

Board Meeting

Date of Meeting	Monday 26 March 2018
Paper Title	Finance Policy
Agenda Item	10
Paper Number	BM4-H
Responsible Officer	Jim Godfrey, Finance and Resources Director
Status	Disclosable
Action	For Approval

1. Report Purpose

1.1. To provide a draft Finance Policy for approval by the Board.

2. Recommendations

2.1. The Board is asked to:

- **note** the background and context to the Finance Policy; and
- **approve** the Finance Policy subject to amendment as appropriate.

3. Background

3.1. The policy outlined below has emerged as a result of numerous discussions and observations over recent months. The policy is intended to provide the intended direction and identify the key financial objectives of GCRB. Earlier versions of this document have been shared with finance colleagues, Chairs and Principals of the three colleges and the Performance and Resources Committee.

4. Context - Governance

4.1. Outlined below are some observations which have been used to inform the finance policy. These observations are based upon recent experience within the Glasgow College Region.

4.2. Financial Memorandum

As a starting point, it is worth reflecting on the financial responsibilities of the Regional Strategic Body. These are documented in the Financial Memorandum and some of the relevant sections are reproduced below:

“The Regional Strategic Body has been established to.... support a regional approach to the planning and funding of college provision.”

“The legislation also confers certain duties and responsibilities on the Regional Strategic Body, including to exercise its functions with a view to securing coherent, high quality further and higher learning provision in the localities of its colleges, and monitoring the performance of its colleges.”

“The Regional Strategic Body recognises that the College is an autonomous body. The Regional Strategic Body will not substitute its judgments for those which are properly at the discretion of the College. In particular the Regional Strategic Body will seek to maximize the discretion of the College to use grants provided to it by the Regional Strategic Body.”

These sections provide a helpful reminder of the role and purpose of GCRB and give a direction about its approach to financial matters.

4.3. Public Body

Glasgow Colleges’ Regional Board was created under the Post-16 Education (Scotland) 2013 Act. As such, it became a public body in Scotland and is bound by the same rules, and arrangements, relating to other public bodies.

The financial affairs of GCRB are therefore governed by the requirements of documents such as; the Scottish Public Finance Manual (SPFM)¹ and the Government Financial Reporting Manual (FReM). These documents provide guidance in respect of the handling, and reporting, of public funds and set out the relevant statutory, parliamentary and administrative requirements.

By their very nature these documents are comprehensive and apply to all public bodies, irrespective of size. In addition to prescribing the financial responsibilities of GCRB, the guidance also informs the work of others, such as Auditors. For very small organisations, such as GCRB, the level of work to achieve compliance is proportionately high.

4.4. Governance

The governance arrangements are comparable to those of other public bodies including the colleges. Therefore, as GCRB is a small organisation in resources terms, it requires a very high proportion of time to be invested in the arrangements to support the governance structure.

4.5. Audit/Consolidated Annual Report and Accounts

As part of its system of internal control, GCRB actively engages with a range of auditors. During the course of a year, this will include Internal Audit, External Audit and Audit Scotland. The extent of this activity in 2017/8 is expected to cost in the order of £28,000 to £30,000 per annum. Taking an average cost per day of £400 this equates to around 70 to 75 audit days per annum. All of these audit days require the support of GCRB to facilitate the work. If this internal staff cost is added to the audit fee then a significant proportion of GCRB’s total expenditure is invested in its audit processes.

¹ For information, the SFPM is available via the following link. This document provides guidance which extends to several hundred pages. <http://www.gov.scot/Topics/Government/Finance/spfm/Intro>

The production of a consolidated Annual Report and Accounts is a necessary requirement arising from the implementation of fully fundable status of GCRB. However, there is a significant amount of work needed to prepare these consolidated statements. The other consideration is that the time available is condensed into a short space of time after the assigned colleges have approved their individual annual report and accounts. This effectively creates a 'bottleneck' as GCRB is wholly dependent upon three colleges completing their processes on time, has limited resources and limited time available before a fixed deadline.

