities are mainly due to the inclusion of the NPD contract liability however the College continues to operate with a healthy cash balance. The Committee were informed of an error identified by external auditors relating to the NPD contract, and revised figures have been submitted. Assurance that this error would not have any material impact on the accounts was provided.

The report was considered read and after a thorough review, Committee members proposed and collectively agreed a number of minor amendments to the draft report.

The Committee acknowledged that the external audit report is still being finalised, with the independent auditor's report still to be included in the version submitted. This was due to unexpected leave of the appointed auditor and a new letter of appointment for a replacement auditor is necessary before issuing this report. The report will be updated and presented at the Audit & Assurance Committee meeting on 5 December 2023.

Committee members commended the position reflected in the accounts and accompanying notes, particularly appreciating the external audit's acknowledgement that the College met the criteria for being a going concern. They requested that thanks be conveyed to the Executive Leadership Team, Finance team and wider staff for achieving this, while also recognising that the College still faced ongoing challenges to reach a breakeven position.

Decision/Noted

That, subject to the agreed NPD and agreed amendments, the draft Annual Report and Accounts for 2022-23 was approved.

To agree to recommend the draft Annual Report and Accounts for 2022-23 for final approval by the Board on 14 December 2023.

Item FC2-3.3 Annual Procurement Report 2022-23

Paper No: FC2-C	Lead: A Dickson/D Fagan	Action requested: Approve
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Discussion Matters Arising	The Committee acknowledged the comprehensive report which demonstrated a robust governance system was in place and expressed commendation for the efforts made by the Procurement team.	
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Decision/Noted	That the Annual Procurement Report 2022-23 was approved.	
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Item FC2-3.4 Network Refresh Business Case

Paper No: FC2-D	Lead: A Dickson	Action requested: Approve
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Discussion Matters Arising	The Committee noted that due to the significant level of capital investment, the Network Refresh Business Case was presented for review and approval.	
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The detailed project phasing and associated capital expenditures were acknowledged.

The Committee recognised the necessity of mitigating the substantial and ongoing risk, proposing the consideration of a sinking fund, as the College could find itself in a similar position in the future. P Little and A Dickson acknowledged the merit of this proposal and highlighted the lack of financial flexibilities currently provided to the College, namely the inability to retain surpluses, would prove to be a challenge in delivering this.

During further discussion on a sinking fund and flexibilities, P Little suggested that discussions with the SFC should be considered to ringfence this money for maintenance purposes and to cover depreciation on capital assets. It was agreed that S Patrick will raise this matter at the next Board meeting to gain the full support of members as there is a challenge for the Board in planning for the long-term with current flexibilities.

The Committee also acknowledged that the transfer of surplus funds to the arm's length foundation does not necessarily guarantee approval for this expenditure release.

Decision/Noted

- That the Network Refresh Business Case was approved.
- That an update on the progress of the project be provided.

Item FC2-3.5 College Course Fees 2024-25

Paper No: FC2-E

Lead: A Dickson

Action requested: Approve

Discussion Matters Arising

The Committee reviewed the proposed basis for calculating the College's course fees for SFC fundable activity for 2024-25. The proposed increase was approved.

A Dickson advised members of the planned amendments to the 'Refund of Course Fee Policy' which will be submitted at the next meeting for review.

Decision/Noted

- That the Course Fees for 2024-25 were approved.
- That a proposed update of the 'Refund of Course Fee Policy' be submitted at the next meeting.

Item FC2-3.6 Student Accommodation Charges 2024-25

Paper No: FC2-F

Lead: A Dickson

Action requested: Approve

Discussion Matters Arising

The Committee reviewed the proposed student accommodation rates for 2024-25. These rates were assessed taking account of local market conditions, competitive pricing and the financial capacity of students using the accommodations. While considering the proposed increase the Committee acknowledged the anticipated rise in operating costs. However, they recognised the substantial realignment increase agreed for the current year and deemed the proposed increase as a competitive compromise.

Decision/Noted

That the proposed increase was approved.

Item FC2-4.1		Financial Forecast Update 2023-24	
Paper No: FC2-G	Lead: A Dickson	Action requested: Discuss	
Discussion Matters Arising	<p>A Dickson presented an update on the current forecast deficit which is more favourable than the original anticipated budget. The projected year-end cash balance is also better than budgeted due to the lower forecast deficit. The resulting underlying cash balance at the year-end was noted. Recognising that the reforecast relies on several material assumptions and sensitivities, the key drivers influencing this still remain unclear or unconfirmed. The College continues to apply the most realistic projections across a range of potential outcomes.</p> <p>The key areas of greatest sensitivity considered crucial to achieving the full year projection were particularly highlighted. The Committee noted that the College continues to make fair and reasonable assumptions in these critical areas.</p> <p>The Committee were also advised that in light of the projected cash balance at the end of July, the capacity to absorb additional cost increases or funding/income reductions was constrained.</p>		
Decision/Noted	The Committee acknowledging the key sensitivities and recommendations made and noted the variances and positive movements.		

