



SFC Announcement

Outcome agreement funding for colleges – final allocations for 2019-20

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

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

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Outcome agreement funding for colleges – final allocations for 2019-20

1. I am writing to provide you with the Scottish Funding Council's (SFC) final decisions on outcome agreement funding for colleges in Academic Year (AY) 2019-20.
2. SFC announced indicative college outcome agreement funding allocations for 2019-20 on 28 February 2019 ([SFC/AN/05/2019](#)). In the main, the final funding allocations set out in this announcement are broadly unchanged from that publication. However the changes that have taken place are set out in a later section (paragraph 16).
3. The final funding allocations set out in this announcement reflect the extent to which the targets and commitments in AY 2019-20 outcome agreements meet SFC's national aspirations, as identified in our [College Outcome Agreement Guidance 2019-20](#).
4. This approach supports the delivery of SFC's Strategic Plan and is 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 final 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 in February 2019.
6. All references to 'college(s)' in this document refer to both colleges and college regions (as appropriate), unless specifically identified.

Key points

7. The key points in this final funding announcement for AY 2019-20 compared to AY 2018-19 are:
 - Teaching funding has been increased to meet the identified national bargaining harmonisation / job evaluation costs – an increase of c.£10 million (paragraphs 18-22).
 - Student support funding has increased by c.£7 million to allow colleges to further implement the recommendations of the Review of Student Support (paragraphs 40-41).
 - Funding for 'other programmes' has decreased by c.£6 million (paragraphs 42-43).
 - Capital funding has decreased by c.£29 million, partly due to the investment phasing of Forth Valley College's new campus (paragraphs 47-51).

Scottish Budget

8. The Cabinet Secretary for Finance and the Constitution announced the draft '[Scottish Budget 2019-2020](#)' on 12 December 2018 which maintains the Scottish Government's investment of "...£600 million in colleges...to develop our future talent and innovation".
9. 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."

10. 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.
- 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.”

11. 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.
- 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.”

12. The Budget paper contains a note on the potential impact 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”. As set out in our Conditions of Funding ([Annex A](#)), if the Scottish Government revises its grant funding to SFC, we reserve the right to make in-year adjustments to funding. In this case, SFC would renegotiate the terms of its outcome agreements with colleges.

Overall funds available for college sector

13. The Further Education (FE) Resource budget for Financial Year (FY) 2019-20 was announced as £606.5 million; an £18.3 million (3.1%) increase from FY 2018-19.
14. 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.
15. In setting SFC’s AY Revenue budget for 2019-20, we span two FYs 2019-20 and 2020-21. SFC does not have any information on the Scottish Government’s plans for FYs beyond 2019-20, and as such has planned on the basis of ‘flat cash’ for FY 2020-21. On that basis we have set a College Revenue budget for AY 2019-20 of £609.6 million, which represents an increase of £9.8 million (1.6%) compared with AY 2018-19. This is shown in [Table 1](#).

Changes from indicative funding announcement

16. Core teaching funding allocations for AY 2019-20 remain unchanged from the indicative outcome agreement funding announcement in February ([SFC/AN/05/2019](#)). Core activity targets also remain unchanged, with the exception of one region where we have reduced the credit target by 2,000 (see paragraph 26). This reduces the sector-wide credit target for AY 2019-20 (see [Table 3](#)). We have also made a small reduction to the childcare credit target for AY 2019-20 associated with the expansion in Early Years Education (see paragraph 30) along with a small change to European Social Fund (ESF) allocations / credit targets (see paragraph 33 and [Table 2](#) / [Table 3](#)).

Teaching funding

17. SFC has increased its core Teaching funding grant for AY 2019-20 by £10.1 million; from £454.0 million (in AY 2018-19) to £464.1 million, an overall increase of 2.2%. This is shown in [Table 2](#) and is unchanged from the indicative funding announcement.

