



Scottish Funding Council
Comhairle Maoineachaidh na h-Alba

College outcome agreement funding allocations for AY 2020-21

SFC Announcement

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Summary: Announcement of outcome agreement funding for colleges in Academic Year 2020-21.

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

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College outcome agreement funding allocations for AY 2020-21

Purpose

1. I am writing to announce Scottish Funding Council (SFC) decisions on the allocation of outcome agreement funding to colleges for the forthcoming Academic Year (AY) 2020-21.
2. We are working through unprecedented times, given the current global Coronavirus outbreak. It is also a rapidly shifting environment for students, staff, and the communities around us. We are therefore announcing our funding allocations for AY 2020-21 to help provide some stability for the college sector. As we confirmed in our letter of 19 March to [College Principals COVID-19](#), SFC will maintain existing payment processes to ensure funds continue to flow to colleges.
3. SFC has received near final outcome agreements from colleges and will work from the current versions for AY 2020-21. If there are any exceptions to that we will be in touch with you directly on any outstanding issues.
4. SFC does not have any updated Ministerial guidance at this point. We will provide any updates when we receive them. In the meantime, the existing [guidance letter](#) from the Minister for Further Education, Higher Education and Science of 2 July 2019 stands.
5. The funding decisions set out in this announcement are based on the Scottish Government's [Scottish Budget 2020-21](#), approved by the Scottish Parliament on 5 March 2020.

Key points

6. The key points in this funding announcement are:
 - SFC's Revenue budget for AY 2020-21 has increased by 6.9% (£42 million) from AY 2019-20 [paragraphs 9-11].
 - Teaching funding has been increased by 5% (£23 million) [paragraphs 12-15].
 - We are providing funding (£17.3 million) towards pension costs over the 16 month period April 2020 to July 2021 [paragraph 14].
 - Student activity (credit) volume for the sector is broadly unchanged (c.1.7m credits) however there are some changes to individual college/regional targets [paragraphs 16-19].

- Student Support funding has increased by 12.4% (£15.2 million) [paragraphs 22-25].
- We have maintained support for the Flexible Workforce Development Fund and our match-funding for our European Social Fund programme [paragraphs 28-33], and will continue to support ongoing commitments to other non-core programmes, which include national sector-wide services and strategic projects [paragraphs 37-38].
- Capital funding budget has decreased by £11.9 million, however due to the recent completion of Forth Valley College's new Falkirk campus funds have been freed-up to allow an increase of £10.2 million for sector-wide capital maintenance [paragraphs 39-42].

Scottish budget FY 2020-21

7. The Scottish Government's approved [Scottish Budget: 2020-21](#) set a College Resource (Revenue) budget for Financial Year (FY) 2020-21 of £640 million; an increase of £33.5 million (5.5%) from FY 2019-20.
8. The College Capital (net) budget was set at £35.7 million; a reduction of £11.9million (25%) from FY 2019-20.

Overall funds available for college sector

9. In setting SFC's Academic Year (AY) budget for 2020-21, we span two Financial Years (FYs): 2020-21 and 2021-22. The revenue budgets for FY 2020-21 announced by the Scottish Government are converted into AY budgets by taking account of the proportion of the FY 2020-21 budgets that are already committed to the current AY 2019-20. It also involves a forecast of the next FY budget for 2021-22, which we have assumed will not increase (in cash terms) beyond the current FY 2020-21 level.
10. Last year, in setting AY 2019-20 budgets, SFC had assumed 'flat-cash' settlements for the following FY 2020-21. The actual increased settlements for FY 2020-21 announced by the Scottish Government therefore further increase SFC's AY 2020-21 budgets.
11. On that basis SFC has set a college revenue budget for AY 2020-21 of £651.7 million (as shown in [Table 1](#)) which represents an increase of £42 million (6.9%) compared with AY 2019-20.

Teaching funding

12. Total teaching funding for colleges in AY 2020-21 has increased by £23 million (5%) to £487.1 million. As shown in [Table 1](#) this includes an inflationary uplift of £9.7 million and funding for pension costs amounting to £12.9 million. A breakdown of individual allocations is shown in [Table 2](#).
13. Our teaching funding allocations incorporate an element of funding which has been set aside for the costs associated with support staff and middle management job evaluation. This remains an estimated cost (£12.3 million) as the process of job evaluation is not yet complete and an individual breakdown is set out in [Table 6](#). This funding will continue to be held back until the job evaluation process is complete. It should be noted that we are still in discussions with some non-incorporated colleges concerning the embedded National Bargaining funding and therefore these funding levels are subject to change.
14. The balance of the AY/FY conversion (referred to in paragraph 10) has been used to address a funding gap in pension costs. SFC previously provided an uplift for colleges' Scottish Teachers' Superannuation Scheme (STSS) in FY 2019-20; that is, up until the end of March 2020. As set out above, SFC is providing an uplift to STSS pensions for AY 2020-21; that is, from August 2020. To cover the gap between the end of FY 2019-20 and the beginning of AY 2020-21, we are also allocating a further £4.3 million. Effectively, we are adding this amount to colleges' AY 2019-20 funding as shown in [Table 2](#), noting that this will be paid out in the period April – July 2020.
15. We have also provided some additional funding for SRUC and Sabhal Mòr Ostaig (SMO). The uplift of £0.3 million for SRUC is in line with our Financial Forecast Return assumptions, which takes them towards a 'price × volume' funding settlement. SMO is not formula-funded but have received a small uplift above its pension and cost of living award.

