



## Notes of CDN Finance Development Network Steering Group Friday 05 May 2017

### Present

Susan Dunsmuir (SD)	Ian Martin (IM)
Tracy Elliott (TE)	Alan Ritchie (AR) (Joint Vice Chair)
Brian Ferguson (BF)	Pete Smith (PS)
Alistair Gordon (AG)	Alison Stewart (AS)

### In Attendance

Marian McMorland (MM) (Minutes)	Stuart Nugent (SN) by telephone*
Andrew Millar (AM)	Andrew Witty (AW)

### Apologies

Iain Clark (IC) (Joint Vice Chair)	Jennifer McLaren (JMCL)
Karen Hunter (KH)	Stuart Thompson (ST) (Chair)
Jim Kirkwood (JK)	Gayle Watson (GW)
Lorna MacDonald (LMacD)	Alan Williamson (AWL)

## 1. Welcome and Apologies

Agenda Item: 1 | Paper No: Verbal | Lead: Chair

AR welcomed members to the meeting and apologies were noted as above.

## 2. Minutes of Previous Meeting

Agenda Item: 2 | Paper No: 2.1 | Lead: Chair

### 2.1 Friday 02 April 2017 and Rolling Action Points

The notes of the meeting of Friday 07 April 2017 were discussed and accepted as a true and accurate record.

AR reviewed the rolling actions points and members commented as required.

2.1a TE advised that no further meetings of the SFC **Cash Flow Sub-Group** will take place as further discussions will take place through the SFC Financial Returns Working Group instead.

2.1b **Long-term Funding paper**, which was previously circulated by AW, provided an understanding of SFC thinking. AW advised that the **Funding Allocation** will be issued on Friday 05 May 2017 and provided an overview of the allocation.

2.1c AW confirmed that **backlog maintenance, capital maintenance and ICT need**, will all be progressed in parallel, and that he is discussing this with Martin Kirkwood during May 2017.

2.1.d AW contacted SFC regarding the **1.9% additional funding** and was advised that SFC based the funding on the best data available at the time. It was acknowledged that it later transpired that the funding didn't cover costs for all colleges. It was agreed by the FDN SG that this matter is now closed.

- 2.1.e **Annual Conference** – AR encouraged FDN SG members to book on and also their colleagues.
- 2.1.f **Audit Scotland Report** will be shared within Colleges Scotland prior to a meeting with Audit Scotland during the clearance period and will be published on/around 22 June.

## 2.2 Matters Arising

Included either in the Rolling Actions or taken under the appropriate Agenda Item.

## 3. Agenda Item: 3 | Paper No: Verbal | Lead: Andrew Millar

AM provided the following updates:

### Funding Allocations 2017/18

- Overall increase in college revenue budget by around 2.6%.
- Teaching Funding increased by 3% (includes Early Years Education activity).
- Student Activity target has increased 0.7%.
- Student Support Funding increased by inflation (1.45%).
- Capital Maintenance Grant has increased by £5.2m with the revenue element of the CMG reducing by £4.8m on 2016/17 levels.
- £10m set aside for Flexible Workforce Development Fund – awaiting Scottish Government direction.

### Annual Accounts 2015/16

- All College Annual Accounts have been laid before Parliament and are in the public domain (also on SFC's website).
- Scottish Parliament Committee will hold evidence session on the Auditor General's three section 22 reports on 11 May.

### Q4(3) Resource Returns

- Being progressed by SFC. Initial indications are that budget underspend is in line with target. SFC contacting individual colleges with queries.

### Cash Budgeted for Priorities (CBP) (Previously net depreciation cash)

- Papers are being progressed for both CBP and the Underlying Position. Both papers will be issued to RIG for comment during w/c 08 May 2017, comments will be sought subsequently from FDN SG and Audit Scotland. **Cash flow graph will be anonymised and shared with the FDN SG.**

### Accounts Direction

- Draft to be produced, late May, and comments will be sought from Scottish Government, Audit Scotland and the FDN SG.
- Intention is to issue the Accounts Direction by the end of June 2017.

### Financial Memorandum

- Awaiting Scottish Government and SFC's memorandum to be agreed before the college financial memorandum is issued for consultation. **A statement will be issued to the sector by SFC to explain the delay.**
- Intention is to finalise revised FM by late Summer 2017.

**Financial Returns Working Group**

- Meeting taking place on Friday 12 May 2017 which will focus on: Resource Return, Cash Flow, and Financial Forecast Return (FFR).
- Assumptions to be used in preparing FFRs will be discussed by the FDN SG, later in the meeting, with a view to the FDN SG providing high level assumptions which will then be discussed at the Financial Returns Working meeting on Friday 12 May 2017.

**College Governance Consultation**

- Issued and deadline for responses is 17 May 2017.
- The consultation document takes forward the recommendations of the Good Governance Task Group.

**4. Audit Scotland**

Agenda Item: 4 | Paper No: Verbal | Lead: Stuart Nugent (*by telephone for this agenda item*)

SN joined the meeting by telephone and advised that the Audit Scotland Report will be submitted for clearance and that the process will be the same as last year, with a copy going to Scottish Government, SFC and to Colleges Scotland. A meeting will take place with representatives from the sector which is likely to comprise: Chair of FDN SG, Chair of Principals' Group and the Chair of the Chairs' Group.

Within the Report where there is reference made to specific colleges those colleges will receive extracts of the relevant sections by Monday 08 May 2017.

