

## Performance & Resources Committee Meeting

Date of Meeting	Monday 10 October 2016
Paper Title	Fully-operational Fundable Body Status Update
Agenda Item	11
Paper Number	PRC2-G
Responsible Officer	Robin Ashton, GCRB Executive Director
Status	Disclosable
Action	For Discussion

### 1. Report Purpose

- 1.1** To consider the current position with regard to achievement of fully-operational fundable body status.

### 2. Recommendations

- 2.1** The Committee is invited to:

- **note** that the Scottish Funding Council has confirmed formally to GCRB that it is now confident that GCRB is operating effectively as a Regional Strategic Body and is fulfilling its statutory role.
- **note** that GCRB and Scottish Funding Council management are working on a detailed transition plan which sets out tasks and timeframes to allow fully-operational fundable body status to be implemented and that the SFC will attend the GCRB Board meeting of 31<sup>st</sup> October 2016 to discuss this plan; and
- **comment** on the draft joint SFC/GCRB transition plan for the implementation of fully operational fundable body status, prior to consideration by the GCRB Board.

### 3. Fully-operational fundable body status update

- 3.1** The SFC have written to GCBR to provide an update on their review of GCRB governance and to outline remaining steps to being granted fully-operational fundable body status (a copy of their letter is attached as Annex A).
- 3.2** The SFC letter provides feedback on the SFC governance review activities and confirms that SFC are confident that GCRB is now operating effectively as a Regional Strategic Body and is fulfilling its statutory role.
- 3.3** In terms of actions which still require to be completed prior to GCRB being granted fully-operational fundable body status, the SFC state that GCRB requires to agree the split of funding across the three colleges (now achieved) and put in place a financial

memorandum between it and the three colleges. Members should note that arrangements for the financial memorandum are being finalised and GCRB expect this to be completed by the end of October 2016.

- 3.4** The SFC letter also states that GCRB requires to develop, and put in place, appropriate procedures for it to undertake the full monitoring, reporting and financial responsibilities required of it as a fundable body.
- 3.5** Based on this feedback, and in advance of consideration by the full GCRB Board on October 31<sup>st</sup>, GCRB and SFC management have been developing a draft joint transition plan to implementing fully operational fundable body status and this is attached at Annex B.
- 3.6** This document seeks to set out the statutory and regulatory frameworks relevant to both the SFC and GCRB, and based on these, to suggest in its annex, financial return deadlines for assigned college financial returns and associated accountabilities for GCRB and SFC.
- 3.7** Members should note within this, the proposed financial monitoring roles to be undertaken by the GCRB Performance and Resources Committee and the GCRB Board. In respect of this, the report attached report recognises that GCRB may not currently have appropriate resources available to enable it to carry out detailed review/analysis of financial returns and that whilst GCRB considers how it may develop this capacity, in the short term, SFC could carry out some of these functions as a service to GCRB.
- 3.8** Whilst this document focusses on reporting requirements, further work is required to ensure that GCRB have in place effective processes to allocate funding, including distribution of any short-notice, in-year funds.
- 3.9** Members are asked to comment on the draft joint transition plan in advance of it being provided to the GCRB Board meeting of 31<sup>st</sup> October.

#### **4. Risk Analysis**

- 4.1** Achievement of fully-operational fundable body status is key to GCRB being able to play its full role in the Glasgow region.

#### **5. Legal Implications**

- 5.1** There are no specific legal implications arising from this paper.

#### **6. Financial Implications**

- 6.1** Achievement of fully-operational fundable body status will enable GCRB to assume its full financial responsibilities and accountabilities.

#### **7. Regional Outcome Agreement Implications**

- 7.1** There are no specific implications for the Regional Outcome Agreement arising from this paper.



Scottish Funding Council

Promoting further and higher education

Our ref: 246526750

21 September 2016

Margaret Cook  
Chair  
Glasgow Colleges' Regional Board  
City of Glasgow College  
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### Update on operational fundable body status

We met on 24 August 2016 to discuss the SFC's feedback from the Board observation and recent interviews with the assigned college Principals and the Executive Director of GCRB. The observations and interviews formed part of SFC's consideration of how GCRB is working as it progresses to fully operational fundable body status as outlined in Laurence Howell's letter to you on 2 June 2016.

