



# SFC Announcement

## Outcome Agreements for colleges – indicative funding decisions for AY 2015-16

Issue date: 30 January 2015

Reference: SFC/AN/02/2015

Summary: To provide colleges with the Scottish Funding Council's initial decisions on funding Outcome Agreements for academic year 2015-16.

FAO: Regional Chairs, Principals and Directors of Scotland's colleges

Further information: **Contact:** Martin Smith  
**Job title:** Deputy Director of Funding Policy  
**Department:** Funding Policy  
**Tel:** 0131 313 6528  
**Email:** [msmith@sfc.ac.uk](mailto:msmith@sfc.ac.uk)

**Contact:** Kelly Parry  
**Job title:** Funding Policy Officer  
**Department:** Funding Policy  
**Tel:** 0131 313 6547  
**Email:** [kparry@sfc.ac.uk](mailto:kparry@sfc.ac.uk)

Scottish Funding Council  
Apex 2  
97 Haymarket Terrace  
Edinburgh  
EH12 5HD  
T 0131 313 6500  
F 0131 313 6501  
[www.sfc.ac.uk](http://www.sfc.ac.uk)



Scottish Funding Council  
Promoting further and higher education

## **Outcome Agreements for colleges – indicative funding decisions for AY 2015-16**

### **Purpose**

1. I am writing to provide you with the Scottish Funding Council's (SFC) initial decisions on funding Outcome Agreements for academic year (AY) 2015-16. 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 2015-16.
2. The decisions on funding are in line with the Ministerial Letter of Guidance of [31 July 2014](#). They support SFC's strategy, in particular the extent to which what has been planned in the emerging draft Outcome Agreements meet the national aspirations identified by SFC. They also take account of performance against the AY 2013-14 and AY 2014-15 Outcome Agreements where that is likely to affect the amount or type of funding we should allocate for AY 2015-16.

### **Overall available funds for the college sector**

3. For AY 2015-16 we will allocate around £530.3 million. This is the same as our financial year (FY) budget for 2015-16. We have used this to set an AY budget for 2015-16 as the Scottish Government has not yet published plans for the financial years beyond 2015-16. Our AY budget is an indicative figure. The FY 2015-16 figure will be confirmed through the passing of the Budget Bill by the Scottish Parliament by March 2015. The £530.3 million represents the delivery of the Scottish Government's commitment to increase college resource funding to £525.7 million and includes funds that are ring-fenced for HE Childcare (£3.9 million) and English for Speakers of Other Languages (ESOL) (£0.7 million). These funds were previously transferred to the SFC in-year, but have now been baselined into the SFC's budget at the start of the financial year. We will continue the current criteria and arrangements for the Employability Fund.
4. The decisions on funding are in line with the Ministerial Letter of Guidance of 31 July 2014. The Government's main priorities for the college sector continue to be:
  - Maintaining student numbers
  - Delivering Opportunities for All
  - Increasing youth employment

5. The scale of the Government's ambition for increasing youth employment is signalled in Developing the Young Workforce – Scotland's Youth employment Strategy. The Government's national target for a 40% reduction in youth unemployment by 2021 would establish Scotland as one of the top performing European youth labour markets.
6. The strategy also highlights the need to make progress on the issue of gender in general college provision, with a specific recommendation that the new senior phase pathways be designed in a way that encourages more gender balance across occupations.
7. The overall budget breakdown is set-out in Table 1. In addition to revenue funds there is £25.5 million of capital and maintenance funding, £5.5 million of which is ring fenced for specific project investment.

### **College funding allocations by region**

8. We have been working with the college sector over the past few years to develop a new system to allocate student places to regions. The number of student places is informed by our demographic places model, historical performance against activity targets, regional skills assessment and Outcome Agreement negotiations.
9. We have also developed a new funding allocation and pricing model in partnership with the sector that is easier to understand, responsive to planned changes in curriculum delivery and aligns with our demographic model to ensure colleges are paid to deliver the number of places required for their region.
10. We have been parallel running these systems with three regions during AY 2014-15 and will now roll out this method across Scotland from AY 2015-16, in line with our Letter of Guidance.
11. As a result of simplifying our pricing and measurement system (WSUMs to Credits) there would be small changes to funding allocations. However, we have worked closely with the college sector to provide stability and have agreed that we would transition any funding changes and ensure that in AY 2015-16 the effect is neutral. That is, no college will gain or lose as a result of the move in AY 2015-16 from WSUMs to Credits.
12. We have used our demographic model together with evidence from college regions on their performance of meeting existing targets and discussion about their own assessment of need and capacity for growth. The result of this is that we are proposing to redistribute a small amount of activity from the Edinburgh, Fife, North East and West College regions to Borders, Dumfries and Galloway,

Glasgow, Lanarkshire and West Lothian. There are no changes to the activity levels for any other college regions.

13. The Ministerial Letter of Guidance asks the SFC to ensure that no region meeting its targets should lose out by more than 1% for AY 2015-16. The table below shows the percentage change in regional teaching funding from AY 2014-15 to AY 2015-16 as a result of the new credit method and demographic changes.

