

# A simplified approach to college funding



December 2014



Scottish Funding Council  
Promoting further and higher education

## Update on the simplified approach to funding

### Funding allocations for academic year 2015-16

In January 2015, the Scottish Funding Council (SFC) will be announcing the indicative college sector funding allocations for the 2015-16 year. These will be the first allocations under our new simplified funding method and will see the change from WSUM to Credit targets.

Our new Credit based system will mean that colleges are now paid for the activity they deliver and there will be a clear relationship between these Credit targets and learning hours. The Credit targets will also be much more closely aligned with the awards that the students have enrolled to achieve.

For 2015-16, there will be no change to college funding as a result of simplification. Regions will only see a reduction in funding if they are given a reduction in their Credit target, which will be based on evidence from, and negotiation on, our demographic model, alongside qualitative sources such as regional skills assessments. No college region will see a reduction in places of more than 1% for 2015-16. Those regions that do receive a reduced Credit target will see their funding fall by the same percentage value up to that amount. These reductions will be used to fund growth in regions where the evidence is that there is a need for growth. Extracts from the recent Letters of Guidance from the previous

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Cabinet Secretary, Michael Russell, support this approach:

**Letter of Guidance, 21 October 2013  
(paragraph 16)**

*“Subject to finalising aspects of the model – including in particular, a simpler measurement system to replace the WSUM – you should plan on the basis of introducing the new arrangements from 2014-15. In order to manage the transition, you should ensure that no region loses more than 1% in cash terms from its allocation from SFC in any one year. This will help avoid regions having to face unmanageable changes in their funding from SFC.”*

**Letter of Guidance, 31 July 2014  
(paragraph 43)**

*“The principle and practice of focusing funding on the regions with the highest need, whilst providing stability is already well established. For that reason, and as in previous years, you should ensure that no region that is currently meeting its targets loses more than 1% of its funding year on year. Additionally, you are making progress in making the funding system simpler and more transparent, shifting from measuring delivery in WSUMs to Credits – with a parallel running exercise in several regions in 2014-15. Subject to the evaluation of this exercise, I would like to see this fully implemented in 2015-16. The new system should ensure that funding for students with additional support needs is properly targeted and flexible.”*

## Demographic model

We provided all colleges with a copy of our demographic model on 23 October. The model will help inform outcome agreement negotiations and help ensure that each region receives an appropriate number of college places to serve the local population. Other pieces of evidence that will be taken into consideration to determine the number of places required will include the regional skills assessments, historical performance against activity targets and evidence of demand.