We agreed at the meeting that I would write formally to you to provide our feedback and confirm next steps. Overall this was a positive exercise and key points are outlined below.

### Board observation at the GCRB meeting on 1 July 2016

SFC senior staff confirmed that the Board demonstrated that it was working more effectively. It has made a great deal of progress since the last observation back in October 2015. There were robust discussions where the members that were present at the meeting put forward their points of view. This was particularly evident on the conflict of interest paper where a decision was made to postpone an agenda item until further discussion and clarification was possible on certain board members' ability to take part in the discussion and vote.

As a result of this issue it was not possible for SFC to observe the discussion on the allocation of funding to the assigned colleges. However, we understand that the Board has since taken action to resolve the issue and at the Board meeting on 29 August the postponed item was discussed and a decision taken.

Comhairle Maoinachaidh na h-Alba

A' brosnachadh foghlam adhartach agus àrd-ìre

Critically, the evidence on the day was that the Board was engaging more in the strategic level discussions required of it to operate appropriately in Glasgow Region.

### **Interviews with Principals and the Executive Director**

SFC provided an indicative set of questions to the three Principals and the Executive Director in advance of the meetings. We were also clear to outline that the purpose of the discussion was to focus on the progress and effectiveness of the current management and collegiate arrangements which support the operation of the GCRB, including the various support services that are in place and a view of their sustainability.

Although there was a range of different views expressed across all four interviews there were some agreement on specific areas, including the following.

- **Staffing.** GCRB needs to keep the number of staff at the centre to a minimum and utilise the skills and expertise of the colleges wherever possible.
- **Role of the Executive Director.** We heard comments that indicated that over the last year this role has been critical in progressing the key issues which will move the Board forward to full fundable body status and it will continue to be so in future.
- **Services provided by the colleges.** All respondents confirmed that they were content with the collegiate arrangements in place for the colleges to contribute on financial, HR and governance issues. Given the recent issues around Governance and the need for independence, there was acknowledgement that GCRB might in future need its own independent governance advisor/Clerk to the Board.
- **Structures in place to deliver the Regional outcome Agreement.** There was confidence expressed that the structures in place to deliver the Glasgow Region Outcome Agreement over the last few years have worked well and this has been the responsibility of the Colleges' Learning and Teaching Group working with the GCRB senior staff member. ***A key success has been the delivery of the Glasgow Region Curriculum and Estates Plan 2020 which has been delivered to the timeline and costs outlined.*** However, the respondents noted that the skills and expertise needed to deliver may change over time, as will the time commitment required – particularly from senior college staff but also from administrative staff. The Principals highlighted this as both a cost and a risk to the colleges that may be underestimated
- **Interaction between GCRB members and Board members of the assigned colleges.** Some respondents highlighted the need for more interaction. GCRB confirmed that there are plans to do this, starting in autumn 2016.

## Next steps

It was clear from SFC's most recent observation and assessment, as outlined above, that the Regional Board (GCRB) and its members have made significant and effective progress in operating effectively as a Regional Strategic Body in line with the post-16 legislation and fulfilling their role in securing coherent provision of a high quality of fundable further and higher education in Glasgow's colleges. SFC is also reassured that the operational and management arrangements have had time to settle in over the last six months following a period of focused activity.

At the same time we acknowledged the persistent underlying concerns and tensions in relation to autonomy and accountability in a multi-college region where both a college board and a regional board have conjoining responsibilities. We are content that the Board is fully aware of these and seeking to mitigate impacts.

SFC confirmed our view with you at the meeting that that there remained some key funding, monitoring and financial actions still in progress which require attention alongside the issues highlighted above. These were:

- to agree the split across the three colleges of the 2016-17 funding allocation – ***now agreed and confirmed with SFC, awaiting final signed AY2016-17 Outcome Agreement;***
- to confirm that the FM is in place with the three assigned colleges and issues around the role of the Accountable Officer have been clarified – ***currently being addressed;***
- to put in place the appropriate procedures and processes required for the GCRB to assume full monitoring, reporting and financial responsibilities as required by a fundable body – ***see below.***

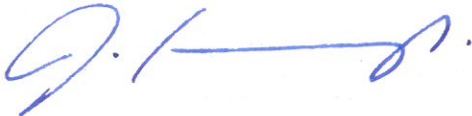
In discussing the last of these issues with you we agreed that SFC would work with the Executive Director over the next month to map out and identify a plan and timeline for ensuring these structures are in place.

