

## Audit and Assurance Committee Meeting

Date of Meeting	Thursday 20 October 2022
Paper Title	Value for Money Strategy – Annual Review
Agenda Item	12
Paper Number	AAC1-H
Responsible Officer	Jim Godfrey, Finance & Resources Director
Status	Disclosable
Action	For consideration

### 1. Executive Summary

- 1.1. The report below provides an opportunity for the committee to undertake an annual review GCRB’s strategy on value for money.

### 2. Recommendations

- 2.1. The Committee is invited to **review**, and **comment** on, GCRB’s value for money strategy.

### **3. Report**

- 3.1.** The financial memorandum between the Scottish Funding Council (SFC) and GCRB requires GCRB to have a strategy for reviewing systematically management's arrangements for securing value for money (paragraph 23). The financial memorandum has been subject to review by the Scottish Government, and SFC, for several years but there is no further information on when a revised version will be published.
- 3.2.** To assist with this process, a value for money strategy was developed in 2016. The strategy has been updated at regular intervals to reflect changing circumstances.
- 3.3.** The Audit and Assurance Committee's terms of reference give it an advisory role in relation to the internal control environment, of which value for money is part. These arrangements are reviewed by the Audit and Assurance Committee on an annual basis. GCRB's arrangements, in respect of value for money, are also reviewed on an annual basis by the external auditor.
- 3.4.** In considering this value for money strategy this year, the Audit and Assurance Committee may wish to consider:
  - The recent reports of the internal auditor, including the Oversight of Programme of Action (October 2022).
  - The report of the Finance and Resources Director to the Performance and Resources Committee (May 2022) and attached as an annex to this report.
- 3.5.** It is also worth noting that colleges, and college regions, are in the process of submitting their latest financial forecast returns. These returns cover the period 2020-21 to 2026-27 and the returns for the Glasgow college region are being considered by the Performance and Resources Committee.

### **4. Risk and Compliance Analysis**

- 4.1.** The procedure is designed to raise awareness of the importance of securing value for money and thereby reduce the risk of GCRB making decisions that represent poor value.
- 4.2.** There are no legal, or compliance, implications identified in this report. However, through the conditions of grant associated with the regional outcome agreement, GCRB is required to conduct its affairs in accordance with standards of good governance, which includes appropriate arrangements to achieve value for money.

### **5. Financial and Resource Analysis**

- 5.1.** By implementing arrangements to maximise value for money, GCRB will enhance the 'return' on the public money for which it is responsible.

### **6. Equalities Implications**

- 6.1.** There are no equalities implications as a direct result of this report.

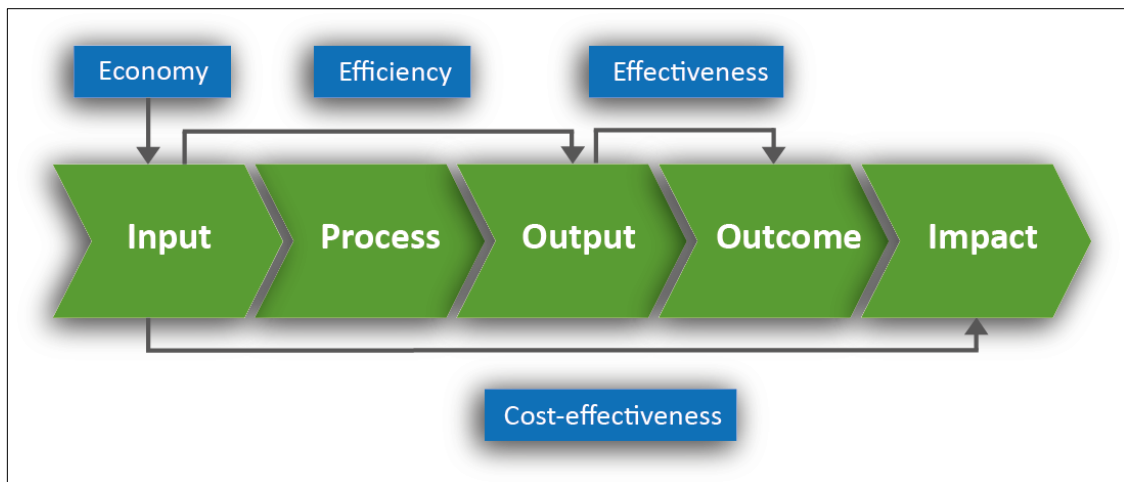
### **7. Learner Implications**

- 7.1.** There are no direct learner implications of this report.

## Value for Money (VfM) Strategy

### Background

- 1 Value for Money (VfM) is the term widely used to assess whether or not an organisation has obtained the maximum benefit from the goods and services that it acquires and/or provides to others. In the public sector, VfM is about ensuring that an organisation gets the best possible deal from public expenditure. It is often expressed in terms of:
  - Economy - minimising the cost of resources, while having regard to quality
  - Efficiency - maximising the use of those resources
  - Effectiveness - ensuring that the resources are used to achieve their objectives and make an impact.



