



Scottish Funding Council
Comhairle Maoineachaidh na h-Alba

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Indicative college funding allocations for AY 2023-24



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| Issue Date: | 13 April 2023 |
| Reference: | SFC/AN/07/2023 |
| Summary: | Announcement of indicative funding allocations for colleges in Academic Year 2023-24 |
| FAO: | Principals, Chairs, Finance Directors and Board Secretaries of Scotland's colleges, and the general public |
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Table of Contents

| | |
|--|----------|
| Indicative college funding allocations for AY 2023-24 | 4 |
| Purpose/background | 4 |
| Overview | 4 |
| Our approach to tertiary education and research funding | 5 |
| Scottish Budget 2023-24..... | 6 |
| Overall revenue funds available for AY 2023-24 | 6 |
| Teaching funding | 7 |
| Credits..... | 7 |
| Foundation Apprenticeships | 8 |
| College/university articulation places..... | 8 |
| Student support..... | 8 |
| Flexible Workforce Development Fund..... | 9 |
| Funding for counsellors | 9 |
| Access to free period products..... | 9 |
| Capital funding..... | 9 |
| Capital maintenance | 10 |
| Digital poverty | 10 |
| NPD project expenditure..... | 10 |
| Tables..... | 10 |
| Fair Work First | 10 |
| Further information..... | 11 |

Indicative college funding allocations for AY 2023-24

Purpose/background

1. I am writing to announce Scottish Funding Council (SFC) decisions on the indicative funding allocations for colleges for the forthcoming Academic Year (AY) 2023-24.
2. SFC provides indicative funding allocations to help colleges plan for the forthcoming AY. The priorities outlined in our 2022-23 [letter of guidance](#), alongside wider Scottish Government priorities, have guided us in determining these indicative allocations.
3. The indicative allocations set out in this announcement are based on the [Scottish Government's Financial Year \(FY\) 2023-24 Budget](#), which was approved by the Scottish Parliament on 21 February 2023.
4. We have engaged with several key sector groups in developing these indicative allocations. Following further consultation with the sector, we will publish final allocations by the end of May 2023.

Overview

5. SFC is maintaining core teaching funding at the same level as last year for the sector as a whole. In preparing our allocations we have made minor changes to the credits volume for individual colleges based on recent performance and demographic trends. We have then rebased credit allocations for all colleges, lowering them by 10%, with a balancing price increase to ensure that overall SFC funding is unchanged from AY 2022-23. From AY 2023-24 we will also begin to remove some of the crisis-based mitigations we introduced to help colleges and students deal with the immediate and significant impacts of the COVID-19 pandemic.
6. This is a first step in working with colleges to move towards credit allocations that more closely reflect anticipated student activity. The allocations represent the minimum threshold level of credit-bearing learning and teaching activity that colleges should aim to deliver to avoid the recovery of funds.
7. College capital has increased by £7.7m (10.3%) from Financial Year (FY) 2022-23. The capital maintenance budget is unchanged, but we have combined the backlog and lifecycle maintenance elements to provide colleges with greater flexibility in the use of this funding. We have retained £4.7m of the increased budget to support the highest priority needs, including known and emerging health and safety issues, during FY 2023-24.

8. The key points in this indicative funding announcement are:
- We are maintaining investment in teaching funding for AY 2023-24 at £521.6m, in line with AY 2022-23.
 - To provide increased planning certainty for colleges, we are lowering the credit threshold which colleges should deliver to avoid or minimise the recovery of funds, while maintaining the overall level of funding. This will have the effect of increasing the price per credit while affording colleges the flexibility to deliver above that threshold if there is demand from learners and employers in their region.
 - In recognition of the semi-fixed costs that colleges face, 20% of a college's teaching funding will not be directly related to the delivery of credits.
 - Student support funding for AY 2023-24 remains constant at £135.0m (with a £2.0m contingency) in line with AY 2022-23.
 - SFC's capital budget for FY 2023-24 has increased by £7.7m (10.3%) from FY 2022-23.

Our approach to tertiary education and research funding

9. The Scottish Government is currently consulting on its Purpose and Principles for post-school education, research and skills. This work will nest within the National Performance Framework and National Strategy for Economic Transformation, and take account of policies such as just transition, innovation and the wider reforms affecting skills delivery, qualifications, and schools, and is due to be published in Spring 2023.
10. In considering these indicative allocations we will support several policy objectives:
- To support the Scottish Government's stated ambitions of tackling poverty, building a prosperous economy, and achieving net zero by 2045.
 - To secure coherent, quality tertiary education and skills provision that meets the needs of learners and employers, and contributes to economic and social objectives at regional, national and international levels.
 - To promote fair access to, and successful pathways through, tertiary education; and to support students to be successful and to participate in their education.
 - To sustain excellent discovery research, cross-disciplinary collaborations, and connected innovation that makes research useful and enhances entrepreneurial activity.
 - To invest in important strategic infrastructure – estates, digital, knowledge exchange – for sector-wide benefit.
 - To support the transition of the tertiary education, skills and research system towards greater financial sustainability and efficiency in the face of challenging pressures on public finances.