<b>Region</b>	<b>Change in funding</b>
Borders, Dumfries & Galloway, Glasgow, Lanarkshire, West Lothian	+1%
Ayrshire, Dundee & Angus, Forth Valley, Highlands & Islands, SRUC, Newbattle, SMO	0%
North East, Edinburgh & Lothians, Fife, West	-1%

### **Student support**

14. Consistent with the Ministerial Letter of Guidance to ‘deliver inflationary increases to college bursaries and childcare support’, we have uprated the bursary rates and scales by 1.6% and the overall childcare funding by 1.6% and this is reflected in the indicative student support budget figure set out in Table 1.
15. The distribution of this budget figure for the initial allocation of student support funds for AY 2015-16 is based on the AY 2014-15 initial allocation plus the best estimate of in-year funds which we received from colleges this month. Additionally, we have advised colleges that they can use funds previously set aside for depreciation to provide additional student support for AY 2014-15. We have provided details of this in [SFC/AN/03/2015](#). We are considering the implications of this for AY 2015-16 and will look to agree a detailed way forward with the Scottish Government, Colleges Scotland and the National Union of Students (Scotland) (NUS).
16. In the initial allocation we have also redistributed student support funds in line with the changes in provision set-out in paragraph 12 and the table above.
17. We have not at this point split the funds between bursary, childcare and discretionary funds. We intend to do this for April with the final Outcome Agreements.
18. We have been working to review the current system of student support. A review group was established in order to progress this area of work and a

number of recommendations for improvement have been drafted. We are currently considering the recommendations, and will consult Scottish Government colleagues, the sector, Colleges Scotland, the NUS and others on the content of the recommendations as well as implementation, timescales and resources. This area of work has not been concluded in time to influence the indicative distribution of student support as set out in the attached tables and will be considered for 2015-16 onwards.

### **Strategic funds**

19. Our strategic funds budget for AY 2015-16 is around £17 million and is fully committed for the continuation of existing projects, including residual matters relating to mergers, and support for sector-wide agencies and services, for example Education Scotland and the JISC academic network. We have reviewed our approach to how we fund the sector-wide agencies and have Outcome Agreements in place for them. The overall strategic funds budget is also indicative and the final amounts might change. In particular, discussions between the sector, the various agencies and ourselves about the nature, level and funding of cross-sector activities are ongoing and therefore there could be some shifts between total teaching funds and strategic funds between now and our final decisions.

### **European funds**

20. The Ministerial Letter of Guidance asked SFC to *“enhance the range of provision colleges deliver through the 2014-20 European funding programme. You should therefore continue to collaborate with the Scottish Government, colleges, SDS and relevant partners to maximise the funding available”*.
21. SFC and SDS submitted a joint proposal for European Structural Funds for the new programme 2014-20. The proposal was considered under the Scottish Government’s strategic intervention theme of ‘Competitiveness, Innovation and Jobs’. SFC has an indicative allocation for its programme, which including match funding is around £160 million over the six year period, covering the following four areas:
  - Youth Employment Initiative (South West Scotland Colleges)
  - European Social Funds (ESF) (Colleges in Lowland and Uplands Scotland)
  - Highlands & Islands ESF transitional funding
  - Higher level skills (HE articulation and taught postgraduates)
22. The Youth Employment Initiative (YEI) aims to integrate young people not in employment, education or training into the labour market. A specific objective

is to reduce youth unemployment in South West Scotland. The funds need to be spent in the first three years of the new programme and have a higher intervention rate than other ESF funds. Part of the YEI will support college places and address issues that prevent young people taking up these places, for example childcare commitments.

23. The Scottish Government European Operational Programme sets out investment priorities to invest in education and vocational training. Specific objectives have been set to address structural skills gaps and to increase higher level skills to support the development of key growth sectors.
24. For colleges we have set aside match funding of £5.6 million and £2.4 million student support for 2015-16. This £8 million of match funding should lever in an additional £11.5 million (that is £9.3 million YEI and £2.2 million ESF (LUPS)).
25. At this stage we cannot confirm the funding as we need to submit a final application with projected outputs and outcomes. Our Outcome Agreement Managers have been discussing with colleges what can be delivered in addition to core targets. As we expect similar amounts of funding in AY 2016-17 and AY 2017-18 we are working with colleges to plan delivery of core and additional YEI and ESF provision over the three year period.
26. We have set out in the attached tables indicative funding levels for YEI and ESF. These are subject to confirmation of funding from Scottish Government and, in some cases, further discussion with individual colleges. We aim to confirm these allocations in April when we finalise the Outcome Agreements for AY 2015-16.

### **Capital and Maintenance funding**

27. We intend to allocate £25.5 million infrastructure budget for colleges. Of this, £5.5 million is ring-fenced for specific project investment. We will allocate the balance of funding according to the colleges' share of teaching funding and this will be apportioned between capital and maintenance at individual college level according to their needs.
28. Each college region's formula allocation will be split between Capital and Maintenance based on projected capital expenditure as submitted in their Financial Forecasting Returns. Capital allocations must only be used for items which can be capitalised, including IT. Maintenance allocations must only be used for building maintenance, which is not capitalised.
29. We are beginning to work with the sector to develop a ten-year investment strategy for infrastructure.

## Funding tables

30. We have attached the following tables:

- Table 1 – College sector - overall budget for AY 2015-16
- Annex A – Overall funding allocations and credit targets - sector and individual college regions
- Annex B – Breakdown of teaching allocations - sector and individual college regions
- Annex C – Further information and payment timetable for incorporated colleges.

## Further information

31. Please contact Martin Smith, Deputy Director, Funding Policy for further information, tel: 0131 313 6528, email: [msmith@sfc.ac.uk](mailto:msmith@sfc.ac.uk) or Kelly Parry, Funding Policy Officer, tel: 0131 313 6547, email: [kparry@sfc.ac.uk](mailto:kparry@sfc.ac.uk).



**Laurence Howells**  
Chief Executive