- 2 There are various requirements placed on GCRB to use its resources in an economical, efficient and effective way, and promote and achieve VfM; most of these derive from the Public Finance and Accountability (Scotland) Act 2000. The Auditor General for Scotland also has the authority to carry out examinations into the economy, efficiency and effectiveness with which GCRB has used its resources in discharging its functions.

### How do we achieve Value for Money?

- 3 Because of the diverse nature of the work of GCRB – and because much of the effectiveness of our funding is achieved through the assigned colleges – it is not appropriate to have a single framework for promoting, achieving and measuring VfM. Instead, we will seek to embed VfM in our operations through a variety of routes:
  - Integrating VfM principles within our planning, management, decision-making and review processes, particularly in regard to any project or decision with financial implications – in other words, always asking the questions: *Are our objectives and plans clear? Will they deliver VfM? Did they deliver VfM?* We will include a definition of the value for money aspects in our plans for projects and create a standard value for money assessment sheet for projects.
  - Using risk management to assess the financial risks: *Is there a risk this will result in poor VfM? How can we mitigate the risk?*
  - Complying with relevant legislation and regulation: *Have we met all the legal and regulatory requirements?*
  - Adopting good practice wherever appropriate: *Are we demonstrating good practice in the use of our resources?*

- Being open and transparent: *Can we demonstrate publicly that we are using resources in an economical, efficient and effective manner?*
  - Working with others: *Are there opportunities to collaborate with other public bodies to achieve shared benefits and better value?*
  - Communicating with staff: *Are all staff aware of the need to use GCRB resources in an economical, efficient and effective way and achieve VfM at all times?*
  - Continuous improvement: *Learning from evaluation of past investment decisions*
- 4 In practical terms, we take different approaches towards VfM in the use of our running costs budget (our operational budget) and our programme budget (our budget for funding the assigned colleges)<sup>1</sup>.

#### ***Value for Money in our use of GCRB's running-cost budget***

- 5 GCRB's gross running-cost budget for 2022-23 is £496,000. In addition to this, a sum of £438,000 has been secured for regional collaborative projects. Annex 1 to this paper provides a brief description of our approach to VfM with regard to these budgets.
- 6 Expenditure on collaborative projects is designed to deliver services on behalf of the entire Glasgow College Region. The procurement of such services follows best practice, for example, by subjecting services to competitive tender.
- 7 We will use a range of methods for assessing our performance in achieving VfM, including our use of internal audit, and indices of our overall efficiency as a public body (for example, our expenditure on running-costs as a percentage of programme funds). We will also seek to be open to scrutiny by publishing details of our running-cost expenditure on the specific areas required by the Scottish Government<sup>2</sup>.

#### ***Value for Money in our use of GCRB's programme funds***

- 8 GCRB's programme funds budget will be almost £160 million per annum (including Capital and Student Funding). The main mechanisms that we will use to promote, achieve and monitor VfM are:
- Financial Memoranda with the assigned colleges.
  - Assurance processes in relation to the systems of internal controls within the assigned colleges.
  - GCRB's progress monitoring arrangements including the Regional Outcome Agreement.
  - Our funding methodologies.
- 9 GCRB also has the statutory power to undertake VfM studies in the assigned colleges.
- 10 Annex 2 to this paper provides a brief description of our approach to VfM in each of these areas. The assigned colleges also have their own mechanisms for promoting, achieving and monitoring VfM, including the employment of professional procurement staff, sharing services, and the use of internal audit.

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<sup>1</sup> The Internal Audit Plan 2021-22 includes a review of the Programme of Action. The report is scheduled for completion in October 2022.

<sup>2</sup> It is important to note that the running costs for GCRB (£496,000) are below the level estimated by the Scottish Government in 2013 (which would now be £620,000, after allowing for inflation).

## Value for Money in our use of GCRB's running-cost and programme budget

Activity	Commentary
<p><b>Procurement of goods and services:</b></p> <p>GCRB is subject to the provisions of the Procurement Reform (Scotland) Act 2014, the main purpose of which is the achievement of better VfM.</p>	<ul style="list-style-type: none"> <li>GCRB uses the shared procurement services for both Advanced Procurement for Universities and Colleges (APUC) and the Glasgow Region.</li> </ul>
<p><b>Human resources:</b></p> <p>Staff is the largest item of expenditure in GCRB's running-cost budget.</p>	<ul style="list-style-type: none"> <li>GCRB has an organisational structure appropriate for its duties and responsibilities.</li> <li>GCRB embraces the principles of the Public Sector Pay policy issued by the Scottish Government on an annual basis.</li> </ul>
<p><b>Shared services:</b></p> <p>We continually look for opportunities to deliver VfM through shared services with Scottish Government or other public bodies and through partnership working.</p>	<ul style="list-style-type: none"> <li>GCRB is supported by the three Glasgow colleges who provide a range of support services. For example, City of Glasgow College provide serviced accommodation and finance processing and Glasgow Clyde College provide HR/payroll services.</li> <li>GCRB, and the Glasgow colleges, collaborate with HEFESTIS Ltd on the shared Data Protection Service.</li> </ul>

