Item 26
For Information

Glasgow Kelvin College

Board of Management Meeting of 12 June 2023

Financial Memorandum - Compliance

Report by Vice Principal Operations

1. Introduction

Members will be aware that one of the key governing documents which sets out the College relationship with the Glasgow Colleges Regional Board (GCRB) is the Financial Memorandum (FM). GCRB, in turn, have a similar Financial Memorandum between themselves and the Scottish Funding Council (SFC). The Financial Memorandum between the College and the GCRB was considered by the Board of Management at its meeting in June 2016, this document has not been reviewed or changed by GCRB or the SFC since.

The purpose of this report is to provide the Board with reassurance that the College continues to comply with the terms of the FM.

Members can access a copy of the FM between the College and GCRB at the link below:

Financial Memorandum between Glasgow College's Regional Board and Assigned Colleges

2. Compliance with the Financial Memorandum

All members of the Strategic Management Team, including Directors, are aware of the requirements of the Financial Memorandum. The Head of Finance, Procurement Manager and other staff within the Finance Team who have a role in approving financial transactions, are also kept informed of the requirements contained in the FM. This ensures that any decisions made at meetings of the Strategic Management Team, or transactions approved within the Finance Team, are checked systematically for compliance.

Compliance with the FM is a condition of grant. Failure to comply therefore puts income and the sustainability of the College at risk.

The key requirements and evidence of compliance are provided below in summary form. Additionally, the document makes reference to the Code of Good Governance and transparent governance. The Board of Management has separate processes in place to ensure that it continues to operate the highest standards of corporate governance.

The detailed requirements are provided in the full Financial Memorandum and the College is of the view that it is fully compliant with each of them, but a summary is provided below:

Summary of Requirement	Evidence
The College must deliver its commitment in the ROA.	The College had generally exceeded its activity target each year which is reported separately in detail to the Board of Management and GCRB. However, this has not been the case since Covid 19 which impacted in on deliver in in 2020/21 and 2021/22. 2022/23 delivery has been impacted by the cost of living and fuel increases as well as by mental health issues, many of which have arisen as a result of Covid lockdowns, isolation and social anxiety.
The College must have regard to public sector pay policy.	This is generally superseded by National Collective Bargaining and the Remuneration Committee considers the public sector pay policy and National Bargaining in setting the salary increases of the Senior Managers.
Tuition Fees must be in line with those set by Scottish Ministers where appropriate and must not exceed £9,000 per year.	The Fee policy approved by the Board was applied during the year and complies.
The College must follow SFC guidance on the disposal of exchequer funded assets.	The College complied fully with the guidelines in respect of the disposal of City Campus some years ago and is actively engaging with GCRB and SFC to ensure compliance in relation to the potential lease/disposal of West Campus.
The College must provide student activity data to the SFC as requested.	The College uploads all data through its MIS system in line with the specifications and timescales set by the SFC. The audit process confirms this.
Student support and European Social Fund guidance must be followed.	The Student Funding Team and Business Development Team ensure all guidance is complied with and the audit process provides independent assurance. The most recent verification checks completed on the SFC Funding were reported to the Audit Committee held on 29th November 2022.
The College must operate an Audit Committee and have appropriate Internal and External Audit arrangements in place and the Audit Committee must produce an annual report.	The Audit Committee is fully compliant with all SFC requirements and the College has an effective and compliant internal audit service in place. The Audit Committee Annual Report is detailed and published each year. The Audit Committee provides a summary of each meeting to GCRB.

Summary of Requirement	Evidence
The College must follow the Accounts Direction in the preparation of its Annual Financial Statements.	The accounts comply with the Accounts Direction and this is reviewed by the External Auditor, one small recommendation for improvement has been made for implementation in 2022/23.
The College must have a strategy for reviewing value for money (vfm).	The College had a VFM strategy in place up to 2018/19 and reported on progress to the Board each year. The College also provided an institutional efficiency report to GCRB which detailed performance in 2018/19. VFM was then incorporated into the College's Transformation and Renewal Plan, which is reported to the Board, and is also built into the Financial Strategy for 2022-2027. The Transformation and Renewal Plan was replaced by the College Operating Plan 2022-27 in October 2022.
Scottish Ministers must approve all borrowing.	Not applicable, the College has no borrowing.
Cash management and banking should be managed in line with public sector requirements.	The College reports its cashflow to the SFC monthly, on time. It seeks to avoid holding excess cash.
The College should seek consent if it grants indemnities which are outwith the normal procurement process.	The College seeks to remove indemnities from contracts where possible. Normally this is not possible in respect of normal procurement contracts or contracts with other public bodies such as Skills Development Scotland. The College has comprehensive insurance in place which covers it for many of the risks which may give rise to a claim. All contracts are signed off by the Principal, a Vice Principal or Director.
The College must operate within the delegated financial limits.	The College believes it complies with these. Where necessary the College will seek permission from GCRB to write off bad debts. In respect of procurement, there are still a small number of contracts made by legacy colleges which are not fully compliant with the current procurement regulations.
The College must provide procurement information as required.	The College participates fully in all requests for information and has a procurement function in place, employed by APUC to ensure compliance with reporting requirements.

Summary of Requirement	Evidence
The College should comply with guidance on early departures for staff.	The College sought appropriate permissions for the operation of the current Voluntary Severance Scheme and is compliant fully with guidance. This Scheme will end on 31 December 2023.
Colleges may transfer any surplus to its arm-length foundation.	Any donations to the ALF from the College are approved by the Board of Management, but there have been none in the last few years. The ALF has supported the College Capital Programme throughout in recent years as well as supporting new digital posts for one year, two years of a Sustainability Manager and contributing to the Campus Reinvestment Project.

Additionally, there is a provision that the College should comply with the Scottish Public Finance Manual (SPFM) unless a specific derogation has been granted. There are sector wide derogations in respect of the ability of colleges to continue to purchase commercial insurance.

The College has sought to comply with the SPFM and relevant staff are aware of its requirements.

Overall the College is content that it complies with the Financial Memorandum and the SPFM.

3. Resource Implications

The compliance framework within which the College operates is requires significant managerial and administrative resources to ensure proper compliance and this is factored into the College's governance arrangements.

4. Impact on Students

There are no negative impacts on students identified as a consequence of anything within this report.

5. Risk and Assurance

There is a risk of non-compliance with the Financial Memorandum which could have significant consequences in respect of the use of resources and reputational damage.

The contents of this report seek to provide the Board of Management with reassurance that this risk is being managed appropriately.

6. Equality

No disproportionate negative impacts on people with protected characteristics have been identified as a consequence of this report.

7. Data Protection

There are no new data protection issues arising from the contents of this report.

8. Environmental and Sustainability

There are no Environmental and Sustainability implications arising as a consequence of this report.

9. Recommendations

Members of the Board of Management are recommended to:

i) note the contents of this report and the link to the Financial Memorandum between Glasgow College's Regional Board and Assigned Colleges ;and

ii) note the College self-assessment of its compliance with the Financial Memorandum.

10. Further Information

Further information on the contents of this report is available from the Vice Principal Operations, jevans@glasgowkelvin.ac.uk or the Principal, dsmeall@glasgowkelvin.ac.uk.

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Glasgow Kelvin College
June 2023