



SFC Consultation

Rural and remoteness funding review consultation

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Summary: To invite comment and feedback on the principles of distributing the rural and remoteness funding across Scotland's college sector.

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

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Rural and remoteness funding review consultation

Introduction

1. This consultation seeks views on a set of principles to form the basis of decisions on how we allocate rural and remoteness funding. The underlying analysis of the rural and remote areas across Scotland - and how these relate to our college regions - is provided in further detail in [Annex A](#).
2. SFC's view is that the way we determine allocation of rural and remote funding should be kept reasonably simple and not driven by complex formula. We want to shift to a greater focus on how funding is being used effectively to meet the needs of rural areas, placing less emphasis on the metrics to generate allocations. In the interests of institutional stability, we do not propose significant short-term funding changes across college regions. Within the Highlands and Islands region (the region that covers the largest area of rural Scotland) the UHI as the regional strategic body is responsible for ensuring that funding is utilised to best effect – including funding to support rural and remote provision. However, the SFC will use the principles we decide following this consultation to inform the Outcome Agreement for the Highlands and Islands region. The funding should help ensure equality of access across and within the college regions.

Background

3. SFC is committed to continue to provide additional funding for college provision in rural and remote areas. Annex A provides an overview of the rural and remoteness funding allocations from AY 2010-11 to the current AY 2017-18.
4. AY 2017-18 rural and remote funding allocations are shown below:

Table 1: Regional rural and remoteness funding 2017-18

	2017-18 funding
SRUC	£1,550,000
North East	£750,000
Highlands & Islands	£4,988,517
Borders	£463,652
Dumfries & Galloway	£821,973
Dundee & Angus	£350,000
	<hr/> <hr/> £8,924,142

5. The current distribution of funding is essentially a legacy – with some amendments – of the metric-driven model used before our wider simplification of college funding, though we have not updated the grant in line with changes in the metrics since then. The previous method of deciding if a college should receive rural and remoteness funding was complex and would work less well under the regional model. Moreover, since it was linked to student numbers (measured as headcount), it would have led to a significant reduction in rural and remoteness funding from those areas where there has been a fall in headcount as colleges have focussed on more substantial courses. Finally, the previous method did not include any method of encouraging or measuring the kind of additional services or provision it was intended to fund. It therefore does not fit well with the outcome agreement approach to funding.

Why do we allocate rural and remoteness funding?

6. Our rationale is that we want students in rural areas – so far as is possible – to have access to the same range and quality of college provision as those in urban areas.
7. In 2010-11 we said that the remoteness element “is intended to recognise specific institutional cost factors that the college is unavoidably subject to, relating to its location or specialist provision. Any such funding is conditional on the college’s agreement to continue to work with colleges with broadly similar characteristics to develop and implement collaborative approaches to improve provision for students from remote, rural and island areas”.
8. The grant letter at that time also stated that we “recognise that there are additional costs associated with operating, for what are often small colleges, in remote (including sparsely populated), rural and island areas of Scotland. The rural and remoteness element aims to reflect the additional costs that such colleges necessarily bear” and are “intended to recognise the consequences of having to provide additional campuses and the subsequent smaller class sizes in sparse populations”.
9. Our view is that these additional cost factors still apply; moreover if colleges, particularly small colleges, have to offer a reasonably broad curriculum in remote and rural areas there are additional costs relating mainly to:
 - College size – not able to make economies of scale.
 - Small class sizes.
 - Multi-campus operations to deliver provision in rural and remote areas.
 - Staff travel, to deliver provision in remote areas (as opposed to student travel which should be covered by student support funds).