## Value for Money in our use of regional funds allocated to the assigned colleges

Mechanism	Commentary
<b>Financial Memoranda with the assigned colleges</b>	<ul style="list-style-type: none"> <li>• Our financial memoranda will require the assigned colleges to achieve VfM, and be economical, efficient and effective in their use of public funding. We will also require the assigned colleges to: <ul style="list-style-type: none"> <li>➤ Have a strategy for reviewing management’s arrangements for securing VfM</li> <li>➤ Seek from its internal audit a comprehensive appraisal of management’s arrangements for achieving VfM.</li> </ul> </li> <li>• We monitor the financial performance of the assigned colleges by reviewing: <ul style="list-style-type: none"> <li>➤ The assigned colleges’ internal and external audit reports and audit committee annual reports.</li> <li>➤ Annual reports and financial statements.</li> <li>➤ Financial forecast, and mid-year returns.</li> <li>➤ Cash flow returns.</li> <li>➤ Flexible workforce development fund returns.</li> <li>➤ EMA/bursary returns.</li> <li>➤ Capital expenditure returns.</li> <li>➤ FES/student data returns and audits.</li> </ul> </li> </ul>
<b>Outcome Agreement process</b>	<ul style="list-style-type: none"> <li>• Our Outcome Agreement process is designed to establish the outcomes expected in return for public funding. The targets set are deliberately ambitious to maximise the effectiveness of that funding.</li> <li>• We review regional, and institutional performance, primarily against the Regional Outcome Agreement, through the Performance and Resources Committee.</li> </ul>
<b>Our funding methodologies</b>	<ul style="list-style-type: none"> <li>• Our funding methodologies are designed to achieve VfM and are reviewed periodically to ensure that they remain fit-for-purpose.</li> </ul>
<b>Institutional Efficiency</b>	<ul style="list-style-type: none"> <li>• The Scottish Government expects every public body to deliver efficiency savings and to report publicly on the actions undertaken and the results achieved. The Scottish Funding Council collects, collates and reports on the efficiencies achieved by the college and university sectors, including those generated by the work of APUC.</li> <li>• Institutional Efficiency returns were submitted by each of the Glasgow colleges in September 2020. The Scottish Government has not sought further returns in the last two years.</li> <li>• The three Glasgow colleges, through the Glasgow Colleges Group, collaborate on a number of activities. Opinions differ as to whether the current level of collaboration is sufficient to achieve the regional objectives and financial sustainability.</li> </ul>

## Performance and Resources Committee

Date of Meeting	Wednesday, 16 March 2022
Paper Title	Approach to Regional Finance
Agenda Item	17
Paper Number	PRC4-L
Responsible Officer	Jim Godfrey, Finance & Resources Director
Status	Disclosable
Action	For Discussion

### 1. Executive Summary

**1.1.** This report provides an overview of the challenges and opportunities in respect of regional finance. In exploring these issues, a number of matters are examined in further detail, including the:

- **Functions** of Glasgow Colleges' Regional Board (GCRB), as defined by legislation, are examined. These functions are extensive and provide the opportunity for the Glasgow region to shape its future.
- **Financial Memorandum, and Scottish Public Finance Manual**, specify the governance requirements and assurance obligations. These are the mandatory obligations placed upon GCRB, as the fundable body.
- **Financial Priorities**, differentiating between those that are mandatory and those that have a degree of discretion.
- **Current Financial Climate** and the way this impacts on current strategic choices.
- **Strategic Priorities** of GCRB and the fact that the regional strategic plan will dictate the direction of travel.
- **Funding Strategy** and the different ways in which finance can be used to support the regional strategic choices.

**1.2.** In summary, the determination of a clear regional strategy, supported by measurable outcomes is critical. When these strategic choices have been determined it is possible to develop funding mechanisms to implement change. This paper is intended to inform the development of a new strategy and ensure that resources are aligned to strategic choices.

### 2. Recommendations

**2.1.** The Committee is asked to:

- **comment** on the content of this report, and
- **determine** how the content of this report, and the discussions of this Committee, should be progressed with the Board.

### 3. Report

#### 3.1. Purpose of this Report

The purpose of this report is to inform a discussion on the potential deployment of financial resources to achieve a regional strategy. The intention is to highlight some opportunities, together with the associated challenges.

