

Performance and Resources Committee Meeting

Date of Meeting	Thursday 14 March 2019
Paper Title	Funding Clawback
Agenda Item	9 (c)
Paper Number	PRC3-G
Responsible Officer	Jim Godfrey, Finance and Resources Director
Recommended Status	Disclosable
Action	For Information

1. Report Purpose

- 1.1. The purpose of this report is to provide an update in respect of recent communications received from SFC regarding the clawback of funds

2. Recommendations

- 2.1. The Committee is invited to **note** the:
- Positive outcome in respect of the position regarding ESF and Student Funding for 2017-18.
 - Recent SFC announcement in respect of the clawback of funds for national bargaining in 2018-19 and the risks associated with this.

3. ESF/Student Funding

- 3.1. Members may recall the discussion at the last board meeting regarding a letter from the Scottish Funding Council. This letter was sent to the Chair of GCRB on 17 January 2019 and advised of a clawback of funds in respect of the ESF Youth Employment Initiative in for 2017-18. The total value of the clawback was £651,954 and was made up of £101,334 relating to teaching activity and £548,630 relating to student funding.
- 3.2. Due to the fact that this letter arrived shortly before the Consolidated Financial Statements were approved for 2017-18 it required a late adjustment to be made.
- 3.3. Significant work has taken place during the month of February 2019 to respond to the proposed clawback. Additional information has been provided to SFC identifying additional eligible students in the three colleges. As a result, the clawback relating to teaching activity has been reduced by 74% (from £103,335 to £26,913). The revised clawback relating to ESF activity was confirmed in a letter from SFC on 5 March 2019.
- 3.4. The ESF clawback in relation to student support was confirmed in the letter of 5 March 2019. This figure is unchanged at £548,630 but should be considered alongside a further communication from SFC regarding the core student funds for 2017-18.

- 3.5. This is contained within a circular published by SFC on 22 February 2019 and is available via the following hyperlink:

http://www.sfc.ac.uk/web/FILES/announcements_sfc022019/SFCAN022019_In-year_redistribution_of_student_support_funds_2018-19.pdf

- 3.6. Some of the information contained in this circular is also relevant in respect of the ESF clawback relating to student funding. For example, this circular provides an additional £275,493 to City of Glasgow College in respect of student funding for 2017-18.
- 3.7. Within the £548,630 figure (quoted in section 3.2. above) is an amount of £351,216 for City of Glasgow College. In summary, City of Glasgow College underspent on the ESF student funds by £351,216 but overspent on core student funds by £275,493. The net clawback on student funds is £75,723 which is acceptable to the college.
- 3.8. The student funding adjustments (both core and ESF) for Glasgow Clyde College and Glasgow Kelvin College have also been agreed by all parties. The net clawbacks for all three colleges are now in line with amounts already set aside within the college and group accounts at 31 July 2018.
- 3.9. When the original ESF letter arrived in January 2019, there was concern that this represented a reduction in the consolidated income for 2017-18 of £651,954. The extensive work that has taken place by the colleges, GCRB and SFC has resolved the matter such that this financial risk has been removed.

4. National Bargaining Clawback

- 4.1. SFC announced an adjustment to the funding to meet the costs of national bargaining on 22 February 2019. A copy of the circular is available via the following hyperlink:

<http://www.sfc.ac.uk/publications-statistics/announcements/2019/SFCAN032019.aspx>

- 4.2. The effect of this announcement for the Glasgow Colleges is as follows:

Clawback 2018-19	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College	Total
Adjustment to support staff and middle management job evaluation	£10,744	(£4,267)	21,853	£28,330
Adjustment to other national bargaining harmonisation costs	(£225,507)	(£155,869)	(£260,271)	(£641,647)
Net Total	(214,763)	(£160,136)	(£238,418)	(£613,317)

- 4.3. From an accounting perspective the clawback represents a reduction in grant income for 2018-19. However, from a cash flow perspective the adjustment to support staff will be paid at a future date (to be determined) and the adjustment to other national bargaining costs will be split between this financial year and next.

- 4.4. The circular also announced an additional grant to meet the cost to colleges of implementing the job evaluation process. This grant is as follows:

Job Evaluation Process	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College	Total
Additional Grant 2018-19	£52,200	£33,942	£26,229	£112,371

- 4.5. The net impact of this announcement is a reduction in income of £501,000.
- 4.6. The in-year clawback of funds for national bargaining is contentious and has caused consternation within some colleges. A number of concerns have been raised, such as:
- Elements of the basis of the calculation are disputed.
 - Regardless of the calculation, the budget (allocated at the start of the year) has now been committed. It is difficult to make cost savings within the final months of the financial year.
 - A view that the mechanism for funding national bargaining has penalised those institutions that harmonised terms and conditions at the point of merger

5. Risk Analysis

- 5.1. The clawback of funding presents a risk that the 'Financial sustainability is jeopardised by a reduction in funding and/or an increase in costs' (Risk 007).
- 5.2. The risks relating to the ESF clawback have reduced as a result of the collaborative work of all parties and the subsequent additional student funding. This is a positive outcome.
- 5.3. The clawback of funds for national bargaining is a financial risk for the colleges. In particular, the highest burden falls upon the smallest college within Glasgow. The timing of the clawback also presents a financial risk in terms of reducing costs over the remaining months of the financial year.

6. Equalities Implications

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

7. Legal Implications

- 7.1. No legal implications are identified.

8. Resource Implications

- 8.1. The financial implications of the clawback of funds are outlined in the report.

9. Strategic Plan Implications

- 9.1. The curriculum delivery is underpinned by the provision of funding. The amendment of funding applied retrospectively is difficult to manage because the funds have already been utilised.