



SFC Announcement

Outcome agreement funding for colleges - indicative allocations for 2017-18

Issue date: 10 February 2017

Reference: SFC/AN/02/2017

Summary: Announcement of indicative college outcome agreement funding allocations for academic year 2017-18.

FAO: Principals, board secretaries and directors of Scotland's colleges.

Further information: **Contact:** Lorna MacDonald
Job title: Director of Finance
Department: Finance
Tel: 0131 313 6690
Email: lornamacdonald@sfc.ac.uk



Scottish Funding Council
Promoting further and higher education

Scottish Funding Council
Apex 2
97 Haymarket Terrace
Edinburgh
EH12 5HD
T 0131 313 6500
F 0131 313 6501
www.sfc.ac.uk

Outcome agreement funding for colleges - indicative allocations for AY 2017-18

Purpose

1. I am writing to provide you with the Scottish Funding Council's initial decisions on funding Outcome Agreements for academic year (AY) 2017-18. The figures are indicative only and cannot be finalised until the budget bill has been agreed by the Scottish Parliament and we have finalised and agreed your Outcome Agreement, which we expect to be in April. The purpose of providing these indicative figures is to help you plan your provision and for us to move towards your finalised Outcome Agreement for AY 2017-18.
2. The decisions on funding are in line with the Minister for Further Education, Higher Education and Science's Letter of Guidance of [29 September 2016](#). They support the Scottish Funding Council's (SFC) Strategic Plan, in particular the extent to which the achievements in the emerging draft Outcome Agreements meet our national aspirations identified in our outcome agreement guidance.

Key points

3. The key points in this indicative funding announcement for AY 2017-18 are:
 - Student activity targets remain at the same level as AY 2016-17.
 - Teaching funding has increased by £10.2 million, an overall increase of 2.5%.
 - Student support funding has increased by £1.2 million (1.45%).
 - Capital / maintenance funding has increased by £5.2 million compared to the final AY 2016-17 Outcome Agreement funding allocations announced in May 2016.

Overall available funds for the college sector

4. The Cabinet Secretary for Finance and the Constitution announced the 'Scottish Budget: Draft Budget 2017-18' on 15 December 2016. The Further Education (FE) Resource budget for financial year 2017-18 was announced as £551.3 million, an increase of £8.8 million (1.6%) from the FY 2016-17 budget of £542.5 million (which includes an in-year uplift of £12.2 million which has been embedded).

Draft Budget 2017-18	<i>£ million</i>
Net College Resource	551.3
Net College Capital	47.4

5. The draft Budget document stated that in 2017-18 the Scottish Government will *"increase our investment in our college sector to ensure that it continues to add*

real value to our economy and offer opportunities to adults of all ages". The Scottish Government also re-stated its commitment to *"maintain at least 116,000 full-time equivalent college places"*.

6. The draft Budget document also stated that the Scottish Government will *"provide capital funding to both the college and university sectors to support research and infrastructure investment"*. The capital budget for colleges for FY 2017-18 is £47.4 million, with £21.5 million earmarked for the Forth Valley College new build project.
7. In setting our indicative Academic Year (AY) budget for 2017-18, we span two Financial Years (FYs), 2017-18 and 2018-19. We do not have any information on the Scottish Government plans for the financial years beyond 2017-18, and as such have planned on the basis of flat cash for future financial years. **We have set a Revenue budget for AY 2017-18 of £554 million** (Table 1). This is the available revenue grant set out above (in paragraph 4) converted to an AY budget, taking account of the proportion of the FY 2017-18 budget committed to AY 2016-17.
8. The budget is indicative and cannot be finalised until the Budget Bill has been agreed by the Scottish Parliament.

Guidance and policy priorities

9. In her Letter of Guidance of 29 September 2016, the Minister for Further Education, Higher Education and Science reiterated the Scottish Government's high-level strategic objectives:
 - Highly efficient and effective regional structures for colleges, including structures in multi-college regions.
 - High-quality, effective learning.
 - Access to education for people from the widest range of backgrounds, including implementation of the recommendations of the Commission on Widening Access.
 - Learning which prepares people well for the world of work and successful long-term careers, and which prioritises provision that meets known skills gaps in the economy, for example in STEM subjects, and in doing so supports our ambitions for economic growth.
 - Leading the college contribution to implementing the Developing the Young Workforce strategy.
 - Address the underrepresentation of women on the governing bodies of colleges and universities and at senior levels, and gender balance among student intakes for some key subjects, including STEM subjects.