#### 3.2. Functions of Glasgow Colleges' Regional Board

As a starting point it is worth reminding ourselves of the responsibilities, and functions, of the Glasgow Colleges' Regional Board. In the context of this report, it is the responsibilities of the Board that have financial implications that are salient. These responsibilities are set out in the relevant legislation<sup>1</sup>.

The core purpose (of the regional strategic body) is to secure "...the coherent provision of a high quality of fundable further education and fundable higher education in the localities of its colleges." The core functions, from a resource perspective, are:

**Planning** - "A regional strategic body must plan for how it proposes its colleges should provide fundable further education and fundable higher education" and in creating these plans "...a regional strategic body must have regard to the importance of ensuring that funds...are used as economically, efficiently and effectively as possible."

**Performance monitoring** – "A regional strategic body must monitor the performance of its colleges", which includes "...monitoring its colleges' financial and other affairs". In undertaking this monitoring role, GCRB is required to take account of the "...desirability of preventing any unnecessary duplication of any action..."

**Efficiency** – "A regional strategic body may secure the promotion or carrying out of studies to improve economy, efficiency and effectiveness in the management or operations of any of its colleges."

**Economic and Social Well-Being/Need** – "A regional strategic body is to exercise its functions with a view to improving the economic and social well-being of the localities of its colleges" with regard to social/economic regeneration and social cohesion/inclusion.

**Needs** – "In exercising its functions, a regional strategic body is to have regard to...; skills, issues affecting the economy, social and cultural issues, needs and issues in relation to Scotland." The regional strategic body is also required to have regard to the "...under represented socio-economic groups..."

**Information** – "A regional strategic body's colleges must provide the regional strategic body with such information as it may reasonably require...in connection with the exercise of any of its functions"

**Transfer of staff and property** – "A regional strategic body may require any of its colleges to transfer such of its staff, property, rights, liabilities or obligations...to another of its college; or to the regional strategic body."

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<sup>1</sup> Sections 23E to 23O of the 2005 Act as amended by the Post-16 Education (Scotland) Act 2013  
<https://www.legislation.gov.uk/asp/2013/12/section/10>



The extent to which these core functions have been implemented has varied since they were determined in 2014. Some of these functions may have been difficult to implement in the development phase i.e. before GCRB became fully fundable. Now that GCRB is a more mature organisation, it provides an opportunity to revisit these core functions

The Committee is invited to consider the extent to which these functions could be deployed to deliver the future regional strategy?

### 3.3. Financial Memorandum

Following on from the duties of the Regional Strategic Body, the next section sets of the framework of regulations that govern the use of funds. These regulations are contained within the Financial Memorandum and Scottish Public Finance Manual.

A Financial Memorandum exists between the Scottish Funding Council and the Glasgow Colleges’ Regional Board. This document “...sets out the formal relationship between the SFC and fundable bodies in the college sector...”. This document was approved in 2017 and applied to the Glasgow Colleges’ Regional Board when it attained fundable body status on 1 April 2017. The Financial Memorandum specifies the requirements that fundable bodies must adhere to as a term and condition of grant from SFC.

A Financial Memorandum also exists between the Glasgow Colleges’ Regional Board and each assigned college.

The Financial Memorandum also requires that “...Regional Boards (and colleges) comply with the requirements of the Scottish Public Finance Manual.” When taken together the Financial Memorandum, and Scottish Public Finance Manual, provide a rule book for all financial transactions within the Glasgow College Region.

The Financial Memorandum contains the following elements:

Part 1	Defines the relationship between SFC and the institution and the responsibilities of each for the proper stewardship of public funds.
Part 2	Contains the general requirements that apply to all institutions.
Part 3(A)	Contains additional requirements for Regional Strategic Bodies.
Part 3(B)	Contains additional requirements for Regional Colleges and Regional Boards.
Part 4	Contains additional requirements for non-assigned and non-incorporated colleges.

In accordance with the Financial Memorandum, the GCRB Executive Director “...has a personal responsibility for the propriety and regularity of the public finances provided to the Regional Strategic Body, and for ensuring that funding is used economically, efficiently and effectively. The Chief Officer is appointed by the Regional Strategic Body’s Board in terms of schedule 2B to the 2005 Act, as amended by the Post-16 Education Act 2013.”

To meet his responsibilities, the GCRB Executive Director “...must be satisfied that the governing body of the College meets the requirements of this Financial Memorandum as a condition of receiving grant funding from the Regional Strategic Body. The Regional Strategic Body will therefore seek financial management and other information from the College.”

It is the governing body of each institution (i.e. Glasgow Colleges’ Regional Board and Board of Management of a college) that is responsible for ensuring compliance with the Financial Memorandum.

The GCRB Executive Director is responsible and accountable to the Scottish Funding Council “...for ensuring that funds provided to the Body (GCRB) are used for the purposes for which they have been given...”. In turn, the Chief Executive of SFC is the Accountable Officer, under the terms of the Public Finance and Accountability (Scotland) Act 200), and is responsible and accountable to the Scottish Parliament.

