

Performance and Resources Committee Meeting

Date of Meeting	Thursday 14 March 2019
Paper Title	Financial Monitoring Arrangements
Agenda Item	9 (e)
Paper Number	PRC3-I
Responsible Officer	Jim Godfrey, Finance and Resources Director
Status	Disclosable
Action	For Information

1. Report Purpose

- 1.1. To update the Committee on the financial monitoring of the assigned colleges during the period December 2018 to February 2019.

2. Recommendations

- 2.1. The Committee is asked to **note** the financial monitoring activity undertaken in the last three months.

3. Background

- 3.1. The monitoring of the financial performance of the assigned colleges is an important component of the role of Glasgow Colleges' Regional Board¹. A report outlining the monitoring arrangements was considered by this Committee at its last meeting.

4. Cash Flow Returns

- 4.1. GCRB, and the assigned colleges, are classified as central government entities for the purposes of accounting and budgeting. It is SFC's, and GCRB's, responsibility to allocate both cash and resource budgets to colleges/regions in order to support the delivery of their Outcome Agreements and to distribute cash on the basis of need. Both organisations also monitor cash paid out against the overall financial year budget, monitor spend against financial year resource budget and monitor college sustainability. SFC also provides information to the Scottish Government and HM Treasury.
- 4.2. The colleges supplied cash flow returns to GCRB and SFC in December 2018, January and February 2019. These returns were reviewed by GCRB Finance & Resources Director (and the Senior Financial Analyst within the SFC). Some queries were raised with the colleges, which were dealt with promptly, and there are no outstanding matters. The verification process also works in the opposite direction with the colleges/GCRB identifying changes that are required to the information provided by SFC.

¹ Referred to as GCRB throughout the remainder of this document.

- 4.3. The cash flow forecasts identify the future funding requirements and inform the monthly cash payments to each institution. The monthly payments were approved by GCRB in accordance with its responsibilities as a fundable body. The Internal Auditors completed a review of funds processing as part of the internal audit programme for 2017-18.

5. Flexible Workforce Development Fund

- 5.1. The monitoring arrangements for the second year of the fund were published by SFC on 31 July 2018. Monitoring returns were submitted by the three colleges at the end of January and February 2019. The individual college returns were consolidated into a regional return and provided to SFC at the end of January 2019. A progress report on the Flexible Workforce Development Fund is a separate item on this agenda.

6. Capital Plans 2018-19

- 6.1. The capital progress reports were provided by Glasgow Clyde College and Glasgow Kelvin College and incorporated into a report for this Committee. This report is the subject of a separate item on the agenda.

7. Financial Forecast Returns 2018-2023

- 7.1. The colleges, and GCRB, submitted Financial Forecast Returns on 30 September 2018.
- 7.2. SFC also published a further call for information on 1 February 2019. The call for information requires the colleges, and GCRB, to supply a revised Financial Forecast Return for 2018-19 by 31 March 2019. The consolidated position will be reported to this Committee at its next meeting.

8. Student Support Funds 2018-19

- 8.1. Following a request from SFC, the colleges supplied revised forecasts of student support expenditure for 2018-19 in December 2018. The forecasts indicated additional spending above the original allocation of £3.2m. This is the result of a change in the approach adopted by the colleges in respect of student attendance and a change in Government policy in respect bursaries for Care Experienced student.
- 8.2. SFC announced the allocation of additional resources to meet this expenditure forecast in February 2019. This was accompanied by an element of clawback (see separate report on this agenda).

9. Education Maintenance Allowance (EMA) Return

- 9.1. The colleges supplied copies of the monthly EMA returns to GCRB for the months ending December 2018, January and February 2019. These returns were received in a timely manner and enable GCRB to authorise the reimbursement of funds to the colleges.