11. In terms of how we approach investment distribution we will:
 - Keep the interests of current and future students and researchers, and equalities, at the heart of our work.
 - Take a system-wide perspective.
 - Support local decision-making.
 - Secure quality and public value.
 - Be fair.
 - Balance the need for stability, responsiveness and change.
 - Be proportionate and targeted in our requirements and strive for transparency and efficiency.
12. In totality, we continue to distribute public funds through a hybrid system comprising:
 - Formula-based core grants to institutions for learning and teaching in non-controlled subjects, and research and knowledge exchange.
 - Funding for controlled subjects where the Scottish Government sets overall numbers and budgets to be allocated across institutions.
 - Ring-fenced funds that Scottish Government has designated for specific purposes.
 - Strategic funds that support essential sector-wide infrastructure and programmes, nationally significant associated organisations or collections, and funding to support the transition to a financially sustainable system that continues to deliver for Scotland as a whole.
13. This publication deals with individual college allocations and is based on the Scottish Government's [Scottish Budget 2023-24](#), approved by the Scottish Parliament in February 2023.

Scottish Budget 2023-24

14. The Scottish Government's 2023-24 Budget set a college resource (revenue) budget for Financial Year FY 2023-24 of £701.7m; an increase of £26.0m (3.8%) from the FY 2022-23 budget which has been identified for strategic investment to support the transition to a financially sustainable system.
15. The College capital (net) budget has been set at £82.4m; an increase of £7.7m (10.3%) from FY 2022-23.

Overall revenue funds available for AY 2023-24

16. This announcement focuses on individual institutional allocations. For consistency of table numbering with previous years, Table 1 is not shown in this indicative funding announcement.

Teaching funding

17. SFC is investing £521.6m in teaching funding to the college sector in AY 2022-23. This budget is unchanged for AY 2023-24. Some individual college allocations have changed within this budget as a result of the adjustments outlined below. Indicative allocations for individual colleges are shown in the combined Table 2 and 3. Our final funding allocations will take account of funding associated with the current job evaluation process.

Credits

18. For AY 2023-24 we have made some adjustments for individual colleges, taking into account recent performance and demographics. We have then rebased credit allocations for all colleges, lowering them by 10%, with a balancing price increase to ensure that overall SFC funding is unchanged from AY 2022-23.
19. This credit rebasing will go hand in hand with revised credit guidance which will begin to remove some of the crisis-based mitigations we introduced to help colleges and students deal with the immediate and significant impacts of the COVID-19 pandemic. We have listened to feedback from the sector and employers and will make changes to the guidance to provide greater opportunities for colleges to deliver the optimal balance of full-time and part-time provision.
20. As mentioned above, the rebased number of credits represents the minimum threshold level of credit-bearing learning and teaching activity that colleges should aim to deliver to avoid the recovery of funds. **It is important to note that the 10% adjustment in credits does not result in a reduction to SFC teaching funding and therefore does not, in itself, equate to a reduction in student provision.** Therefore, within a flat cash allocation, we have been able to provide a significant increase in the price per credit.
21. Colleges may choose to deliver above their credit threshold to meet demand from learners and employers in their region. Going forward SFC will consider any under or over delivery and we will aim to redistribute credits (and associated funding) based on an analysis of performance and demographic trends. The sector-wide rebasing of credits, with the balancing price increase, is a step towards a more dynamic and forward-looking funding distribution system that focuses more on a direction of travel for student activity rather than relying so heavily on the retrospective recovery of funds due to under-delivery.
22. In recognition of the semi-fixed costs that colleges face, 20% of the teaching funding will not be directly related to the delivery of credits. Therefore, when considering potential recovery in respect of under-delivery against credits, we will discount any recovery by 20% to reduce planning volatility.
23. Indicative credit thresholds for AY 2023-24 are shown in the combined Table 2 and 3.

Foundation Apprenticeships

24. Foundation Apprenticeships (FAs) remain a Ministerial priority for AY 2023-24, with the expectation that the sector will deliver 2,500 opportunities. In AY 2022-23 we identified separate credits for FAs. As set out above, we plan to rebase credits with a balancing price increase to maintain current levels of funding. The starting point for this includes the FA credits allocated in AY 2022-23.
25. In setting college credit thresholds for AY 2023-24 we have not identified separate FA credits, however we expect colleges to provide a similar number of FA opportunities as AY 2022-23. Discussions on this are ongoing and allocations will be confirmed for the final funding announcement in May.