Thank you for the invitation to attend the Board meeting in October to discuss this plan with members. Unfortunately I will be unable to be there but the Interim Director for Access, Skills and Outcome Agreements, Michael Cross, will attend the GCRB meeting on Monday 31 October to discuss with the Board progress on the transition phase from October to December 2016.

Following this meeting SFC will make a recommendation to its Council Board in December 2016. Assuming this is a positive outcome then fully fundable body status could be implemented at a date in line with either the Calendar or Financial year 2017.

If you have any follow up queries please do get in touch me or Claire Taylor at [ctaylor@sfc.ac.uk](mailto:ctaylor@sfc.ac.uk)

Yours sincerely

A handwritten signature in blue ink, appearing to read 'J. Kemp', with a stylized flourish at the end.

**John Kemp**  
Interim Chief Executive

## **Scottish Funding Council and Glasgow Colleges' Regional Board**

### **Joint Transition Plan to Implementing Fully Operational Fundable Body Status: Developing Financial Monitoring and Reporting Arrangements**

#### **A) Background**

1. The Post-16 Education (Scotland) Act 2013 restructured the college sector on a regional basis. Colleges in the three multi-college regions (Glasgow, Highlands and Islands and Lanarkshire) have been assigned to a Regional Strategic Body (RSB). In the Glasgow region the RSB is the Glasgow Colleges' Regional Board. From the date of assignment, SFC's relationship with colleges has changed, with RSBs assuming new responsibilities within their regions.
2. SFC has a continuing interest in all further education colleges, arising from its statutory responsibilities. SFC also has responsibility for managing the budget for incorporated colleges following their reclassification as public sector bodies. RSBs also have statutory responsibilities under the Post-16 Education (Scotland) Act 2013.
3. An appropriate monitoring framework is required that will enable SFC and RSBs to carry out their statutory duties, without any unnecessary duplication, and in an efficient manner.
4. This paper seeks to set out a framework which properly reflects the new responsibilities of GCRB in relation to its assigned colleges and accurately capture its accountability to SFC.

#### **B) Statutory and regulatory framework**

##### ***SFC's statutory responsibilities***

5. SFC's statutory responsibilities set out in the 2005 Further and Higher Education (Scotland) Act, as amended by the Post-16 Education (Scotland) Act 2013, are as follows:
  - responsibility for securing coherent provision of fundable further and higher education;
  - review "whenever it considers appropriate" assigned colleges against fundable body criteria;
  - responsibility for securing provision for assessing and enhancing the quality of fundable further and higher education;
  - right to address meetings of the board of the fundable body (RSBs have this



right for assigned colleges);

- make provision for assessing/enhancing the performance of RSBs; and
  - Ministers may give direction to SFC to provide financial support (including to RSBs in the event of financial mismanagement).
6. Note that assigned colleges are currently still fundable bodies and they will be removed from the list (Schedule 2 of the Further and Higher Education (Scotland) Act 2005) when SFC is assured that the RSB is managing colleges' funding effectively.

### ***GCRB's statutory responsibilities***

7. GCRB's statutory responsibilities as set out in the Post-16 Education (Scotland) Act 2013, include:
- securing coherent provision of high quality fundable further and higher education in its region;
  - having regard to the economic and social needs of the region (its skills needs, social inclusion needs and equalities needs) and to seek to improve the economic and social well-being of the region; and
  - monitoring the performance of its assigned colleges.
8. GCRB is accountable to the SFC under the Financial Memorandum between it and SFC, and responsible for delivery of the Regional Outcome Agreement (ROA) in return for SFC funding (including delivery of student activity targets). Until SFC grants fully-operational fundable body status to GCRB, SFC will administer funding on its instruction.
9. City of Glasgow College, Glasgow Kelvin College and Glasgow Clyde College are accountable to GCRB and therefore GCRB must be able to gain a reasonable level of assurance in order for it to have confidence that the assigned colleges will collectively contribute to the delivery of agreed regional aims and outcomes. Therefore monitoring of the assigned colleges is vital, given the importance of strong governance and financial management in ensuring their financial sustainability and the following section describes the expected scope of GCRB financial monitoring arrangements.