National bargaining costs

18. 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.
19. SFC is providing an uplift to all college teaching allocations (excluding SRUC) in AY 2019-20 to ensure that there are sufficient funds to meet the cost of national bargaining harmonisation / job evaluation requirements. This means that not all colleges need or have received the same increase. Over time, we intend to return to a simplified 'price x volume' (plus premia) funding model.
20. SFC 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 (FTE) 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. (This may be subject to in-year changes if revised staff information is received by SFC.)
21. [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.
22. It is a condition of this additional funding that both incorporated and non-incorporated colleges are implementing national bargaining. Following our consultation with the non-incorporated colleges we now require non-incorporated colleges to 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

23. The Scottish Government has reaffirmed its commitment to maintain c.116,000 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.
24. SFC uses its demographic model to inform the decision of the allocation of places to colleges 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.

25. SFC has had a consultative process with the sector on revising our demographic model, which provides an evidence base for setting college activity targets. We said that we did not intend to change the college credit targets for AY 2019-20, as the new model was not yet finalised. We therefore rolled-forward the credit targets from AY 2018-19 for the indicative funding announcement.
26. However for this final announcement, after further outcome agreement consideration, we have reduced the credit target for Lanarkshire Region by 2,000 credits. This reduces the sector-wide core credit target for AY 2019-20 to 1,692,354. Final individual college core activity targets for AY 2019-20 are shown in [Table 3](#).

In-year transfer of activity

27. SFC has also consulted on a method of managing the recovery of funds which would incentivise 'early warning' if a college were at risk of falling short of its activity targets. We have informed colleges of our revised process which involves obtaining formal in-year sign-off on their expected final credit activity value. Where a college cannot confirm that it expects to meet its credit target, we will use this information to transfer credits to other colleges that would be able to deliver additional activity.
28. To encourage colleges to transfer credits where this is appropriate, SFC will agree with colleges the terms on which transfers will happen, including the level of funding that could be retained by the college giving up this activity. To make this cost-neutral, the college agreeing to take on additional activity will be asked to do so at a reduced credit price. We recently completed this in-year re-allocation process for AY 2018-19 and, as a result, there have been some transfers of credits between colleges. These transfers however do not impact on AY 2019-20 credit targets. Looking ahead (beyond 2019-20), SFC intends to continue the work on a revised demographic model and we are reviewing the college funding model in order to address the effects of national bargaining.

Expansion of Early Years Education

29. The Scottish Government budget "also supports the landmark increase in early learning childcare provision" and colleges have been delivering additional activity to train childcare professionals over the last two years. SFC has been working with colleagues in the Scottish Government's Early Years Education division to confirm the volume of activity for AY 2019-20 that is required to meet their target output of trained childcare professionals.

30. The number of childcare credits that colleges are expected to deliver in AY 2019-20 is 46,440 credits as shown in [Table 3A](#). This is a reduction from the indicative funding announcement and the activity target for AY 2018-19, and is for HNC/SVQ (SCQF level 7) provision and Professional Development Awards (PDAs). A breakdown of activity is shown in [Table 3A](#). Colleges are expected to fund this activity, as a priority, from their core teaching funds.

European Social Funding

31. 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.
32. 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 the University of the Highlands & Islands (UHI)-partner colleges in the Highlands & Islands transitional region that are funded separately through university match-funding (via UHI).
33. ESF activity targets and funding for AY 2019-20 are broadly unchanged from the indicative announcement (a marginal sector decrease of c.140 credits / £38k) and are shown in [Table 3](#) and [Table 2](#) respectively.

Flexible Workforce Development Fund

34. The approved 2019-20 Scottish Government budget provided a commitment to "continuing to deliver the £10 million Flexible Workforce Development Fund" (FWDF). This will be the third year of the FWDF which was set-up as a pilot programme in AY 2017-18 in response to feedback from the Scottish Government's consultation on the introduction of the UK Government Apprenticeship Levy. Its purpose is to provide Apprenticeship Levy-paying employers with training opportunities to support inclusive growth through up-skilling / re-skilling employees.
35. SFC is budgeting for the continuation of the current FWDF programme and we have set aside £6 million from our core budget. We expect an additional £4 million will be transferred in-year from the Scottish Government to maintain a total FWDF budget of £10 million in AY 2019-20 (the same as in AY 2018-19).
36. We are currently liaising with Scottish Government officials to establish how the programme will operate and expect guidance to be published in the summer.

