

## Performance and Resources Committee Meeting

Date of Meeting	Wednesday 19 December 2018
Paper Title	Financial Monitoring
Agenda Item	12(d)
Paper Number	PRC2-J
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 September to November 2018.

### 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 Board<sup>1</sup>. A report outlining the monitoring arrangements was considered by this Committee at its last two meetings.

### 4. Resource Returns

- 4.1. Resource returns are not required by SFC for 2018/19 but some of the requirements have been incorporated within the revised cash flow returns.
- 4.2. Copies of the Resource Return Review Certificates (for 2017/18) were provided to GCRB by the 3 colleges by 17 September 2018.

### 5. Cash Flow Returns

- 5.1. 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.

<sup>1</sup> Referred to as GCRB throughout the remainder of this document.

- 5.2. The colleges supplied cash flow returns to GCRB and SFC in September, October and November 2018. These returns were reviewed by GCRB Finance & Resources Director (and Senior Financial Analyst within the SFC) and some queries were raised with the colleges, which were dealt with promptly, and there are no outstanding matters.
- 5.3. As reported previously, there are some problems with the pre-populated form supplied to the colleges by SFC. This has been raised by the colleges, and GCRB, with SFC and improvements are anticipated.
- 5.4. There was a delay with the receipt of one college return at the beginning of November. As a result the funds transferred to the college in November were based upon the previous month's forecast.
- 5.5. One college also underestimated the funds required in November 2018. As a result, a supplementary funds transfer of £500,000 was made on 1 December 2018.
- 5.6. 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 and this was be considered by the Audit Committee on 2 October 2018.

## **6. Flexible Workforce Development Fund**

- 6.1. 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 September and November 2018. The individual college returns are consolidated into a regional return and provided to SFC.
- 6.2. A progress report on the Flexible Workforce Development Fund is a separate item on this agenda.

## **7. Capital Plans 2018-19**

- 7.1. The capital progress reports were provided by Glasgow Clyde College and Glasgow Kelvin College and incorporated into a report for this Committee. This report the subject of a separate item on the agenda.
- 7.2. The colleges also responded to a request from SFC to provide additional information in respect of capital expenditure for 2018/19. This information was supplied in accordance with the SFC deadline of 20 November with a copy of each college response provided to the GCRB Finance and Resources Director.

## **8. Financial Forecast Returns 2018-2023**

- 8.1. The colleges, and GCRB, submitted Financial Forecast Returns on 30 September 2018. As part of the revised arrangements for long-term planning, SFC have requested that colleges, and GCRB, supply a revised Financial Forecast Return by 31 January 2019.
- 8.2. The revised forecasts will reflect changes to the forecast assumptions, for example, in respect of future pension contributions and the impact of national bargaining. To date, no information has been published in terms of the national planning assumptions (to help ensure consistency of forecasts across the country).

## 9. Collaboration

9.1. 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 November and December 2018. The participants included the Vice-Principals responsible for Finance within each college along with GCRB's Finance and Resources Director. Key issues for discussions were included the impact of National Bargaining and the identification of shared risks.
- **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.
- **Glasgow Region Procurement Team** – representatives of the colleges meet with colleagues from APUC and the GCRB Finance and Resources Director on a quarterly basis. The purpose of the meeting is to monitor progress on the range of collaborative procurement activities within the Glasgow Region. A meeting of this group took place in November 2018 to review the latest procurement activity throughout the Glasgow Region. A presentation on this topic will be provided to the Committee under a separate item on this agenda.
- **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 October and December 2018. 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 now attends the national groups responsible for reviewing the Funding Model and also the Colleges Scotland Funding and Finance Committee.
- **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 is also meeting with each of the Glasgow colleges. These meetings provide an opportunity for feedback to be provided and the model to be refined.

## 10. Data Return for Funding Purposes (FES return)

10.1. In accordance with SFC/GD/17/2018, colleges are submit their FES return, a college certificate, an audit certificate and an audit report for the academic year 2017-18. The deadline for submission of this information to SFC is 5 October 2018. The colleges will provide a copy of this return to GCRB as part of the assurance process.

## 11. Student Support Funds 2018-19

11.1. Following a request from SFC, the colleges supplied revised forecasts of student support expenditure for 2018-19. 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.

11.2. SFC is due to announce the extent of additional resources to meet this expenditure forecast in December 2018.

## 12. Education Maintenance Allowance (EMA) Return

12.1. In accordance with SFC/GD/12/2018 colleges are required to supply an annual return in respect of EMAs for the year ending 2017-18. This is due to be returned to SFC on 21 September 2018 (shortly after these committee papers were issued). The colleges provided a copy of this return to GCRB as part of the assurance process.

12.2. In addition, the colleges also provided copies of the monthly EMA returns to GCRB for the months ending September, October and November.

## 13. Risk Analysis

13.1. 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
0002	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).
0007	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 shared solution.

Risk ID	GCRB Risk	Action
0009	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 a collaborative approach with regional colleges. The financial monitoring advocated is consistent with that in place for a single college region and GCRB will maximise the use existing sources of information.
0012	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.

**14. Equalities Implications**

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

**15. Legal Implications**

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

**16. Resource Implications**

16.1. 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.

**17. Strategic Plan Implications**

17.1. 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.