



# SFC Announcement

## Outcome agreement funding for colleges – indicative allocations for 2019-20

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Summary: Announcement of indicative college outcome agreement funding allocations for Academic Year 2019-20.

FAO: Principals / Directors and Board Secretaries of Scotland's colleges.

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## **Outcome agreement funding for colleges – indicative allocations for AY 2019-20**

1. I am writing to provide you with initial Scottish Funding Council (SFC) decisions on indicative outcome agreement funding for colleges in Academic Year (AY) 2019-20.
2. The purpose of providing these indicative allocations is to help colleges plan their provision and for SFC to move towards finalised outcome agreements for AY 2019-20.
3. The indicative allocations set out in this announcement are based on the progress colleges have made towards meeting the targets outlined in their previous outcome agreements. Final funding allocations will reflect, in particular, the extent to which the targets and commitments in draft outcome agreements for AY 2019-20 meet SFC's national aspirations, as identified in our outcome agreement guidance. Should SFC conclude that an outcome agreement is unsatisfactory, we will make the appropriate adjustments to final funding allocations.
4. This approach supports the delivery of SFC's Strategic Plan and is in line with our outcome agreement guidance. It is also consistent with the Minister for Further Education, Higher Education and Science's [Outcome Agreement Guidance Letter](#) of 14 November 2018 and the additional [Joint Strategic Guidance](#) provided to enterprise and skills agencies on 11 January 2019.
5. The indicative funding decisions set out in this announcement are based on the Scottish Government's draft [Scottish Budget 2019-2020](#), announced in December 2018, which was approved by the Scottish Parliament on 21 February 2019.

### **Key points**

6. The key points in this indicative funding announcement for AY 2019-20 are:
  - Teaching funding has been increased to meet the identified national bargaining harmonisation / job evaluation costs – an increase of c.£10 million.
  - Student activity (credit) targets are unchanged from AY 2018-19.
  - Student support funding has increased by c.£7 million to allow colleges to further implement the recommendations of the Review of Student Support.
  - Strategic funding has decreased by c.£6 million.
  - Capital funding has decreased by c.£29 million, partly due to the phasing of the investment in Forth Valley College's new Falkirk campus (which is due for completion in 2019-20).

## Scottish Budget

7. The Cabinet Secretary for Finance and the Constitution announced the draft (now approved) '[Scottish Budget 2019-2020](#)' on 12 December 2018 which "invests £600 million in colleges...to develop our future talent and innovation".
8. In 2019-20, the Scottish Government will:

- "Guarantee that higher education will remain free of tuition fees for all eligible Scottish or EU-domiciled undergraduate students studying in Scotland.
- Ensure every eligible care-experienced student receives a full £8,100 non-repayable bursary to finance their studies.
- Ensure that the poorest HE students receive increased bursary support and increased access to bursaries through improvements to the HE bursary threshold."

9. The Scottish Budget in 2019-20 will:

- Provide "continued investment in further and higher education, with a focus on enabling equal access to learning and skills opportunities.
- Continue to take forward actions through our Science, Technology, Engineering and Mathematics (STEM) education and training strategy to improve the supply of STEM and strengthen partnerships between schools, colleges, universities, science centres and employees.
- Invest in additional capacity in relevant courses in Scotland's colleges and universities and in apprenticeship programmes to expand the (Early Learning and Childcare) workforce.
- Support the internationalisation of our universities and colleges including access for Scottish students to take part in international exchanges and to attract talented students to study in Scotland.
- Continue to work with the public, private, and university and college sectors to drive forward our Innovation Action Plan – taking action to support innovation across businesses, sectors and places, using public sector spend to catalyse innovation, and make best use of the research, knowledge and talent of our universities and colleges to drive innovation and growth. *(continued)*

- Improve mental health services for young people and provide support in schools, colleges, universities.
- Provide access to free sanitary products in schools, colleges and universities and extend access to those on a low income who require them.”

10. The SFC budget “invests in Scotland’s colleges and universities, to develop well-educated, highly skilled people and drive inclusive economic growth through skills, research and innovation. In 2019-20 the Scottish Government will work with SFC to:

- Play a leading role in improving Scotland’s skills base by aligning our investment and activities with public sector partners and ensuring that provision in colleges and universities supports employability and productivity in line with the vision set out in the Enterprise and Skills Strategic Plan and our Economic Action Plan.
- Enable learners to move through education into fair work through continuous improvement in learner outcomes; and progressing the ambitions of our Developing the Young Workforce and Learner Journey programmes.
- Deliver key commitments in the STEM Education and Training Strategy to ensure further and higher education provision meets the needs of employers in Scotland.
- Work with colleges to develop initiatives that will work towards reducing child poverty rates.
- Maximise the impact of our investment in research, innovation and internationalisation to support a thriving, outward-looking Scotland.
- Champion diversity at all levels, from course choices to the make-up of senior staff and boards.
- Support all learners to achieve their full potential in education by continuing to make progress towards equal access to higher education by 2030; fund improvements to further education bursary support; support the sector to tackle gender-based violence through Equally Safe; and support students’ mental health and wellbeing, including providing additional counsellors across the sector. *(continued)*

- Provide up to £22.7 million to complete the construction of Forth Valley College’s new campus in Falkirk.
- Continue funding to support the college sector in maintaining the college estate.
- Maintain at least 116,000 full-time equivalent college places.”