The Committee is asked to note the obligations, and requirements, of the Financial Memorandum.

### 3.4. Financial Priorities

The following thoughts are offered to provide a perspective on the order of financial priorities.

**Compliance** – to ensure that GCRB fulfils its obligations. These may set out in legislation, or mandated within documents such as the Financial Memorandum or Scottish Public Finance Manual. A review of the work of the GCRB committees shows many examples of this, for example; Annual Report and Consolidated Financial Statements, external and internal audit, systems of internal control, code of good governance, certificates of assurance, etc.

**Requirements** – of the Scottish Funding. This includes the provision of a significant amount of information, which enables the Scottish Funding Council to receive assurance, and have confidence in, the function of GCRB as the fundable body. Examples considered by the GCRB committees include; Financial Forecast and Efficient Government Returns. There are many additional returns that are submitted by GCRB Executive to the Scottish Funding Council that are not considered by a GCRB committee.

**Monitoring** – the performance of the assigned colleges to gain assurance that they are fulfilling their obligations. This is essential if GCRB is then able to provide assurance to the Scottish Funding Council. Examples considered by the GCRB committees include; Regional Outcome Agreement, college annual internal/external audit reports, capital monitoring, flexible workforce development. It is important to recognise that colleges are also required to provide information to external bodies and may be subject to external scrutiny. Examples include; inspections by Education Scotland and external reporting on matters such as procurement, sustainability, equalities and health and safety.

Once GCRB was established by statute, and became a fundable body, it was obliged to meet the above requirements. These obligations utilise the resources of GCRB as can be seen from the workload of the committees and board.

In 2021-22, the GCRB running costs are estimated to be £465,000<sup>2</sup>, which is still considerably lower than the amount estimated by the Scottish Government in 2012<sup>3</sup>. The priorities outlined above are expected to account for the majority of the running cost budget.

There is greater scope, and fewer limitations, as to how GCRB fulfils some of its other functions i.e. the difference it makes. Looking back to the statutory functions of GCRB, this might include the areas of curriculum planning, skills, efficiency, economy and need. It is for the board to determine its future strategy and how it delivers these functions.

The Committee may wish to discuss the priorities set out above and the scope for developing some of its functions in the future.

### 3.5. Current financial climate

The purpose of this section is to provide information in respect of the current financial climate. It provides an analysis of the environmental factors facing the college sector and therefore the backdrop to a strategy for the Glasgow college region.

**Income is falling in real terms** – the anticipated ‘flat cash’ settlement for 2022-23 represents a reduction in real terms income. The higher the rate of inflation then the higher the real terms fall.

**Financial support for Covid-19 is ending** – the college sector received additional support (in 2020-21 and 2021-22) to help deal with the impact of the pandemic. This provided additional support for areas including; student funding, mental health and digital. This funding is expected to end on 31 July 2022 meaning that the sector will need to meet the additional costs of the pandemic after this date.

**Costs are rising** – colleges are facing increased costs as a result of inflationary pressures and increased taxation. For example, energy prices have increased significantly<sup>4</sup>, pay pressures are increasing due to higher levels of inflation, and pay costs will increase by 1.25% in April 2022 as result of the increase in National Insurance rates for employers. Given a ‘flat cash’ settlement, any cost increases will need to be met from reductions in other expenditure.

**Other income is limited** – as the ability of colleges to generate income from external sources is under pressure. For example, income from commercial sources, international student fees, catering and residences continues to be

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<sup>2</sup> The GCRB running costs are £465,000, which equates to ¼% of the total regional expenditure of £186,071,000 in 2021-21.

<sup>3</sup> The Scottish Government’s explanatory notes to the Post 16 Education (Scotland) Bill (published 27 November 2012) advised that the cost of a Regional Strategic Body (in 2015-16) would be £560,000 (i.e. £430,000 for staff, £110,000 for non-staff costs and £20,000 for the Board Chair). If this figure was indexed for inflation the total would now be £650,000.

<sup>4</sup> The price of wholesale gas has increased by 400% in the last twelve months (to January 2022)

affected by the fallout from the pandemic. It remains to be seen whether these levels of income will recover to pre-pandemic levels.

**One-off grants are restricted** – for example, the funding available within Arms' Length Foundations is significantly reduced compared to previous levels<sup>5</sup> and the strategic funds from the Scottish Government are constrained.

**Short-term survival** – as identified above, colleges need to reduce costs to achieve a balanced budget in the short-term. Short-term survival could dominate planning and take precedence over long-term financial sustainability.

The Committee may wish to consider how Glasgow Colleges' Regional Board will balance the current financial challenges with its strategic ambitions.

### 3.6. Strategic Priorities

This section summarises the relevant strategic priorities. The intention is to provide background to inform discussion regarding the future allocation of future resources.