College / university additional articulation places

37. 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".
38. Following a review, SFC announced last year that there would be no change to the additional Articulation places 'Associate Student' scheme for AY 2018-19 and AY 2019-20, subject to satisfactory outcome agreement targets with the universities that receive these places. Colleges (and universities) are therefore asked to continue with the current arrangements for AY 2019-20 and to meet the priorities set out by the Minister to expand articulation, ensuring they continue to support disadvantaged learners to progress to degree level study. This will be monitored by way of targets set through the outcome agreement process.
39. SFC continues to expect 75% of additional articulation funding for Associate students to be transferred from universities to colleges, for those years in which activity is delivered in colleges. We will continue to monitor the transfer and impact of this funding.

Student support

40. SFC's initial budget for student support in AY 2018-19 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 £7 million (6%). This should allow colleges to further implement the recommendations of the Independent Review of Student Support.
41. 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.

Other non-core funds

42. A portion of SFC's annual funding for colleges is earmarked for other investments outwith the core grants set out above. These funds are used for:
- Employability and Skills.
 - Access.
 - Effective institutions.
43. The total budget for these 'other programmes' in AY 2018-19 totalled £14.9 million. To ensure that SFC sets a balanced budget for AY 2019-20, the budget has been reduced by £6.2 million to £8.7 million. We will confirm the distribution of this funding shortly.

Mental Health

44. 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." Additional ring-fenced funds will be transferred to SFC from the Scottish Government for this purpose.
45. SFC has been working with the college sector on establishing a baseline for monitoring this activity and a method of allocating this funding. We plan to consult further with the college sector on how best to create a system that enables students to access counselling support within their college / region. A priority within that discussion will be ensuring this investment does not displace existing counselling support available in the region and that it aligns well and builds on existing National Health Service provision. Full details on this new funding stream, including conditions of grant, will be announced in a separate publication in the summer.

Free sanitary provision

46. We will provide a further year's funding for the provision of free sanitary products in colleges. Further details will be announced in a separate publication.

Capital

47. The total Capital funding budget for colleges in FY 2019-20 is £47.6 million. This represents a decrease of £29.1 million from FY 2018-19, which is partly due to the phasing of the £22.7 million investment in Forth Valley College's new Falkirk campus (which is due for completion in 2019-20). Taking that and other estate project funding commitments into account, there is £21.0 million available for backlog and lifecycle maintenance. This is unchanged from the indicative funding announcement and is shown in the table below:

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
Total Capital funding for colleges	47.6

48. The sector's backlog and lifecycle maintenance needs in FY 2019-20 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.
49. 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 in FY 2019-20. This represents the most transparent and best value methodology for allocating the available capital funds.
50. 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).

51. 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. Individual college allocations, shown in [Table 5](#), have been adjusted to reflect the small changes to the credit targets described in paragraph 26.

Tables

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

- [Annex A](#) – Conditions of grant.
- [Table 1](#) – College sector – overall final budget.
- [Table 2](#) – Teaching funding allocations (including ESF).
- [Table 2A](#) – National bargaining harmonisation / job evaluation allocations.
- [Table 3](#) – Student activity (credit) targets (including ESF).
- [Table 3A](#) – Childcare activity (credit) targets.
- [Table 4](#) – Student support funding allocations.
- [Table 5](#) – Capital funding (for FY 2019-20).

Acceptance of funding

53. This letter announces the final funding that is associated with college outcome agreements for AY 2019-20. Funding is dependent on the agreement of satisfactory outcome agreements. By signing their respective outcome agreement, colleges are agreeing to the activity / funding allocations set out in this announcement and the associated terms and conditions of grant.

Further information

54. For further information, 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.



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