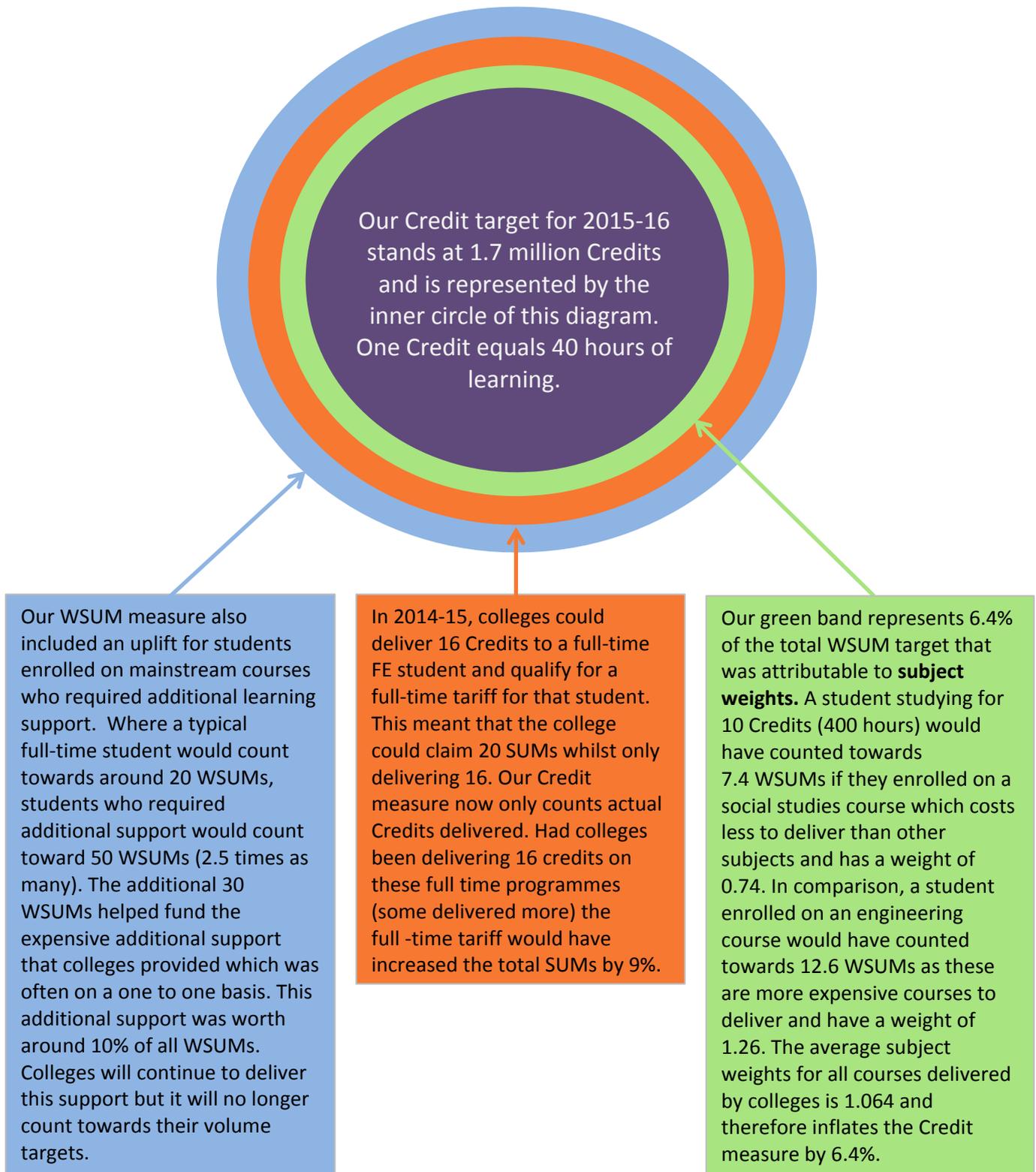
We will take a managed approach to changing the number of college places awarded to a region. No college will see their activity targets reduced by more than 1% for academic year 2015-16. This will, however, also limit our ability to enable regions to grow significantly for 2015-16.

We do, however, expect to be able to offer additional college places, beyond the core target, to all regions for 2015-16 to 2020-21 through European Social Fund and Youth Employment Initiative projects.

Our demographic model will identify the number of places required for each region and because our Credit target no longer includes subject weights, Extended Learning Support claims, or full-time tariffs, we know how many Credits we have to allocate to the region to allow them to deliver those places. Colleges no longer have to reduce the number of places they can provide because the demand is for more expensive subjects or more students require extended learning support.

Figure 1 illustrates the difference between our new Credit target and the old WSUM target, which helps ensure we provide the correct number of college places to each region independently of the cost or the mode of delivery. The WSUM target has always had Credits at its core but it was never a pure volume measure and instead represented a mix of volume and cost. 75% of the WSUM target was actual learning hours (our new Credit target) and the remaining 25% was made up of full-time tariffs, subject weights, and the cost of providing support to mainstream students with additional learning needs.

*Figure 1: Difference between the Credit and WSUM targets*



## Pricing the price groups

Our [first simplification newsletter](#) included the initial prices we had planned for each of the five price groups but these were not fully aligned with our historical subject weights and introduced some significant changes to college funding. For example, under our WSUM method we paid 10% more for a Hairdressing course in comparison to a Personal Development course. But using the prices from our [first simplification newsletter](#) we would have paid £162 per Credit for a Personal Development course and £271 for a Hairdressing course, which would have been 67% more.