Flexible Workforce Development Fund

10. Since 2012-13 SFC has transferred £6 million per year to Skills Development Scotland (SDS) which has been used to fund the colleges' activity as part of the Employability Fund. Although we do not yet have specific details, we understand that this will be used for a Flexible Workforce Development Fund. We have therefore ring-fenced this funding and will come back with further details on the allocation of this funding following further discussion with Scottish Government.

AY 2016-17 student activity targets

11. In response to the guidance from the Minister, we have kept the sector student activity target at the same level as AY 2016-17 at 1.69 million credits. Table 2 shows the original activity target for AY 2016-17 and any in-year redistribution of college activity. We have taken the AY 2016-17 activity target after any adjustments as our starting point for AY 2017-18.
12. We have used our demographic model as well as our knowledge of colleges' capacity to deliver and have made no changes to activity targets for AY 2017-18.
13. We have removed the rural grant from Fife College to reflect their withdrawal from the Elmwood Campus. Rural funding for Fife College was reduced by £175,000 in 2016-17. We are reducing the Fife College grant by a further £175,000 in 2017-18. SRUC will receive the whole rural premium of £350,000 in AY 2017-18 as it will incur the full cost of running the Elmwood campus.
14. We expect to allocate additional childcare places as part of the Scottish Government's manifesto commitment, but have no firm figures to date. We will confirm the position in the final funding announcement. Our understanding at this point is that there will be additional funding provided by the Scottish Government for this.

Teaching funding

15. Overall, for AY 2017-18 we have increased teaching funding by £10.2 million, from £403.2 million to £413.4 million, an overall increase of 2.5%. We have increased teaching grants to all colleges by 1.8% at a cost of around £7.3 million (Fife College's increase is 1.2% due to the removal of rural grant funding, as outlined above - see paragraph 13).
16. SFC continues to phase in the new simplified method of calculating college funding. We previously agreed with the sector that no college would see a reduction in funding in the first three years of introducing the new model. Colleges that would have received additional funds from the full introduction of

the new model have received an additional uplift in funding up to an additional 1%, at a cost of around £2.3 million. These colleges / regions are:

- Dundee & Angus College.
- Edinburgh College.
- Forth Valley College.
- Glasgow College Region.
- Highland & Islands College Region.
- North East Scotland College.
- SRUC.
- West Lothian College.

17. We will work with the college sector to fully implement the new funding model. Through the Outcome Agreement process we will take account of the current position of each college to manage the change.
18. In addition to the change in rural premium for Fife and SRUC, we have made a further adjustment for Lanarkshire College Region. In 2012-13 Motherwell College agreed to a 'stretch target' of 3,000 WSUMS. They were the only college to agree to provide this additional activity funded from within their existing core teaching grant and the Region has continued to fund this additional activity to date. We are fully funding this activity from AY 2017-18.
19. Table 2 shows the changes in colleges' teaching grant from AY 2016-17 to AY 2017-18. This shows a range of increases in teaching grants. Six colleges receive the standard uplift of 1.8%, and four college/regions receive an uplift of 2.8% to reflect the transition to the new funding model. There are three college/regions where we have been able to fully implement the new model at a cost of less than the full 1%. The other college/regions outwith this range are as a result of changes noted above (Fife College, SRUC and Lanarkshire College Region).

University articulation places

20. Streamlining the learner journey by encouraging greater numbers of students using articulation routes between colleges and universities remains a priority for SFC. Between AY's 2013-14 and 2017-18, SFC allocated an additional 4,416 FTE funded places to universities for the purpose of articulation. Universities in receipt of articulation places now have four cohorts of places for articulating students, with the investment scheme having started in AY 2013-14. These places must be used by universities for articulating students in association with colleges. As set out in SFC's Articulation Guidance:

“The SFC will allocate the funding for the additional places to the university. The university must pass on 75 per cent of this funding to the college to teach the students on the HN part of the programme. The 25 per cent retained by the university will be used for quality assurance of the degree programme, aligning curriculum to achieve ease of transition, and providing support for associate students.”