Criteria for receiving rural and remote funding

10. Our previous method used the number of students from rural areas and the distance of campuses from other main campuses. We think these work less well in the current college landscape where SFC now funds large regions which sometimes contain single colleges incorporating campuses serving rural areas and – in the case of the Highlands and Islands – contain a number of rural colleges with varying sizes and degrees of remoteness.
11. SFC proposes to move to a simpler method of identifying regions that should receive rurality funding. Through the outcome agreement process, we would work with colleges / regions to ensure the needs of rural and remote areas are met in return for the continuation of this funding.
12. Continuation of the funding and future changes in the level – up or down – of funding would be determined, not by metrics, but through our outcome agreement process, ensuring that regions / colleges maintain their rural campuses and serve the rural catchments at an appropriate level or, where changes are proposed, specify the change in level of service related to the change in funding.
13. We do not propose to use rurality on its own as a criterion for longer term continuation of funding as we believe the costs SFC should fund also depend on how a region serves the area. For example, an area may be largely rural, but if the college serves that region through a large urban campus there is no necessary additional costs to support. If a college / region changes the way it supports a rural area we should vary the associated funding.
14. However, serving a rural area does need to be a necessary condition for receiving the grant.
15. The Scottish Government's urban / rural classifications attached to each postcode area allows us to categorise Scotland into 8 groups. These are shown in Annex A, Table 2.
16. SFC believes that categories 4 ('Remote small Towns'), 5 ('Very Remote small towns'), 7 ('Remote Rural Areas') and 8 ('Very Remote Rural Areas') should be considered rural and remote for the purposes of determining part of the eligibility for the additional funding for each qualifying area. Around 9.5% of the Scottish population live in these areas.
17. Table 3 in Annex A provides a breakdown of the proportion of the population living in these urban and rural areas by local authority. We have also provided a visual map which shows the same rural areas, in which 9.5% of the population reside, in green.

18. Both the map and Table 3 in Annex A, show that areas such as Dundee & Angus, Forth Valley, and Edinburgh / Lothians have a mix of urban and rural areas. Table 2 below provides a summary of the urban rural population at the college region level.

Table 2: proportion of population residing in rural and remote areas by college region

College Region	1 Large urban	2 Other urban	3 Accessible small towns	4 Remote small towns	5 Very remote small towns	6 Accessible rural	7 Remote rural	8 Very remote rural	proportion from rural categories 4,5, 7 & 8
North East	43.6%	16.1%	8.8%	3.7%	0.0%	20.5%	6.7%	0.6%	11.0%
Dundee and Angus	59.0%	23.6%	5.2%	0.0%	0.0%	11.5%	0.7%	0.0%	0.7%
Ayrshire	0.0%	60.8%	15.4%	4.2%	0.0%	14.2%	3.9%	1.6%	9.7%
Forth Valley	0.0%	70.0%	13.0%	0.0%	0.0%	15.5%	1.1%	0.3%	1.5%
Edinburgh and the Lothians	73.2%	10.5%	7.4%	2.2%	0.0%	6.2%	0.4%	0.0%	2.7%
Scottish Borders	0.0%	25.3%	21.6%	5.9%	0.0%	35.6%	11.5%	0.0%	17.5%
Dumfries and Galloway	0.0%	29.0%	17.6%	7.6%	0.0%	26.2%	19.5%	0.1%	27.2%
Highlands	0.3%	24.7%	6.7%	7.6%	10.7%	17.2%	10.6%	22.4%	51.2%
West	58.9%	30.0%	7.8%	0.0%	0.0%	3.3%	0.0%	0.0%	0.0%
Glasgow	92.9%	3.6%	2.1%	0.0%	0.0%	1.4%	0.0%	0.0%	0.0%
Lanarkshire	17.0%	63.5%	10.6%	0.0%	0.0%	8.1%	0.7%	0.0%	0.7%
Fife	0.0%	64.3%	17.3%	0.0%	0.0%	18.4%	0.0%	0.0%	0.0%
West Lothian	0.0%	78.8%	11.1%	0.0%	0.0%	10.1%	0.0%	0.0%	0.0%

19. The Highlands & Islands Region is clear-cut with 51.2% of its population residing in rural and / or remote areas. However, although the more detailed LA breakdown in Table 3 shows that 53.8% of students from the Highlands LA come from rural and / or remote areas, this LA is served by more than one college, including a city-based college of scale, and considerably smaller colleges serving more rural areas.
20. We propose that one of the criteria we use in deciding if college regions qualify for a share of the rural and remoteness funding is that at least 10% of the aggregate regional population are from rural and / or remote areas. As shown in table 2 above, those considered to be rural and / or remote are those from the areas classified as either 4, 5, 7 or 8. The Highlands & Islands, Dumfries & Galloway, North East, Borders all meet this criterion.
21. The second criterion is that the college or region has to meet the needs of its area through smaller or remote campuses or through necessarily small cohorts.
22. Dundee and Angus College currently receives rural and remoteness funding but would not qualify as rural under our proposed new criteria. It receives this additional funding since it was formed from a merger which included Angus College, which did receive rural funding. We want to support Dundee and Angus College in delivering to the Angus area through its Angus campuses, so we

can see a rationale for continuing the additional funding. We will, through the outcome agreement process, work with the College to set an appropriate level of funding to meet the needs of the whole region.