11. The Budget paper contains a note on the potential impact on the budget of Brexit outcomes – “If Brexit can be avoided, those resources currently invested in contingency planning and mitigation can be reinvested into our public services and economy. However, if we face a no deal or cliff-edge Brexit I will have to return to Parliament to reassess our spending priorities”.

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

12. The Further Education (FE) Resource budget for FY 2019-20 was announced as £606.5 million; an £18.3 million (3.1%) increase from FY 2018-19.
13. The College Capital budget was announced as £47.6 million; a £29.1 million decrease. This budget includes a funding commitment of £22.7 million to complete Forth Valley College’s new estate project.
14. In setting SFC’s indicative Academic Year (AY) revenue budget for 2019-20, we span two Financial Years (FYs) 2019-20 and 2020-21. We do not have any information on the Scottish Government’s plans for FY 2020-21 and beyond, and as such have planned on the basis of flat cash. On that basis, SFC has set a College revenue budget for AY 2019-20 of £609.6 million as shown in [Table 1](#), which represents an increase of c.£10 million (1.7%) compared with AY 2018-19. (This is the FY budget converted to an AY budget, taking account of the proportion of the FY 2019-20 budget that is already committed to AY 2018-19.)

### **Teaching funding**

15. As set out in [Table 2](#), for AY 2019-20 SFC has increased its core Teaching funding grant by £10.1 million, from £454.0 million to £464.1 million; an overall increase of 2.2%.

### **National Bargaining costs**

16. The costs of the harmonisation / job evaluation related to National Bargaining, down to individual institution level, are taken from information collated and provided by Colleges Scotland.

17. In AY 2019-20 we are providing an uplift to all college / region teaching allocations (excluding SRUC) to ensure that there are sufficient funds to meet the cost of national bargaining harmonisation / job evaluation requirements. This means that not all colleges / regions need or have received the same increase. Over time, SFC intends to return to a simplified 'price x volume' model.
18. Our funding for national bargaining for AY 2019-20 is in addition to funds allocated for AY 2018-19, taking into account the latest information on staff full-time equivalent numbers and salaries. AY 2018-19 in-year changes were detailed in [SFC/AN/03/2019](#). [Table 2](#) shows £10.1 million will be allocated for national bargaining in AY 2019-20 as part of colleges' core teaching funding allocations.
19. [Table 2A](#) shows that within the overall funding available for national bargaining, around £12.3 million has been identified as the costs associated with support staff and middle management job evaluation in AY 2018-19 and AY 2019-20. This is currently an estimated cost as the process of job evaluation is not complete. This element of funding will be held back until there is greater clarity on how these funds should be allocated across the sector.
20. It remains a condition of this additional funding that incorporated colleges are implementing national bargaining. We are currently undertaking consultation with non-incorporated colleges (which are currently shadowing the national bargaining arrangements) as it is our intention that these colleges formally sign up to the National Recognition and Procedures Agreement in order to continue to receive the harmonisation / job evaluation funding in AY 2019-20. As this funding is intended to support the costs of implementing the agreement, funding will be withheld if a college does not observe the terms of the agreement.

#### **AY 2019-20 student activity targets**

21. The Scottish Government has reaffirmed its commitment to maintain c.116,000 Full-Time Equivalent (FTE) student places. The core teaching grant allocated for AY 2019-20 should enable the sector to once again meet this student activity commitment by delivering c.1.7 million core credits.
22. SFC uses its demographic model to inform the decision of the allocation of places to colleges / regions and we have updated that model to take account of the increased priority for older learners and part-time study. Our demographic model always works in partnership with other indicators such as historic performance against activity targets.