It is also important to note that the consolidation of the Annual Report and Accounts is only one aspect of the regional consolidation process. There are a range of other submissions to the Scottish Funding Council that are consolidated, for example, financial forecasts, cash flow and resource returns.

5. Context - Assurance

5.1. Assurance

The Executive Director of GCRB "is responsible and accountable to the SFC for ensuring that funds provided to the Body are used for the purposes for which they have been given, and in ways that comply with the conditions attached to them. The Chief Officer (*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."

To enable the Executive Director to fulfil this duty, a significant amount of work is necessary to gain confidence, and assurance, in the work of the colleges. Some of this work is also undertaken by the Scottish Funding Council, for example, in the analysis of student data.

Given the wide-ranging responsibilities of the Executive Director, and the scale of the Glasgow College Region, obtaining sufficient levels of assurance is challenging. In respect of seeking assurance, GCRB places reliance upon the systems of internal control that exist within the Colleges and adopts a risk based approach to prioritise areas for review. Based upon the information that has been made available to GCRB over the last year, the financial management of the Colleges is considered to be of a high standard.

Colleges in Scotland have faced several years of budget austerity. The Colleges have the experience and expertise to make difficult decisions and live within the financial constraints. The Colleges also have the requisite expertise in a variety of disciplines including the curriculum, people management, estates, ICT, student funding etc. As such GCRB is able to place reliance upon the decision making processes of the colleges.

6. Context – Making a Difference

6.1. To a large extent, the finance policy is fixed and determined by a range of factors that GCRB has limited control over. The creation of the Regional Strategic Body comes with a range of duties and obligations relating to effective compliance, governance, assurance and confidence, and these absorb a large proportion of GCRB's resources.

6.2. At the same time, a regional Finance Policy should support GCRB's legislative purpose and ambitious objectives of the region, including those set out in the Glasgow Region

Strategic Plan for College Education. Underpinning the regional approach is the premise that four entities should deliver a high quality and coherent regional service, and that this can be achieved more effectively through collaboration, seeking where possible to realise regional added value and collective strength.

7. Strategic Direction

7.1. The main financial priorities of GCRB are therefore summarised as:

- Effective compliance/governance;
- Assurance/confidence; and
- Making a difference

7.2. The first two priorities are statutory obligations over which GCRB has very limited control. These detailed obligations are therefore taken as a given and not reproduced in this policy. However, by its nature this work takes precedence over the third priority. If the resources available to 'make a difference' are limited then it is vital that the activities orientated towards 'making a difference' are prioritised to realise the biggest return.

8. Underlying Principles

These principles underpin the finance policy:

8.1. Governance/Public Body Requirements

- The financial responsibilities placed upon GCRB are onerous for a very small organisation.
- GCRB is committed to achieving high standards in this regard and recognises that these obligations consume a significant amount of its own resources.

8.2. Confidence in the Colleges

- GCRB has confidence that the Colleges have robust systems of internal control, deliver positive financial outcomes and have the ability/capacity to deliver the regional policy.
- GCRB is therefore able to prioritise its approach to assurance, adopting a risk based approach to ensure that requests for information are proportionate.

8.3. Ambitious, Regional and Collaborative

- GCRB and the colleges are collectively committed to delivering our regional aim to build Scotland's most inclusive, responsive and effective regional college system.
- Regional funding arrangements and collaboration and will deliver a coherent and high quality education service across the Glasgow College Region.
- The Colleges and GCRB are working closely on a range of finance matters (e.g. through the regional Sustainable Institutions and the Finance groups).

- The further development of this partnership will enable the region to present a stronger, united position in discussions with others (for example, the development of national policies).
- GCRB and the Colleges will work together on specific financial issues (e.g. an emerging problem) whereby combining expertise is mutually beneficial. In this respect, GCRB will adopt a supportive approach providing input as a 'critical friend'.

8.4. Devolved Decision Making

- GCRB is responsible for securing high quality and coherent college education across the Glasgow College Region. It is also responsible for dispersing a significant amount of funding.
- GCRB will use its scheme of delegation to devolve financial decisions to the most appropriate level (e.g. to GCRB's Committees, to its Executive and to the Colleges).