23. The land-based colleges have historically received rural and remoteness / land-based funding. These colleges are now part of SRUC which does not meet this 10% threshold. However it is a national provider of specialist land-based provision and SFC recognises the need for a separate, specialist, land-based provider and the importance to SRUC of its dispersed and sometimes small campuses. We will therefore continue to support SRUC with additional funding to recognise its specialist national provision across Scotland.
24. This would mean that in future purely rural funding would be applied in Highlands & Islands, North East Scotland, Dumfries & Galloway and Borders. The maintenance of the share of SRUC and Dundee & Angus' rural and remoteness funding, although no longer under this banner, will be considered separately.

Funding allocations to regions / colleges

25. SFC's funding allocation would be to regions – not individual colleges. In all regions bar one to which we propose to allocate funding this will be one and the same as there is only one college in the region. The exception is the Highlands and Islands. In Highlands and Islands we will expect the Regional Strategic Body to consider the evidence base used by SFC to underpin its regional allocation. This includes the rural breakdown of the region and college catchments. The Highlands and Islands region includes some very small and remote colleges which, necessarily, have multiple small campuses. It also includes relatively large colleges based in cities. Through the outcome agreement process we will agree a distribution of rurality funding that, in line with the principles of the approach we propose in this paper, channels more of the support to the more rural colleges.
26. SFC also proposes that the number of physical college campuses that are based in rural / remote locations, and the size of delivery at them, is taken into account when trying to differentiate between allocation amounts to different colleges or regions.
27. The government's urban rural classification outlined in Table 2 in Annex A describes geographies from cities to very remote areas. Whilst SFC consider 4 of these categories to be rural for funding purposes, there are clearly 4 different levels of rurality. Table 4 in Annex A provides a breakdown of the Highlands region by these categories and total percentage of the population considered rural. Areas with a greater proportion of the population considered rural, or

within that total considered very rural, in SFC's view should continue to be funded at a higher level.

Outcome Agreements and rural and remoteness funding

28. We will agree our expectations through the annual Outcome Agreement process. Therefore, if a college region meets the new criteria for the rural and remote funding, we will agree through the Outcome Agreement process its continued method of serving that area. In that way the funding will be driven by an agreement on meeting the needs of rural and remote communities. The Outcome Agreement process would also become the way in which an evidence-based discussion could lead to changes in level of support in future. Where a college / region ceased to serve a rural area we would reduce or cease rurality funding accordingly.

Principles of remote and rural funding

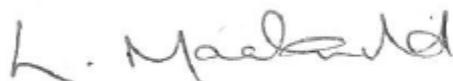
29. In summary, SFC is proposing that the following set of principles should form the basis of the rural and remoteness funding:
 - To support additional costs associated with small colleges providing a reasonable broad-based curriculum in rural and remote areas – which may include small class sizes, additional campuses in remote areas.
 - College regions will qualify for a share of the rural and remoteness funding only if at least 10% of the aggregate regional population are from rural and / or remote areas. (Rural and / or remote areas are considered to be from those areas classified as either 4, 5, 7 or 8 in table 4 above.)
 - Qualifying regions with a greater share of rural students and with a higher proportion of very rural or remote geographies should receive a higher level of funding.
 - Funding – including adjustments up and down – should be linked to continued delivery to the areas the college or region serves, demonstrated through the Outcome Agreement process.

Next steps

30. A working group comprising sector and key stakeholder representation met to discuss the funding methodology and to provide advice on the development of this consultation. The College Funding Group was also advised of our intention to consult.
31. SFC will consider the responses to the consultation and the timescale for any changes. Our intention is to do so prior to final funding allocations for 2018-19. The overall amount of the rural and remoteness funding and the regional breakdown will be decided by SFC through the Outcome Agreement process.

Further information

32. Please use the [proforma at Annex B](#) to respond to this consultation. The deadline for responses is **4 December 2017**. The space available is not intended as a constraint on responses which can be as long as necessary. Please comment on any other areas, which you think are relevant whether or not covered by the questions that are within the scope of the review as detailed above.
33. We welcome responses from any interested parties both within the college sector and amongst stakeholders. We intend to publish (anonymised) responses to the consultation on our website as part of our approach to openness and transparency.
34. For further information on the principles please contact Martin Smith, Chief Funding & Information Officer, tel: 0131 313 6528, email: msmith@sfc.ac.uk
For further information on the data and analysis please contact Gordon McBride, Assistant Director Analysis, tel: 0131 313 6575, email: gmcbride@sfc.ac.uk.



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