College/university articulation places

26. Streamlining the learner journey by encouraging articulation between colleges and universities remains a priority for SFC and the Scottish Government. SFC's additional articulation places (Associate Student) scheme continues to support this priority area, and there are no changes to the scheme for AY 2023-24.
27. Colleges (and universities) should continue with current arrangements to meet Ministerial priorities to expand articulation and ensure support continues for disadvantaged learners to progress to degree level study. SFC expects at least 75% of additional articulation/associate student funding, for those years in which activity is delivered in colleges, to be transferred from universities to colleges.

Student support

28. For AY 2022-23 the student support budget was set at £135.0m (a reduction of £5.0m from AY 2021-22), along with an unallocated £2.0m contingency. In considering the budget for AY 2023-24, we are aiming to balance the anticipated downturn in the proportion of full-time activity with significant cost of living pressures.
29. Taking this into account, along with the overall funding available, we will maintain the student support budget at its current level for AY 2023-24 (£135.0m). Within this budget we will uplift the maximum FE Care-Experienced bursary allowance to £9,000 (an 11.1% increase) to align with the uplift that the Student Awards Agency Scotland (SAAS) is providing for HE Care-Experienced students. These [changes were announced](#) by the Scottish Government on 14 March. Any changes to our standard FE bursary maintenance rate will be confirmed in the publication of our student support policy guidance around the time of the final funding allocations.
30. Indicative student support funding allocations are shown in Table 4.

Flexible Workforce Development Fund

31. The Flexible Workforce Development Fund (FWDF) enables UK Apprenticeship Levy-paying and SME employers to benefit from training and up-skilling opportunities delivered through colleges and the Open University in Scotland.
32. SFC awaits confirmation of Scottish Government budgets and hopes to be able to confirm the allocation of funding through the FWDF in our final funding announcement.

Funding for counsellors

33. As part of its Programme for Government response to mental ill-health, the Scottish Government committed to providing funding for more than 80 additional counsellors in HE and FE over a four-year period from AY 2019-20 to AY 2022-23. SFC has allocated funding for AY 2022-23 up to March 2023 and is awaiting a budget from the Scottish Government to confirm the full year's funding (i.e. from April 2023 to July 2023). The Scottish Government is currently developing a Student Mental Health Plan that will set out government expectations in this area.

Access to free period products

34. The Scottish Government has advised that a further year's funding for the provision of free period products will be provided. Specific guidance, along with a breakdown of individual college funding allocations, will be published separately prior to the start of the new AY.

Capital funding

35. The Scottish Government's FY 2023-24 budget provides a college capital budget of £82.4m; an increase of £7.7m (10.3%). Some of this uplift (£3.0m) relates to a commitment to provide funding for Fife College's new Dunfermline Learning Campus.
36. Similar to FY 2022-23, £5.0m has been earmarked by the Scottish Government for supporting digital poverty across colleges, universities and community learning and development (CLD) providers.
37. The overall indicative capital budget split is summarised in the table below:

| Capital budgets | £m |
|---|-------------|
| Capital Maintenance | 31.2 |
| High priority needs, including health & safety issues | 4.7 |
| Fife College (new Dunfermline Campus) | 41.5 |
| Digital Poverty (for colleges/universities/CLD) | 5.0 |
| Total College Capital | 82.4 |
| College NPD expenditure | 29.3 |

Capital maintenance

38. We have provided greater flexibility to colleges over the use of this funding by combining backlog and lifecycle maintenance allocations into one capital maintenance funding allocation at the same level as FY 2022-23. Totals for individual colleges/regions are unchanged from FY 2022-23 and indicative allocations are shown in Table 5.
39. We have retained £4.7m of the increased budget from FY 2022-23 to support the highest priority needs, including known and emerging health and safety issues, during FY 2023-24. We will also consider funding other projects that enable planned transformation capital projects, including digital infrastructure, to proceed during FY 2023-24. We will write to colleges separately about the use of this funding.

Digital poverty

40. The college capital budget includes £5.0m to support digital poverty, to be apportioned between colleges, universities and the community learning and development sectors, similar to FY 2022-23. The split of this funding for FY 2023-24 is being finalised with the Scottish Government.

NPD project expenditure

41. Funding for NPD expenditure in FY 2023-24 is £29.3m, which is unchanged from FY 2022-23.

Tables

42. We have attached the following indicative tables for AY 2023-24:
 - Table 2 & 3 (combined) - Teaching funding allocations & student activity (credit) thresholds
 - Table 4 – Student support funding allocations
 - Table 5 – Capital maintenance funding allocations (for FY 2023-24)

Fair Work First

43. The Scottish Government expects that all public bodies, and those in receipt of public funds, should be exemplars of [Fair Work](#) and that they should be able to demonstrate practices of Fair Work. As recipients of public funds, colleges must be committed to Fair Work practices for staff (including any agency or sub-contractor workers) engaged in the delivery of activity associated with public funds.

Further information

44. If you require any additional information, please contact Richard Maconachie, Director of Finance, email: rmaconachie@sfc.ac.uk or Gordon Craig, Deputy Director, Tertiary Education Funding, email: gcraig@sfc.ac.uk, in the first instance.



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