**The 2017-22 Strategic Plan** - was approved in 2017 and is coming to the end of its 5-year life. This strategic plan set out a number of strategic ambitions. These overarching ambitions set the global framework without specifying how the strategy would be implemented. It would be reasonable to assert that the link between the Strategic Plan, the Regional Outcome Agreement and the allocation of funding could be strengthened.

**The SFC Review (2021)**<sup>6</sup> – set out three principal challenges for the Glasgow college region. The review brings a degree of uncertainty, however, a future regional strategy would need to take the following challenges into account:

- Maintaining effective relationships
- Further develop and ensure that the region's running/operating costs are appropriate and efficient
- Explore other organisational options

**The Glasgow college region priorities (2021)**<sup>7</sup> – build upon those identified by the Scottish Funding Council and are likely to form part of a future strategy. These priorities are:

- Fair access and transitions.
- Quality learning and teaching.
- Learning with impact – students are equipped and ready to take up appropriate employment in the future.
- Student participation and engagement in their educational experience.
- Equalities and inclusion.
- High quality research and innovation.

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<sup>5</sup> In 2016, the three Arms' Length Foundations in Glasgow held resources of £27m. In 2021, this had reduced to £11m in 2021

<sup>6</sup> BM2-G Review of Sustainability and Coherence – Glasgow College Region, 29 November 2021

<sup>7</sup> BM2-K Outcome Agreement 21-22, 29 November 2021

- Meeting future skills needs, skills alignment and including upskilling and reskilling.
- Responding to the climate emergency.

**Five priorities approved by the Board (2021)<sup>8</sup>** – which seek to identify areas of focus within a future strategy. These priorities are:

For **learners**, change ensures that they are at the centre of the system, with ensured equality, fairness, lifetime access to learning, skills, qualifications, guidance and information to help you find an efficient learner journey with more right turns, effective progression, and appropriate progress. The Glasgow college system effectively supports those most in need.

For **communities**, change ensures colleges at the heart of their communities, with effective local decision making, effectively meeting the needs of those most in need to access effective life-changing education opportunities. Colleges will play a key role in strengthening communities and building partnerships that collectively address the challenges and opportunities for economic and social transformation.

For **colleges**, as anchor institutions at the heart of the Glasgow eco-system, they are enabled to deliver outstanding learning, skills and qualifications at all relevant levels of the SCQF ladder which enhances Glasgow and Scotland’s social and economic prosperity, across multiple modes and levels of study.

For the **Glasgow college system**, clear and effective strategic structures, direction and relationships deliver enhanced pan-regional planning and collaboration through strategic, coherent, clear governance and management.

For **Scotland’s education system, learners, communities, employers, employees and colleges**, Glasgow’s colleges are financially viable for the long term, including through further efficiency gains to secure quality and public value. The Glasgow college system is affordable, efficient in operating at the right scale, and with others to minimise unnecessary duplication, optimise digital technology, and tackle the climate crisis. The Glasgow college system plays an active role in working with partners to support economic and social recovery and development.

The priorities identified in this section provide the overarching strategic framework and contain many common themes.

The Committee may wish to consider how GCRB can make strategic choices, which are prioritised and developed into policy commitments with measurable outcomes.

### 3.7. Implementing the Strategy

The purpose of this section is to provide comment on the priorities outlined in the previous section. The intention is to provide context to the financial approaches in the subsequent section.

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<sup>8</sup> BM2-I Glasgow College Region Strategy Development Update, 29 November 2021

The priorities, set out above in the previous section, represent a set of **ambitions** that most stakeholders would aspire to. The broad spectrum of priorities is expected to have collective support.

However, **stakeholders** will see each priority differently. For example, the weighting given to each priority, and underlying actions, may be different for every stakeholder. This may be something that explore further during a stakeholder engagement exercise.

Each **Glasgow college** has its own strategic plan and ambitions. These college plans will reflect national, and regional, priorities in conjunction with the priorities of the college and its stakeholders. The order of priorities at one college is not necessarily the same as those of another college, or those of the region or nation.

Individual colleges will have ambitions and priorities, some of which will be shared with others. The extent to which partners **collaborate, or compete**, will impact on the ability to deliver individual or shared ambitions<sup>9</sup>.

### **3.8. Funding the Strategy**

Outlined below are some of the ways in which finance can be used to achieve strategic ambitions. A number of these options have been used previously, some to a greater extent than others. Perhaps the key consideration is the extent to which each option has been used and whether the balance should change.

#### **Encouragement**

A policy objective may be promoted by means of encouragement, or persuasion. In this scenario, there is no direct link between funding and the achievement of an output or outcome. For example, text may be included in a letter of guidance alongside performance indicators monitored in an outcome agreement. Performance is monitored but the benefits of exceeding a target, or consequences of not meeting a target, are limited. The onus is on a college to embrace an objective to the best of its abilities. The vast majority of objectives, in the Regional Outcome Agreement, are not linked to funding.