23. We have had a consultative process with the sector on revising our demographic model, which provides an evidence base for setting college / region activity targets. Based on the feedback from the sector, we intend to revise the current model and have further discussion over the coming months. We said that we did not intend to change the college / region credit targets for AY 2019-20, as the new model is not yet finalised. We have therefore rolled forward the credit targets from AY 2018-19.
24. We also consulted on a method of managing the recovery of funds which would incentivise 'early warning', if a college / region was at risk of falling short of its activity targets. We have informed colleges of our revised process which involves getting formal sign-off from colleges / regions in-year on their expected final credit activity value. Where a college / region cannot confirm that it expects to meet its credit target, we will use this information to transfer credits to other colleges / regions that would be able to deliver additional activity.
25. To encourage colleges to transfer credits where this is appropriate, we will agree with colleges the terms on which transfers will happen including the level of funding that could be retained by the college / region giving up this activity. To make this cost-neutral, the college / region agreeing to take on additional activity will be asked to do so at a reduced credit price. We are currently implementing this in-year re-allocation process for AY 2018-19. As a result there will be some transfers of credits between colleges, however these do not impact on AY 2019-20 credit targets.
26. Individual college / region core activity targets for AY 2019-20 are therefore unchanged at the moment and set out in [Table 3](#).
27. Looking ahead (beyond 2019-20), SFC intends to continue the work on a revised demographic model, as detailed above, and we are reviewing the college funding model in order to address the effects of national bargaining.

### **Early Learning and Childcare workforce**

28. The Scottish Government budget "also supports the landmark increase in early learning childcare provision". Colleges have been delivering additional activity to train childcare professionals over the last two years.
29. We have been working with colleagues in the Scottish Government's Early Years Education division and in order to meet their target output for trained childcare professionals, we still require a substantial amount of activity in AY 2019-20. Our current estimate is that the college sector will be expected to deliver c.50,000 credits in AY 2019-20 (the same as in AY 2018-19 as shown in

[Table 3A](#)), but this is still to be confirmed. Colleges will be expected to fund this activity as a priority from their core teaching funds.

### **European Social Funding**

30. We continue, as in previous years, our commitment to provide on-going match funding for our European Social Fund (ESF) programme. We have therefore set aside c.£8 million as SFC's match-funding commitment for colleges in AY 2019-20, the same amount as last year.
31. SFC will allocate total funding of c.£13 million to colleges for the delivery of additional ESF activity in AY 2019-20, which includes an assumed ESF contribution from the European Commission of c.£5 million, subject to the submission of successful claims to the Scottish Government. This excludes UHI-partner colleges in the Highlands & Islands transitional region (that are funded separately through HE match-funding via UHI). ESF funding is shown in [Table 2](#) and the associated activity (credit) targets in [Table 3](#).

### **Flexible Workforce Development Fund**

32. Under the 'Providing Jobs and Skills for the Future' section of the budget document, there is a commitment to "continuing to deliver the £10 million Flexible Workforce Development Fund" (FWDF).
33. This will be the third year of the FWDF which was set-up as a pilot programme in AY 2017-18. Its purpose is to provide employers with training opportunities to support inclusive growth through up-skilling / re-skilling employees. This was in response to feedback from the Scottish Government's consultation on the introduction of the UK Government Apprenticeship Levy.
34. At this point we are budgeting for the continuation of the current FWDF programme and we have set aside £6 million from our core budget and we expect an additional £4 million of additional funds will be transferred in-year to maintain a total budget of £10 million in AY 2019-20.
35. We continue to monitor this programme and liaise with colleagues in the Scottish Government to refine and improve the efficiency and effectiveness of the programme to meet the Government's objectives.

### **College / university articulation places**

36. Streamlining the learner journey by encouraging articulation between colleges and universities remains a priority for SFC. This was further emphasised in a letter to the Chair of SFC in October 2017 which set out the Minister's expectations that "SFC, alongside universities and colleges, closely monitors the expansion of articulation to ensure it continues to support disadvantaged

learners to progress to degree level study. Where this is not achieved my expectation is, in line with the recommendation, that a proportion of articulation places will be prioritised for disadvantaged learners”.

37. To support this priority area, SFC reviewed the additional articulation places (associate students) scheme in AY 2017-18. The scheme proved successful in increasing the number of articulating students and – with some minor exceptions – the additional places have been filled. We are, therefore, proposing no change to the additional articulation places scheme for AY 2019-20, subject to satisfactory outcome agreement targets with the universities that receive these places. Colleges (and universities) should continue with current arrangements to meet the priorities set out by the Minister to expand articulation and ensure it continues to support disadvantaged learners to progress to degree level study.
38. As discussed and emphasised in previous SFC guidance, we expect 75% of additional articulation (Associate students) funding for those years in which activity is delivered in colleges to be transferred from universities to colleges. SFC will continue to monitor the transfer and impact of this funding.

### **Student support**

39. In AY 2018-19 SFC’s initial budget for student support was £111.0 million, with an additional £4.8 million to be allocated for the implementation of the independent review of student support funding, a total of £115.8 million. This has been increased to £122.8 million for AY 2019-20 ([Table 4](#)); an increase of c.£7 million (6%). This should allow colleges to further implement the recommendations of the Independent Review of Student Support.
40. We expect some demographic changes in the college student population, for example some shift from full-time to part-time provision, which does have implications for student support. We expect that this level of funding, given the demographic changes, will be sufficient to address the review recommendations, in particular:
  - Make bursary level funding available to 18-19 year old students, rather than the lower Education Maintenance Allowance.
  - Increase the maximum annual FE bursary to £4,500pa (£104.65pw when divided by 43 weeks). This is an increase of £5.86 (5.9%) on the 2018-19 weekly maximum of £98.79.
  - Continue to provide Care Experienced students with a bursary of £8,100.