We have now revised the price to be paid for each price group and more closely aligned these with the historical dominant programme group weights. Table 1 shows the relationship between the old dominant programme groups and new price groups based on the 2012-13 student record returns (FES). Most dominant programme groups are split across three price groups. Our Credit Guidance provides the mapping from individual superclass to price groups that has been used in this exercise.

Table 1 also shows the total number of SUMs in each price group and the total number of WSUMs. We have used these values to derive the average weights that would have been applied to each price group under the old WSUM system.

*Table 1: Dominant programme group and price group overlap*

Dominant programme group	Weighting	SUMs	Price group 1	Price group 2	Price group 3	Price group 4	Price group 5
Social Studies	0.7434	231,094	127,990	101,464	1,641	0	0
Business & Management	0.8384	123,262	103,996	13,929	5,337	0	0
Personal Development	0.8722	29,994	16,716	10,064	3,213	0	0
Computing	0.9561	119,033	3,831	113,398	1,776	28	0
Health	0.9561	293,596	32,055	115,899	144,992	650	0
Science & Maths	0.9561	52,364	11,960	38,561	1,838	6	0
Office & Secretarial	0.9561	31,091	8,590	22,501	0	0	0
Social Work	0.9561	76,207	3,209	72,998	0	0	0
Art & Design	1.0472	168,669	6,234	156,349	6,086	0	0
Sport & Recreation	1.0472	105,884	2,162	103,026	696	0	0
Food Technology & Catering	1.1757	66,938	3,166	2,331	61,441	0	0
Minerals & Materials	1.1757	19,263	782	15,419	3,061	0	0
Construction	1.2616	148,326	5,541	5,383	137,402	0	0
Engineering	1.2616	142,417	1,616	6,682	134,119	0	0
Printing	1.2616	1,517	0	548	969	0	0
Transport	1.2616	57,223	1,416	101	55,706	0	0
Agriculture & Horticulture	1.5232	43,456	3,033	10,494	24	29,906	0
Special Programmes	1.8000	133,811	0	0	0	0	133,811
<b>Total SUMs</b>		<b>1,844,145</b>	<b>332,297</b>	<b>789,146</b>	<b>558,300</b>	<b>30,590</b>	<b>133,811</b>
<b>Total WSUMs</b>		<b>1,985,265</b>	<b>282,818</b>	<b>767,793</b>	<b>647,587</b>	<b>46,207</b>	<b>240,860</b>
<b>aggregate weight for price group</b>		<b>1.077</b>	<b>0.851</b>	<b>0.973</b>	<b>1.160</b>	<b>1.511</b>	<b>1.800</b>

Our revised prices are now in line with how courses would have been funded under the WSUMs method. Group one has been costed at £185 per Credit, price group two at £216.69 per Credit, and price group three at £260 per Credit.

Price group five (group 18) was worth 11% of all WSUMs delivered in 2012-13. Our total gross grant for 2014-15 was worth £455 million which would suggest funding of around £50 million for price group five courses.

We have costed price group five at £360 per Credit which means our 137,776 Credits in this price group will attract £50 million.

Price group four is mainly for specialist agricultural courses. These will now attract £347 per Credit which is in line with the historical weights for this activity. By more closely aligning our prices with the historical weights we will reduce the change in funding from previous years. Table 2 below shows the funding that colleges will receive for delivering a full-time course for each price group.

