

Outcome Agreements for colleges - final funding decisions for AY 2015-16

1. This note provides details of the Scottish Funding Council's (SFC) final decisions on funding Outcome Agreements for academic year (AY) 2015-16. On 30 January 2015 (SFC/AN/02/2015) we provided indicative figures for colleges to allow them to finalise outcome agreements for 2015-16. At that time the figures for colleges could not be finalised until the budget bill has been agreed by the Scottish Parliament. The budget bill was passed on 11 March 2015 and there was no change to the overall funding for colleges.

Overall available funds for the college sector

2. The overall total funding for the college sector remains as agreed in January 2015. For AY 2015-16 we will allocate around £530.3 million. This is the same as our financial year (FY) budget for 2015-16. 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 FY. We will continue the current criteria and arrangements for the Employability Fund.
3. The decisions on funding are in line with the Ministerial Letter of Guidance of 31 July 2014. The Scottish Government's main priorities for the college sector continue to be:
 - maintaining student numbers;
 - delivering Opportunities for All; and
 - increasing youth employment.
4. The scale of the Scottish 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.
5. 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.

6. The overall budget breakdown is set-out in Table 1. In addition to revenue funding 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

7. 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.
8. 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.
9. 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 Ministerial Letter of Guidance.
10. 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 from WSUMs to Credits in AY 2015-16.
11. 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.
12. 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 AYs 2014-15 to 2015-16 as a result of the new credit method and demographic changes.

| Region | Change in funding |
|---|-------------------|
| West Lothian | +3.5% |
| Borders | +2% |
| Dumfries & Galloway, Glasgow, Lanarkshire | +1% |
| Dundee & Angus, Forth Valley, Highlands & Islands, SRUC, Newbattle, SMO | 0% |
| Ayrshire, North East, Edinburgh & Lothians, Fife, West | -1% |

13. At the time of the indicative funding announcement, funding for Ayrshire was being maintained at 2014-15 levels. Since then the college has agreed to maintain 2014-15 activity levels but through a reduction of core funds balanced by additional ESF funding. Borders and West Lothian funding was to be increased by 1%, but they have had some additional growth redistributed from Ayrshire which takes them above the 1% increase, to 2% and 3.5% respectively.

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%. Following on from applying this uplift we have redistributed the funds within the overall student support pot in order to reflect the revised method of calculating childcare, which is based on the number of students multiplied by the median allocation for the sector. Colleges retain the ability to move student support between headings in order to best meet the needs of their college. The final distribution of student support is the same as the indicative funding announcement, with the exception of Ayrshire, Borders and West Lothian where we have adjusted student support in line with the redistributed activity funding set-out above in paragraph 13.
15. The distribution of this budget is based on the AY 2014-15 initial allocations plus the best estimate of in-year funds which we received from colleges in January 2015. 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. 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.

Strategic funds

17. 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.

European funds

18. 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”*.
19. 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 (YEI) - South West Scotland colleges
 - European Social Funds (ESF) - Lowland and Uplands Scotland (LUPS) colleges
 - Highlands & Islands ESF transitional funding
 - Higher level skills (HE articulation and taught postgraduates)
20. 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.
21. 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.

22. For colleges we have set aside match funding of £8 million for 2015-16 (around £5.5 million for teaching and £2.5 million for student support). This match funding should lever in an additional £11.5 million ESF (that is £9.3 million YEI and £2.2 million ESF LUPS).
23. At this stage we cannot confirm funding allocations until our final application with projected outputs and outcomes has been formally approved. As we expect similar amounts of funding in AYs 2016-17 and 2017-18, we will be working with colleges to plan delivery of core and additional ESF provision over the three year period.
24. Included in the attached tables are indicative ESF allocations (YEI and LUPS). These are subject to final confirmation of funding from Scottish Government and, in some cases, further discussion with individual colleges.

Capital and Maintenance funding

25. We have allocated £25.5 million for college infrastructure in FY 2015-16. Of this, £5.5 million is ring-fenced for specific project investment. We have allocated 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. (We will be in contact with colleges shortly to agree the apportionment.)
26. Capital funding allocations must only be used for items which can be capitalised, including IT. Maintenance funding allocations must only be used for building maintenance, which is not capitalised.
27. Looking forward, SFC is in the process of working with the college sector to develop a ten-year investment strategy for estates infrastructure.

Funding tables

28. 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

Further information

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