## **Strategic funds**

41. A portion of SFC's annual funding for colleges is earmarked for strategic investments. Strategic funds are used for:
- Services which are best procured on a sector-wide basis, such as Advanced Procurement for Universities and Colleges (APUC), Joint Information Systems Committee (JISC), Education Scotland and College Development Network.
  - Leveraging in other funds to support SFC's strategic objectives and Scottish Government priorities.
  - Driving change or to kick-start new activity.
  - Financial sustainability requirements.
42. The budget for Strategic projects / grants in AY 2018-19 totalled £14.9 million. To ensure that SFC sets a balanced budget for AY 2019-20, the indicative budget for Strategic funds has been reduced by £6.2 million to £8.7 million.

## **Mental health**

43. The Scottish Government's Programme for Government outlines a radical reform of the way we respond to mental ill-health. As part of that, the Government has committed to "providing more than 80 additional counsellors in Further and Higher Education over the next four years." We expect additional ring-fenced funds to be transferred to SFC from the Scottish Government for this purpose and will be working with the college sector on setting a baseline for monitoring this activity and a method of allocating this funding. We anticipate being able to finalise details by the time we announce final outcome agreement funding decisions.

## **Free sanitary provision**

44. SFC anticipates that a further year's funding for the provision of free sanitary products in colleges will be announced in due course. We are currently working with the Scottish Government to confirm funding for FY 2019-20.

## Capital

45. The total indicative Capital funding budget for colleges in FY 2019-20 is £47.6 million. Taking into account estate project funding commitments, including £22.7 million for Forth Valley College's new campus project, there is £21.0 million available for backlog and lifecycle maintenance.

<b>Capital budgets</b>	<b>£ million</b>
Forth Valley College new campus	22.7
College backlog and lifecycle maintenance plans	21.0
Support for business cases for the highest priority campuses	1.5
Fife College 'very high' priority maintenance	1.4
New College Lanarkshire (loan repayment)	1.0
<b>Total Capital funding for colleges</b>	<b>47.6</b>

46. The sector's backlog and lifecycle maintenance needs far exceed the level of funding available. Therefore the overall aim for SFC's allocation methodology is to ensure we provide a contribution towards these two elements of capital need. Both are important because:
- Backlog maintenance needs to be addressed to ensure historic poor condition is addressed.
  - At the same time colleges need to have some capacity to address their lifecycle maintenance requirements, otherwise future backlog maintenance requirements will escalate.
47. SFC has set out in [Table 5](#) an allocation method which will allow us to make a contribution to both the sector's backlog and lifecycle needs. This represents the most transparent and best value methodology for allocating the available capital funds.
48. The model allocates some funding based on the amount of backlog maintenance costs and some on lifecycle maintenance costs based on the volume of credits at a college. It uses the following 'high costs': 'credits' ratio which mirrors annual costs to the sector:
- c.60% based on 'high' backlog maintenance costs (identified in the 2017 estate condition report).
  - c.40% based on lifecycle maintenance costs (based on recent work with two colleges to estimate sector-wide lifecycle maintenance costs).

49. Therefore we have allocated the £21.0 million in these proportions, resulting in a total of £12.4 million based on high priority backlog maintenance and £8.6 million based on share of the sector's volume of activity (credit) target.

## Tables

50. We have attached the following tables for AY 2019-20:

- [Table 1 – College sector – overall indicative budget for AY 2019-20.](#)
- [Table 2 – Indicative teaching funding allocations for AY 2019-20.](#)
- [Table 2A – Indicative national bargaining harmonisation / job evaluation allocations for AY 2019-20.](#)
- [Table 3 – Indicative student activity \(credit\) targets for AY 2019-20.](#)
- [Table 3A – Indicative childcare activity \(credit\) targets for AY 2019-20.](#)
- [Table 4 – Indicative student support funding allocations for AY 2019-20.](#)
- [Table 5 – Indicative capital funding for FY 2019-20.](#)

## Further information

51. SFC will confirm final AY 2019-20 funding allocations and provide further information in our Final Outcome Agreement Funding announcement in May 2019.

52. For further information, please contact Lorna MacDonald, Director of Finance, tel: 0131 313 6690, email: [lornamacdonald@sfc.ac.uk](mailto:lornamacdonald@sfc.ac.uk) or Martin Smith, Chief Funding & Information Officer, tel: 0131 313 6528, email: [msmith@sfc.ac.uk](mailto:msmith@sfc.ac.uk).



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