8.5. Risk

- GCRB adopts a risk based approach to managing its own priorities and resources.
- In respect of financial matters, GCRB adopts an approach that is low risk and risk averse.

9. Policy

9.1. Building on these principles a proposed Finance Policy is attached as an Annex to this paper.

10. Actions

10.1. Subject to approval of the Finance Policy, the GCRB executive intend to pursue the following actions (in addition to those which GCRB is obligated to do):

- Adopt a simplified approach to the way in which funds are allocated to colleges, setting clear funding expectations and outcomes which promote and facilitate collaboration across the region.
- Increase the regional representative role to promote for the best possible funding outcomes for the Glasgow Region.
- Concentrate GCRB resource on activities that can realise the biggest return (e.g. a regional approach to student funding).
- Provide support to colleges to achieve solutions to specific problems.

11. Risk Analysis

Risk ID	GCRB Risk	Action
0002	Effective working relationships are not developed/maintained with key partners due to a focus on short-term internal priorities.	The policy supports the strengthening of the representative and advocacy role of GCRB in respect of regional finance.
0004	Opportunities are missed/not resourced appropriately and the potential to add value via the strategic plan is overlooked.	The policy promotes a risk based approach to facilitate the investment of time in the issues that will have the biggest impact.
0007	Financial sustainability is jeopardised by a reduction in funding and/or an increase in costs.	The policy aims to support the financial sustainability of the region by 'making a difference' and supporting the colleges in respect of specific financial challenges. A simplified approach to the distribution of funding within the region provides colleges with more certainty and stability.
0009	Working relationships within the Glasgow College Region (e.g. students, staff, board members) are ineffective and reduces our collective impact.	The policy supports a collaborative approach that is outward looking. A simplified approach to the distribution of funding within the region reduces the likelihood of conflict regarding the relative share of funds within the region.

12. Legal Implications

12.1. There are no specific legal implications associated with this report.

13. Resource Implications

13.1. There are no direct financial implications for GCRB. The financial implications for the colleges are set out in the policy.

14. Strategic Plan Implications

14.1. This policy is aligned with the Glasgow Region Strategic Plan for College Education 2017-2022.

A Finance Policy for the Glasgow College Region

This Financial Policy provides the strategic vision for managing the financial position of the Region to support its strategic aims. The objective is to provide long-term financial sustainability and allow appropriate investment to deliver the Glasgow Region Strategic Plan for College Education 2017/22.

Essential to the development of the policy is the recognition that the Glasgow Region needs to respond to the financial challenges and to have a clear financial vision underpinning its future plans. The overarching aim is to maintain a sustainable financial position that supports the Region's core activities and facilitates the planning, development and implementation of actions to achieve the Strategic Aims.

The Glasgow Region Strategic Plan for College Education, 2017-2022 seeks to deliver life-changing learning through an efficient and effective regional college system which widens access, meets the needs of employers, and improves regional and national prosperity.

From this ambition, the following vision of an inclusive, responsive and effective financial policy is proposed.

Our policy has four pillars. These are to:

- **Enable Success and Realise Regional Potential**, valuing the individual capacity of each of the colleges and GCRB to collectively deliver regional strategic ambitions and to add value through regional collaboration and shared focus.
- **Fund Outcomes and Ambitions**, aligning funding to the achievement of regional goals through a collaborative, transparent, and goal orientated approach to decision making and resource allocation.
- **Look Forward and be Risk Based**, continuously evaluates financial scenarios, ensuring that the financial risks are managed appropriately and support the sustainability of regional institutions.
- **Deliver Excellent Governance and Provide Robust Assurance**, with open and transparent sharing of financial information providing oversight of the Region's financial health and its systems of internal control, ensuring high standards of financial probity, accountability and compliance with regulations and requirements.

The plan prioritises building efficient regional structures as key to realising regional added value and sets as a strategic goal the development of needs-based regional funding arrangements to support regional strategic goals and make efficient use of resources.