21. For these additional articulation places delivered in colleges, universities should return students eligible for funding up to the number of FTE places funded by SFC through the Early Statistics Return. For any places delivered in colleges above the number of associate student places funded by SFC, colleges should return the associated credits to SFC through their Further Education Statistics (FES) returns, and this activity will count towards their core credit targets.
22. SFC plans to review the success of this articulation scheme for 2018-19 once we have final data for the full four years it has been in operation.

Student support

23. For AY 2017-18 we have increased the student support bursary, childcare rates and discretionary fund by the GDP inflation figure of 1.45%. In AY 2016-17 we had set aside an additional £3.2 million for in-year student support funds, however because funds were recovered from colleges from previous years we did not need to allocate any of the £3.2 million for this purpose. The cost of the inflation uplift for AY 2017-18 is £1.2 million and we have therefore set aside the remaining £2.0 million for in-year redistribution. The amount of student support needed by colleges in any year is difficult to predict and we believe it is prudent to set aside funds for the in-year redistribution. If these funds are not used in-year, they will be released for other priorities.
24. We have allocated student support funds on the same basis as last year, i.e. student support funding in AY 2017-18 is based on the percentage share of demand for student support in AY 2016-17 (Table 3).

Strategic funds

25. We have set aside a Strategic fund of £17.2 million. This is around £1.7 million more than last year and covers all ongoing commitments. These commitments include support for sector-wide agencies and services, for example the Joint Information Systems Committee (JISC), College Development Network, additional English for Speakers of Other Languages (ESOL) activity, Advanced Procurement for Universities and Colleges (APUC) and the Education Scotland Service Level Agreement.
26. Our ongoing commitments include giving further consideration to providing additional credits to meet a long standing commitment related to the Glasgow Curriculum and Estates Review, and a commitment to carry out a sector-wide estates condition survey.

European Social Funding (ESF)

27. The ESF budget for colleges in 2017-18 will total £19.7 million; an increase of just under £1 million from 2016-17. (This excludes UHI-partner colleges in the Highlands & Islands transitional region). SFC's ongoing annual contribution of up to £8 million attracts almost £12 million in ESF match-funding. ESF funding and activity targets for AY 2017-18 are set out in Table 4.

College capital

28. The overall Capital funding budget for FY 2017-18 is £47.4 million; an increase of £20.4 million on the initial £27 million capital budget for FY 2016-17 (which was subsequently increased in-year by one-off allocations totalling £15 million).
29. This increase allows for a sector Capital / maintenance grant of £20.8 million (which is a £5.2 million increase compared to the final AY 2016-17 Outcome Agreement funding allocations announced on 9 May 2016) as well as meeting a range of other specific commitments set out below:

College Capital FY 2017-18	<i>£ million</i>
Forth Valley College - Falkirk Campus	£21.5
Fife College non-NPD costs	£3.8
New College Lanarkshire - loan repayment	£1.1
City of Glasgow College non-NPD costs	£0.2
College Capital / Maintenance grant (sector)	£20.8
Total	£47.4

30. Capital maintenance funding continues to be allocated on the basis of core activity targets (Table 5). In future this may be allocated on a different basis, i.e. one that is more reflective of actual need, but this will be informed by the planned college estate condition survey and consultation with the sector.

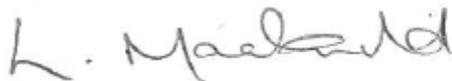
Funding tables

31. We have attached the following tables for AY 2017-18:

- Table 1 - College sector - overall indicative budget.
- Table 2 - Credit targets and indicative funding.
- Table 3 - Indicative student support allocations.
- Table 4 - ESF and additional activity targets.
- Table 5 - Indicative capital infrastructure / maintenance funding.

Further Information

32. Please contact Lorna MacDonald, Director of Finance, tel: 0131 313 6690, email: lornamacdonald@sfc.ac.uk or Martin Smith, Chief Funding & Information Officer, tel: 0131 313 6528, email: msmith@sfc.ac.uk.



Lorna MacDonald
Director of Finance