The closing date for the clearance period is Thursday 25 May and all formal correspondence should be sent to a dedicated e-mail address. Contact can also be made by telephone.

SN went on to highlight some of the financial key messages which are highlighted in the report:

- Financial health of the sector is stable, but deteriorating:
  - Sector deficit has increased
  - Net assets have decreased
  - Cash has decreased
  - Four colleges face particular financial challenges.
- Staff costs highest area of spend (and growing):
  - Pensions and NI contributions partly explain
  - Accounting adjustments for pensions and annual leave also factors
  - The number of staff has increased over the last two years.
- Overall SG funding to increase in 2017/18 (in real terms):
  - 5% increase overall funding
  - 1% increase in revenue.
- A number of financial challenges:
  - National bargaining is most significant
  - Student support
  - European funding
  - New funding model.
- National estates condition survey to conclude in July:
  - National capital plan to follow.
- Most colleges still do not prepare longer term financial plans.

and provided an overview of the recommendations, eg. that:

- Colleges and the SFC should:
  - assess demand for college courses across the country to build a national picture

- agree common assumptions to underpin longer-term financial planning
- agree adjustments which should be made to the financial position to enable the accounts to show a consistent underlying financial position for each college.
- Colleges should:
  - Prepare longer term financial plans
  - calculate the cost of national bargaining.

Re the point made from the prior year concerning the availability of board papers, this point will not be included in the report as it doesn't fit with the scope of this review. Audit Scotland have noted that there is an improvement in this area.

## 5. Funding and Finance Committee

Agenda Item: 5 | Paper No: Verbal | Lead: Andy Witty

### 5.1 Commercial Activity

A paper containing information on commercial activity in colleges, along with a spreadsheet highlighting commercial income, tuition fees and education contracts was circulated prior to the FDN SG meeting. A discussion took place on the best way to present the information, which highlights the impact of ONS, and **AW will make the suggested changes primarily around the removal of HE fees.**

#### 5.1.1 ALFs

- **AW to consider timing of seeking clarity from colleges in relation to ALFs and remaining fund.**

### 5.2 Copyright

CLA's responses and comments were highlighted. The Funding and Finance Committee and the Colleges Scotland Board will both discuss Copyright further. A national decision will not be made – final decision will be at each college's discretion. A reminder that notice to CLS can only be given annually by the end of June (ie. giving one month's notice). **Colleges who wish to participate in the CLA pilot should advise AW.**

### 5.3 Business Insurance

A discussion took place on the circulated template which will be **updated by AW**, taking into account the feedback received. **AW will circulate for completion by mid June 2017.** A short-life working group will consider the collated responses.

### 5.4 Individual Learning Accounts

AW gave an overview to the background of the ILAs and a discussion took place to help enable an understanding of the sector picture which will inform Colleges Scotland's future discussions with the Scottish Government.

## 6. Government Banking Services

Agenda Item: 6 | Paper No: Verbal | Lead: Chair

AR provided an overview of his understanding of the situation which is that a move to RBS with no further action being taken at this point in time. TE provided an overview of the implications of what could have been expected of the sector if a full move took place.

## **7. Feedback from other groups**

Agenda Item: 7 | Paper No: Verbal | Lead: Chair

### **7.1 CIPFA Panel (PS)**

PS circulated information prior to meeting.

### **7.2 Procurement Strategy Group (TE)**

TE covered this as part of the Rolling Action Points and advised that she is unable to attend the PSG meeting of 18 May but she will be attending the APUC Conference on 19 May. No other members of the steering group are able to attend the PSG meeting, however procurement representatives from each region will be in attendance.

### **7.3 HPDF (JK)**

Discussion deferred to the next meeting.

### **7.4 Cash Flow Sub-Group (TE)**

Covered earlier in the meeting under rolling action points.

## **8. Events**

Agenda Item: 8 | Paper No: Verbal | Lead: Alan Ritchie

### **8.1 Annual Conference 01 and 02 June 2017**

AR provided an update on the conference which included:

- Advising that the outline programme is online and will be updated as confirmation is received.
- An update on sponsorship and speakers.
- Past Steering Group Members to be invited along with an invitation to the Secretary to the Board Network and Northern Ireland delegates.
- A reminder will be issued to potential participants to book on.

## **9. National Bargaining**

Agenda Item: 9 | Paper No: Verbal | Lead: Chair

ST circulated information prior to the FDN SG meeting and AW provided an overview of the current position.

## **10. AOB**

Agenda Item: 10 | Paper No: Verbal | Chair

A discussion took place on **Assumptions** to be considered at the meeting on Friday 12 May 2017.

**TE's notes, in relation to Assumptions, to be sent to AR and then issued to the FDN SG for further feedback prior to meeting on 12 May.**

**11. Date of Next Meeting**

The date of the next meeting is Friday 04 August 2017.

**Future event, conference and meeting dates:**

Conference	Thursday (around 1130) 01 June to Friday (around 1400) 02 June 2017 at the Doubletree by Hilton: Dunblane Hydro Hotel, Dunblane – Lorna MacDonald attending
	No meeting held during July
Meeting	Friday 4 August 2017
Meeting	Friday 01 September 2017 – Audit Scotland invited
Meeting	Friday 06 October 2017 – Lorna MacDonald attending
Meeting	Friday 03 November 2017
Meeting	Friday 01 December 2017 – Lorna MacDonald attending