*Table 2: Gross price to be paid for a full-time student*

	Price group 1	Price group 2	Price group 3	Price group 4	Price group 5
Price per credit	£185.00	£216.69	£260.00	£347.00	£360.00
price for delivering 15 credits to a full time student	£2,775	£3,250	£3,900	£5,205	£5,400
price for delivering 16 credits to a full time student	£2,960	£3,467	£4,160	£5,552	£5,760
price for delivering 18 credits to a full time student	£3,330	£3,900	£4,680	£6,246	£6,480
price for delivering 20 credits to a full time student	£3,700	£4,334	£5,200	£6,940	£7,200

price includes fees from SFC and other sources

## Extended Learning Support

Our [first simplification newsletter](#) stated that Extended Learning Support (ELS) funding was worth £44 million. Our previous funding model recognised that students from deprived areas also required additional support to improve retention and achievement. We believe there has been considerable overlap between our ELS and deprived postcode 'retention and achievement' policies and have, therefore, taken the decision to use £6 million of these funds to enhance our

ELS funding premium to £50 million to ensure every region in Scotland has sufficient funds to provide the necessary support to the local student population.

In 2012-13, ELS funding was worth 9.6% of all gross funding. Regional claims ranged from 6.9% to 14.9% of their funding. From 2015-16 we will use the additional £6 million to uplift the ELS funds to at least 10% of total funding for all regions. Those regions that were above that level will continue to receive the

higher amount. These additional funds will increase the levels of funding to support those from the most deprived areas and in need of specialist learning support.

We accept that there is a need to better understand how ELS funding has been used and will commission a piece of research to look into its operation across the sector. This will help us identify best practice and inform monitoring and reporting requirements. We plan to start the research project in the New Year.

Colleges should continue to report ELS activity through FES and prepare PLSPs for 2015-16. Our Outcome Agreement teams will begin discussions with colleges who receive an increase in ELS funding early in the New Year to discuss how the colleges plan to use this funding.

As discussed in our previous newsletter, regions will be able to agree cost neutral transfers between their Credit and ELS funding streams with their Outcome Agreement Manager.

We also plan to update our Outcome Agreement Guidance for 2016-17 onwards to explicitly seek out evidence of the outcomes and the impact that these funds have for students. This will be informed by our research project and sector expertise. Colleges improve the opportunities of thousands of people per year with this funding and our Outcome Agreements should ensure this is recognised.

### **Rural and Social Inclusion Funding**

We will continue to provide an additional premium to help recruit those from the most deprived areas. In 2010-11 we provided £15 million in funding premiums to help with recruitment and 'retention

and achievement' of students from the most deprived postcodes. The ELS premium has now absorbed £6 million of the 'retention and achievement' element but we will provide an additional £8 million premium to help recruit students from the 20% most deprived areas. Previously we suggested a £6.75 million premium targeted towards the 10% most deprived areas.

These funding streams, plus the additional places allocated to deprived postcode areas, will ensure that colleges can continue their role in serving those areas in most need of their support.

In terms of rural funding, we are committed to a review of rural funding to begin early 2015. We have allocated £8 million in rural funding for 2015-16. We allocated a £7.9 million rural premium in 2010-11 and, therefore, the available funding is in line with historical spend.



### **Student Support**

We plan to revise our student support allocations model for 2015-16 to better align funding with need, and to reduce the need for in year distributions. A working group has been looking at options in this area and we hope to make some headway in time for our indicative allocations in January.

## Updated funding arrangements

We have already agreed with the College Funding working group that there would be no change in funding for any region in 2015-16 unless there was a change in Credit targets, but at our simplification workshop we presented a range of options with colleges losing out by as much as -6.2% in one option and -1.6% in another over the longer term.

Our revised policies will mean that no college region would lose out by more than 0.8% over the longer term as a result of the change to our funding methodology, although the reduction could be greater if the region also sees a reduction in Credit

targets. This reduction is after historical efficiencies have been applied and would only be fully implemented over a manageable transitional period. As we are working to a balanced budget, limiting the losses also limits the gains and, therefore, no college will see a significant increase in their funding as a result of these changes to our funding method.

The Funding Group had requested that the new funding method be implemented in such a way as to minimise the change in funding seen by any region. The 1% guarantee for 2015-16 helps meet this need and our updated prices and policies should minimise any changes in funding over the longer term.



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