10. Collaboration

10.1. The Colleges and GCRB are collaborating on a range of financial matters. These arrangements enable the free flow of information and identification of risks. The following examples demonstrate the extent of these mechanisms:

- **Sustainable Institutions Group** – met in December 2018, January and February 2019. The participants included the Vice-Principals responsible for Finance within each college along with GCRB's Finance and Resources Director. Key issues for discussions included the impact of National Bargaining.
- **Finance Meetings** – this group meets every three months and includes the Heads of Finance/Assistant Principals (with responsibility for Finance) and the GCRB Finance & Resources Director. The group met in December 2018 with the consolidated financial accounts, and the financial forecast return, being the key issues. The next meeting of this group will take place on 9 April 2019.
- **Glasgow Region Procurement Team** – representatives of the colleges meet with colleagues from APUC and the GCRB Finance and Resources Director every six months. The purpose of the meeting is to monitor progress on the range of collaborative procurement activities within the Glasgow Region. The next meeting of the group is scheduled for May 2019.
- **Strategic Dialogue with SFC** – the GCRB Executive Director and Finance & Resources Director meet with senior representatives of the SFC on a regular basis. These meetings provide an opportunity to discuss strategic matters and risks facing the region. The meetings also enable an exchange of information and enable SFC to monitor the work of the region. Meetings took place in December 2018 and March 2019. Key areas of discussion included; regional outcome agreement, curriculum planning, estates developments, demographic/funding model
- **Liaison with SFC Finance Team** – the GCRB Finance & Resources Director has a constructive, and positive, relationship with SFC finance colleagues. This relationship is mutually beneficial and enables SFC to support regional monitoring and discuss matters of concern. This process is regular and on-going.
- **Sectoral Support** – the GCRB Executive Director and Finance & Resources Director work closely with other sector representatives, for example Finance Steering Group and Colleges Scotland. Such relationships are important as they help inform SFC policy in respect of how the monitoring arrangements are implemented. The GCRB Finance & Resources Director attends the national groups responsible for reviewing the Funding Model and also the Colleges Scotland Funding and Finance Committee. The most recent meeting on the revised funding model took place in January 2019 with a further meeting scheduled for 20 March 2019.
- **Demographic Model** – the SFC is consulting on a revised model for allocating credit activity in the college sector. As part of this process, SFC has met with GCRB and the Glasgow colleges. These meetings provided an opportunity for feedback to be provided and the model to be refined.

11. Risk Analysis

11.1. The actions set out in the report are intended to mitigate some of the risks contained within the risk register. These risks and the actions are outlined below:

Risk ID	GCRB Risk	Action
002	Effective working relationships are not developed/maintained with key partners due to a focus on short-term internal priorities.	The monitoring actions outlined identify the importance of effective working relationships with key external partners (for example SFC).
007	Financial sustainability is jeopardised by a reduction in funding and/or an increase in costs.	The financial monitoring arrangements are intended to support the financial sustainability of the colleges and the region. Through the effective monitoring it is anticipated that any issues will be identified in a timely manner. Identifying issues at the earliest opportunity enables GCRB and a college, or colleges, to work together to develop a common solution.
009	Working relationships within the Glasgow College Region (e.g. students, staff, board members) are ineffective and reduces our collective impact.	The financial monitoring arrangements outlined above promote the value of our collaborative approach. The financial monitoring is consistent with that in place for a single college region and GCRB will maximise the use of existing sources of information.
012	There is a breach of legislation/guidance/code of practice and this results in a failure of governance.	The effective monitoring of the financial performance of the colleges is a cornerstone of responsibilities of the Regional Strategic Body. The monitoring arrangements outlined above enable GCRB to fulfil these responsibilities and help to mitigate this risk.

12. Equalities Implications

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

13. Legal Implications

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

14. Resource Implications

14.1. The actions in respect of financial monitoring are primarily undertaken by the Finance and Resources Director in partnership with colleagues within the colleges and the SFC. No additional expenditure is envisaged as a result of this report.

15. Strategic Plan Implications

15.1. The financial monitoring arrangements are a key component of the effective governance of GCRB. As such, this contributes to this ambition within of the Glasgow Region Strategic Plan for College Education 2017-22.