### **C) Financial Monitoring Frameworks**

10. As a fully-operational fundable body, GCRB will require to take responsibility for financial monitoring functions currently undertaken by the SFC.
11. Currently, SFC collects annual accounts (together with related audit reports) and financial forecast information from the assigned colleges, which help, at



different points in the annual cycle, to inform an assessment of individual colleges' financial sustainability and quality of governance. These two returns form the basis of SFC's financial health monitoring framework.

12. As a result of reclassification, it is SFC's responsibility to allocate both cash and resource budgets to college regions, and to provide information in relation to these budgets to Scottish Government and HM Treasury. Scottish Government budgeting and accounting requirements mean that incorporated colleges are now required to provide SFC with monthly cash flow and quarterly resource information to 31 March each year, to ensure they balance their books on both a resource and operational basis and in order that cash is not paid out in advance of need. These returns also provide useful information about colleges' financial sustainability, although they are not sufficient by themselves to make a full assessment.

#### ***SFC's financial monitoring framework***

13. The financial returns that form SFC's financial monitoring framework are as follows:
  - ***monthly and annual cash flow returns***: provide details of colleges' projected grant-in-aid requirements and projected cash flows, allows SFC to get an early indication of and manage any anticipated expenditure for the financial year and over/under spends at sector level, ensures that colleges do not receive payments in advance of need, reported to Scottish Government;
  - ***quarterly and annual resource returns***: allows SFC to monitor sector's adherence to resource and capital budgets and report to Scottish Government, colleges are expected to balance their budgets in cash and resource terms;
  - ***in-year Annual Managed Expenditure (AME) return***: AME consists of impairments, movements on net return on pension scheme assets / liabilities and creation of or movement on provisions, return allows SFC to monitor closely and will inform Scottish Government whether AME spend is expected to rise above budgets set by HM Treasury; and
  - ***Whole of Government Accounts (WGA) return***: information contributes towards WGA consolidation, increasing transparency and accessibility of information about public finances (includes all public bodies classified by Office for National Statistics), data provided will be extracted from colleges' year-end accounts, reported to Scottish Government. These won't be required until 2016-17.

14. The Scottish Government budgeting and accounting requirements mean that incorporated colleges will be expected to at least break even on a resource basis in each financial year to 31 March, and minimise cash balances. There will therefore be a need for closer monitoring of resource and cash flow to ensure that colleges keep within resource limits and that cash is not paid out in advance of need.
15. Incorporated colleges are required to balance their books both in cash and resource terms for each financial year (12 months to 31 March). This is part of Government budgeting requirements to which incorporated colleges are subject following their reclassification as public bodies. An overspend in any financial year may result in a reduction to the budget for the following financial year equal to the overspend. In multi-college regions, which are funded on a regional basis, any overspend would be calculated for the region as a whole, and any consequent reduction in future funding would be applied to the regional funding allocation for which the RSB is accountable.
16. It is therefore essential that the GCRB monitors the colleges' performance against their financial year resource/cash budgets; this is the responsibility of the GCRB, and should form part of the performance monitoring framework.

#### ***GCRB's financial monitoring framework***

17. It is the responsibility of GCRB to decide on the form that its monitoring will take, although SFC will be carrying out its own assessment of the suitability of these processes in relation to its responsibilities as an RSB.
18. GCRB cannot delegate any of its responsibilities to SFC, and ideally therefore all returns should go from the assigned colleges to GCRB and then from the GCRB on to SFC. However, because of the very tight time constraints/reporting deadlines for submission and processing of ONS-related returns it may be necessary for colleges to share these returns simultaneously with both SFC and GCRB.
19. We recognise that GCRB may not currently have appropriate resources available to enable it to carry out detailed review/analysis of financial returns. Whilst GCRB considers how it may develop this capacity, in the short term, SFC could carry out some of these functions as a service to GCRB.
20. **Annex A** provides details of the timings for submission for each of the returns to SFC and sets out suggested respective roles of SFC and GCRB in respect of each return. Our expectation is that this arrangement would develop over time, with GCRB assuming a greater role and SFC stepping back.