Item FC2-4.2		Financial Projection: 5-Year View	
Paper No: FC2-H	Lead: A Dickson	Action requested: Discuss	
Discussion Matters Arising	<p>The Committee received an updated 5-year financial projection detailing the key assumptions, dependencies and sensitivities that could potentially impact the College's long-term financial sustainability. Acknowledging the requirement to make budgetary improvements to reduce the projected deficit for the current year and recognising the continued financial challenges anticipated in the next few years to return to a position of financial sustainability, the future projections under three scenarios were reviewed.</p> <p>The Committee discussed the combined impacts of additional commercial income through new business income growth and the cost-based efficiencies required to achieve an underlying operating surplus. Consideration was given to the capacity to achieve the necessary efficiencies, recognising that if these were to be delivered, it would be essential to implement plans without delay.</p> <p>The key baseline assumptions were summarised and the challenge in predicting outcomes due to the current uncertainties around future SFC grant funding and staff pay awards was noted. Recognising that these assumptions would be instrumental in driving the scenarios presented, the Committee agreed that an updated report should be provided at the next meeting, particularly if additional clarity could be offered on the key assumptions.</p> <p>The Committee expressed appreciation for the commendable efforts in presenting the 5-year projection, acknowledging the challenges and</p>		

	extended thanks to the finance team for their work in compiling this information.
Decision/Noted	<ul style="list-style-type: none"> To note the update report. That a further update be provided at the next meeting.

Item FC2-4.3	Strategic Risk Review	
Paper No: FC2-I	Lead: D McGowan	Action requested: Discuss
Discussion Matters Arising	<p>D McGowan updated the Committee on the changes to risk scores proposed in the recent review including a decreased risk score for SR22 (Negative Impact of Brexit) from 9 (Amber) to 6 (Amber) and an increased risk score for SR24 (Failure to secure sufficient capital investment) from 12 (Amber) to 16 (Red).</p> <p>Referring to earlier discussions regarding capital investment, the Committee noted that the projected risk score for SR24 would likely continue to increase.</p> <p>R Quinn reminded the Committee of recent discussions at the Strategic Planning event regarding rewording of SR22. D McGowan confirmed that this matter would be considered under the next quarterly review and a decision on whether it was still necessary or should be distributed across other risks would be discussed with P Little, A Dickson and M Cross.</p> <p>The proposed risk score changes were agreed.</p>	
Decision/Noted	<ul style="list-style-type: none"> To note the Strategic Risk Register and approved the recommended risk score changes to SR22 and SR24. That rewording or distribution of SR22 be considered in the next quarterly review. 	

Item FC2-5.1	Non-Compliant Spend Report	
Paper No: FC2-J	Lead: D Fagan	Action requested: Note
Decision/Noted	To note the Q1 Non-Compliant Spend report for 2023-24.	

Item FC2-5.2	Credits Delivery Update	
Paper No: FC2-K	Lead: M Green	Action requested: Note
Discussion Matters Arising	<p>The Committee noted that the Credit Certificate for 2022-23 has now been signed off and confirms the final credits claimed are 98.2% of the SFC Credit Target. The split between core credits and foundations apprenticeship credits was provided.</p>	
Decision/Noted	To note the update report.	

Item FC2-5.3		SFC Financial Memorandum Delegated Limits and Expenditure Report	
Paper No: FC2-L	Lead: A Dickson/A Stewart	Action requested: Note	
Discussion Matters Arising	<p>The Committee discussed the SFC Financial Memorandum response on delegated limits and the statement of expenditure incurred during 2022-23 which specifically focuses on public relations; overseas travel; hospitality and entertainment, and external consultancy.</p> <p>The Committee particularly noted a significant reduction in consultancy spending in comparison to the previous year. The discussion also brought attention to the overseas travel expenditure, particularly relating to student trips. It was suggested that an improved method of recording this information, with emphasis on clearly highlighting expenditure provided to students should be considered.</p>		
Decision/Noted	To note the update report.		

Item FC2-5.4		Treasury Management Report	
Paper No: FC2-M	Lead: A Dickson	Action requested: Note	
Decision/Noted	The Committee noted the update on the College's investment strategy and income over 2022-23.		

Item FC2-6		Any Other Notified Business	
Paper No: Verbal	Lead: Convener	Action requested: Note	
Decision/Noted	None.		

Item FC2-7		Disclosability of Papers	
Paper No: Verbal	Lead: D McGowan	Action requested: Note	
Decision/Noted	That the disclosability status of papers as described on respective cover sheets be retained.		

Item FC2-8		Date of Next Meeting	
Paper No: Verbal	Lead: Convener	Action requested: Note	
Decision/Noted	Wednesday 6 March 2024		

The meeting closed at 1735 hours.

ANNEX TO THE MINUTE

ACTION POINTS ARISING FROM THE MEETING

Item	Description	Owner	Target Date
FC2-3.2 29 11 23	Annual Report and Accounts 2022-23: Subject to agreed amendments, the report be submitted for final approval by the Board.	DM/AD	14 12 23
FC2-3.4 29 11 23	Network Refresh Business Case: That an update on progress be provided.	AD	Ongoing
FC2-3.5 29 11 23	College Course Fees 2024-24: Submit updated Refund of Course Fee Policy.	AD	06 03 24
FC2-4.2 29 11 23	Financial Projection: 5-Year View: Provide update at next meeting.	AD	06 03 24
FC2-4.3 29 11 23	Strategic Risk Review: That SR22 be reviewed in the next quarterly review.	PL/AD/MC/ DM	Next review

ACTION POINTS ARISING FROM THE PREVIOUS MEETING

Item	Description	Owner	Target Date
FC1-4.2 27 09 23	Strategic Risk Review: To examine wider external risks, including those related to Brexit.	AD/MC	Next review Superseded FC2-4.3
FPRC4-4.3 31 05 23	COB Business Case Update: Seek to retain overage payment from the SFC.	AD	Ongoing