#### **Resources for Specific Outcomes**

The funding allocation to GCRB from the Scottish Funding Council constitutes a mixture of funding for dedicated funding and core grant. Dedicated funding is provided for areas of expenditure including; student funding, capital and flexible workforce development. These funds are restricted for specific purposes and underpinned by detailed guidance.

The Scottish Government, Scottish Funding Council and Regional Strategic Body can steer the implementation of strategy by providing resources for specific outcomes. This might be supported by prescriptive guidance that reduces the scope for local variation. Examples of national funding/outcomes includes funding for mental health counsellors and period poverty.

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<sup>9</sup> The recent report 'Going further and higher – how collaboration between colleges and universities can transform lives and places', published by College of the Future in February 2022, explores this issue further.

Similarly, within the Glasgow region, funding has been allocated for specific local priorities. A local example would be the Action for Children project to provide services for care experienced learners.

In recent times, the investment in specific outcomes has been small in comparison with the total funding envelope. An option, available to GCRB, is to increase the amount of funding provided for specific outcomes. In this scenario, more funding would be linked to the achievement of regional priorities.

Regional priorities may differ from those of individual colleges and individual opinions may vary too. One advantage of an effective region is the opportunity to provide a wider perspective than is possible within a single college.

If the total amount of funding is constant, then any increase in funding for specific outcomes would be matched by a reduction in the core grant. The consequences of a reduction in core grant could be for a college to manage, alternatively a regional agreement could be reached e.g. to reduce curriculum activity in a specific area.

### **Curriculum Planning**

Curriculum planning is one of the core functions of GCRB. A key piece of work took place in 2015, which was the curriculum and estates plan (for the period 2015-20). This work led to changes in the regional curriculum and helped to determine the share of regional services in conjunction with the significant campus developments at that time. Changes to the curriculum plans have been modest in recent years.

Planning the regional curriculum is one of the primary functions of GCRB. It provides the opportunity to provide strategic direction and to steer the delivery of the strategy to meet the needs of the region.

### **Credit Funding**

The majority of college funding is provided via the core grant. This funding is provided in the form of grants, linked to credit targets. The credit target is a measure of the volume of activity and is therefore an output rather than outcome.

The one consequence of not achieving a credit target is the risk clawback of funding by the Scottish Funding Council. There is also the risk of reduced targets, and funding, in future years. Similarly, insufficient evidence to support a claim for European Funding can also have financial consequences.

Therefore, the credit target is viewed as the primary performance indicator. One of the reasons is that a failure to achieve this volume target carries the risk of financial clawback. In other words, the credit target is a measure that influences strategic behaviours and ensures that it is given greater weight than other priorities. It is the one performance measure that carries the risk of a financial consequences.

### **Contract for Services**

A development of the previous section is to provide funding via a contract for services. One area that this was used (within the college sector) were the contracts for Foundation Apprenticeships commissioned by Skills Development Scotland. These contracts contained staged payments depending upon the achievement of outputs and bonus payments depending upon the achievement of outcomes. The effect was to

shift the balance of funding from the commencement of a service (input) to the delivery of a service (output) and ultimately the outcome.

The region could specify a contract for services, with the aim of delivering an element of the strategy. A contract for services might involve an element of competition, which could involve the colleges and/or external providers. There are some examples of private sector organisations providing similar services alongside the college sector, e.g. Foundation Apprenticeships and, more recently, the expansion the Flexible Workforce Development Fund.

One disadvantage of the multiple service contracts, is the additional administrative burden associated with tendering, reporting and monitoring of these arrangements.

### **Funding Formula**

The distribution of funding to colleges is based upon a funding model. This model was revised in 2013, when the current credit model emerged. There were further plans to review the formula again in 2018. Work was undertaken by the Scottish Funding Council and Colleges Scotland but this did not result in changes. The introduction of an improved model has been referenced in several sectoral reviews but progress has been very slow.

There are some challenges to be overcome in terms of using a funding formula to support strategic objectives.

- Historic data is an indicator of need in some areas e.g. Scottish Index of Multiple Deprivation. However, historic data may not be a predictor of future need in an area of dynamic change e.g. climate change.
- If the total funding allocation is constant, then any change to the formula will create areas of increased funding, which are matched by areas of reduced funding. This becomes easier to implement when the priorities for growth, and priorities for reduction, are agreed in the regional strategy. It is often easier to identify the opportunities for growth than the agreeing the areas for reduction.
- When a revision to the formula is proposed there will be a tendency for institutions to propose alternatives (i.e. those that benefit the outcome for an institution). This can result in any formulaic change being negotiated down to the minimum acceptable. This tension needs to be recognised, and managed, to ensure that any formula results in the optimal solution for the Glasgow college region.