### ***Academic year to 31 July***

21. There is no specific requirement for colleges to balance their books for the academic year. However, it is still important for GCRB to monitor this as an operating deficit in the academic year, depending on its cause, may be an indicator that a college is in financial difficulty. The risks attached to this are described in paragraph 19 below.

### ***College in poor financial health***

22. GCRB is responsible for securing coherent provision of fundable further and higher education in its region. This might be jeopardised in the event that an assigned college became financially unsustainable. GCRB must consider this aspect when deciding on the amount of funding each college is to be awarded. It is, in the first instance, the responsibility of GCRB to provide appropriate support to its assigned colleges in the event of failures in governance or financial management.

### Transition Plan for SFC, GCRB and Assigned College Financial Returns: deadlines and accountabilities

Financial return	Frequency	Date request issued	Submission deadline	SFC/GCRB Roles and responsibilities
Initial budget information for year to 31 March	Annual	Mid-May	End June	<b>SFC:</b> Issue returns to colleges (cc GCRB) <b>Colleges:</b> Submit returns to GCRB and SFC simultaneously <b>GCRB:</b> Review returns and report on this to the GCRB Performance and Resources Committee. <b>SFC:</b> Review returns and follow-up with GCRB, report to Scottish Government
Annual cash flow	Annual	31 January	28 February	<b>SFC:</b> Issue returns to colleges (cc GCRB) <b>Colleges:</b> Submit returns to GCRB and SFC simultaneously <b>GCRB:</b> Review returns and report on this to the GCRB Performance and Resources Committee. <b>SFC:</b> Review returns and follow-up with GCRB, report to Scottish Government
Monthly cash flow	Monthly	19 <sup>th</sup> -27 <sup>th</sup> each month	6 working days later	<b>SFC:</b> Issue returns (cc GCRB) <b>Colleges:</b> Submit returns to SFC and GCRB simultaneously <b>SFC:</b> review returns and follow-up with college (cc

				GCRB), Colleges reply directly to SFC and GCRB simultaneously <b>GCRB:</b> any queries routed through SFC, approve college claims as basis for SFC payment to GCRB, make payment to colleges.
Annual resource	Annual	December/ January	28 February	<b>SFC:</b> Issue returns to colleges (cc GCRB) <b>Colleges:</b> Submit returns to GCRB and SFC simultaneously <b>GCRB:</b> Review returns and report on this to the GCRB Performance and Resources Committee. <b>SFC:</b> Review returns and follow-up with GCRB, report to Scottish Government
Quarterly resource	Quarterly then monthly in quarter 4	Middle of month preceding quarter/month end	Middle of month following quarter/month end	<b>SFC:</b> Issue returns to colleges (cc GCRB) <b>Colleges:</b> Submit returns to GCRB and SFC simultaneously <b>GCRB:</b> Review returns and report on this to the GCRB Performance and Resources Committee. <b>SFC:</b> Review returns and follow-up with GCRB, report to Scottish Government
In-year exercise to capture AME	Annual	Autumn (TBC)	Autumn (TBC)	<b>SFC:</b> Issue returns, review returns, follow-up with colleges, report to Scottish Government [ <b>NOTE: this return is for SG reporting to UK Treasury, and will not have any impact on individual college budgets</b> ]
Whole of Government Accounts (from	Annual	August	30 September	<b>SFC:</b> Issue returns, review returns, follow-up with colleges [ <b>as above, this is for UK Government reporting only</b> ]

2016-17)				
Financial forecast return	Annual	Mid-May	30 June	<b>SFC:</b> Issue individual pre-populated returns to GCRB <b>Colleges:</b> Submit returns to GCRB <b>GCRB:</b> Review returns and report on this to the GCRB Board, submit completed returns to SFC. <b>SFC:</b> Review returns and follow-up with GCRB <b>GCRB:</b> respond to SFC queries <b>SFC:</b> report to Scottish Government
Annual accounts return	Annual	Mid-November	31 December	<b>SFC:</b> Issue accounts direction and guidance notes, issue individual annual accounts returns to GCRB, <b>GCRB:</b> Issue returns to colleges, <b>Colleges:</b> submit completed individual returns to GCRB <b>GCRB:</b> review returns and report on this to the GCRB Board, submit to SFC <b>SFC:</b> review returns and follow-up with GCRB, report to Scottish Government