### **Financial Consequences and Rewards**

A range of outputs, and outcomes, are set out in the Regional Outcome Agreement. However, these are goals to aim for - there are no benefits in exceeding the target, or consequences of not meeting these targets. Examples, include those qualitative indicators of success and diversity.

The inability to meet a target could have financial consequences. As outlined on the previous page, there is a risk of financial clawback if a credit target is not achieved. A benefit of their being a financial consequence is that attention is focussed in ensuring that financial risks are minimised. However, there could be negative impacts too, e.g. management attention may be directed to targets with financial risks to the detriment



of targets that don't, such as measures of learner success and need. Of course, it would also be possible to use funding to reward success.

### **Efficiency Gains and Reinvestment**

There are always opportunities to review the way of doing things to ensure that any service continues in the most effective and efficient way possible. Such efficiencies may exist within an individual college, between the Glasgow colleges and with other stakeholders. The historical focus for achieving efficiency gains has been within an individual college. Perhaps there are further opportunities to achieve gains by increasing collaborative working and sharing of services. There is also a link back to one of the core functions of GCRB in terms of regional efficiency.

The development of a more collaborative, and co-ordinated, approach could result in improved services for learners and at a reduced cost. Any reduction in cost would improve financial sustainability or provide resources to for reinvestment.

### **Investment in the Future**

The majority of current funding is provided to meet annual revenue costs. A modest amount of capital funding is provided annually but this is used to meet the backlog of repairs and lifecycle maintenance. Some additional funds have also been provided, during the last two years, to address digital poverty. However, the majority of this funding has been used to procure devices that enable students to gain remote access to college.

The one significant transformational investment, in the Glasgow college region, has been the development of the City of Glasgow College campus sites at Riverside and Cathedral Street. This investment of £230m culminated in the creation of two brand new campus sites between 2015 and 2016. These new facilities, in the centre of the city, have capacity for 40,000 students. The scale of this investment was transformational but is unlikely to be repeated in the foreseeable future.

The challenges in terms of future investment are:

- What might a transformational change look like i.e. if the college of the future looks different to the college of the past?
- As publicly funded bodies, colleges are unable to borrow funds. How can college regions invest in the future if they are reliant upon central government grants?
- The significant investment in the centre of the city has created excellent facilities, which are attractive to students. This results in students being drawn to the centre, from the city and city region. How can parity of facilities be achieved?
- Given that significant sums have been invested already, how can the return investment be maximised?

The options outlined on the previous pages are some of the ways in which finance can be used to achieve strategic ambitions. The options are not mutually exclusive and several have been used previously, some to a greater extent than others. Perhaps the

key consideration is the extent to which each option has been used and whether the balance should change in the future.

The Committee may wish to consider the options above and consider how these may be used to deliver the strategic priorities (once determined).

### **3.9. Other Considerations**

The following are other factors for consideration:

#### **Timings**

GCRB does not receive advance information from the Scottish Funding Council in respect of announcements of funding to the college sector. The assigned colleges in Glasgow will need to know the implications of any announcement as soon as possible. This is essential to enable them to have the same amount of time to implement change as a single college region. There is therefore very little time for GCRB to develop its strategy following a national announcement. It is therefore essential that GCRB has developed its agreed strategy in advance.

#### **Audit**

The regional strategy, and approaches to funding, will need to reflect developments in audit and assurance. This will include work undertaken within the Glasgow college region, for example, recent studies examining stakeholder engagement and strategic planning. It will also need to take account of national audit studies e.g. Planning for Skills published by Audit Scotland in January 2022.

## **4. Risk and Compliance Analysis**

**4.1.** The purpose of this report is to enable the committee to consider how steps can be taken to mitigate the risks faced by GCRB and the Glasgow college region. Progress on the issues outlined in this report could mitigate against the following risks:

- Risk 001 - GCRB is unable to respond proactively to internal and external change including regional and national reviews and systemic change.
- Risk 002 - GCRB does not develop/maintain effective working relationships with key external stakeholders.
- Risk 004 - Opportunities to deliver regional strategy are missed/not resourced appropriately.
- Risk 006 - Ineffective regional curriculum planning impacts regional, economic and social needs.
- Risk 007 - Fewer learners achieve positive outcomes.
- Risk 008 - Financial sustainability is jeopardised by a reduction in income and/or an increase in costs.
- Risk 010 - Ineffective collaboration between all partners in the Glasgow college region reduces our collective impact.

**5. Financial and Resource Analysis**

**5.1.** The financial considerations are set out in the body of the report.

**6. Equalities Implications**

**6.1.** There are no equalities implications as a direct result of this report.

**7. Learner Implications**

**7.1.** The resources deployed across the Glasgow college region are utilised for the purpose of delivering the outcomes set out in the Regional Outcome Agreement. Developing the strategic plan, and making choices, can enhance the level of service provided to learners.