AY 2020-21 activity targets

16. The Scottish Government has reaffirmed its commitment to maintain the circa 116k Full-Time Equivalent (FTE) volume target for college student places in AY 2020-21. The core teaching grant SFC has allocated for AY 2020-21 should enable the sector to continue to meet this commitment by delivering c.1.7 million core credits.
17. SFC has previously used its demographic model to help inform decisions on the allocation of places to colleges/college regions. We updated that model to take account of the increased priority for older learners and part-time study. SFC also undertook a consultative process last year with the sector on revising our demographic model.

18. Based on sector feedback and further discussions with colleges, we intend to continue the work on revising the demographic model and move towards a 'price x volume' funding model post-National Bargaining. The core credit targets for most college/college regions remain unchanged in AY 2020-21 and are set out in [Table 3](#).

Changes to credit targets for individual colleges

19. We have set out below some changes that have been made to individual credit targets for colleges/college regions in AY 2020-21. These adjustments help to move us toward better alignment with a 'price x volume' post-National Bargaining funding model:
- We have reduced West College Scotland's activity target by 5,000 credits, but have not consequently reduced their associated teaching funding. This reflects discussions SFC has had with the College to recognise their movement towards higher cost activity. As a condition of this change, the College must reduce its third party distance learning activity.
 - We have reduced North East College Scotland's activity target by 3,300 credits, with no corresponding reduction in teaching funding. This moves the College towards the levels of funding it may expect to receive in future years under a 'price x volume' model. Again, as a condition of this change, the College must reduce its third party distance learning activity.
 - We have increased the activity target for the Highlands & Islands Region by 2,000 credits, with no corresponding increase in teaching funding. We have previously signalled to the Highlands & Islands Region that their funding would be reduced by £0.6 million for AY 2020-21 as we move towards a 'price x volume' model. However, the scheduled end of part of the current European Social Fund (ESF) programme in this region would have meant that fewer places would be available for FE students in 2020-21 if SFC did not take action to protect the number of places available across this rural area. We have therefore taken the decision to increase the number of credits funded by SFC by 2,000 to offset those places lost as that part of the ESF programme ends as planned. As we are now asking the region to deliver an additional 2,000 credits, we will not be reducing their funding by £0.6m as previously announced in our planning assumptions.

College/university articulation places

20. Streamlining the learner journey by encouraging articulation between colleges and universities remains a priority for SFC and the Scottish Government. SFC's additional articulation places (associate student) scheme continues to support this priority area, and there are no changes to the scheme for AY 2020-21

(subject to satisfactory outcome agreement targets with the universities that continue to receive these places).

21. Colleges (and universities) should continue with current arrangements to meet Ministerial priorities to expand articulation and ensure it continues to support disadvantaged learners to progress to degree level study. SFC continues to expect 75% of additional articulation/associate student funding for those years in which activity is delivered in colleges, to be transferred from universities to colleges. We will continue to monitor the transfer and impact of this funding.

Student Support

22. SFC announced student support funding of £122.8 million for AY 2019-20, with an additional £10.2 million allocated as part of the [in-year redistribution](#) at the end of January.
23. Student support funding for AY 2020-21 has been set at £138 million, an increase of £15.2 million (12.4%) on what was announced last year. The allocations to individual college/regions are set out in [Table 4](#).
24. This budget should allow colleges to continue to meet Ministerial commitments arising from the implementation of the Independent Review of Student Support recommendations. The main change for AY 2020-21 is the removal of the age cap for the Care-Experienced bursary, previously only available to 16-25 year olds. In addition we have provided an inflationary increase to the maintenance bursary. Care-Experienced students over 16 year olds will continue to receive the higher award of £8,100 per annum.
25. We continue to expect some demographic changes in the college student population, for example continued shift from full-time to part-time provision, which does have implications for student support. We expect therefore that this level of funding, given the demographic changes, will be sufficient to meet Ministerial commitments in AY 2020-21.

Expansion of Early Years Education

26. In support of the Scottish Government's plans to increase entitlement to free childcare, colleges have been delivering additional activity to train childcare professionals over the last two years. This will continue in AY 2020-21.
27. The volume of activity for AY 2020-21 has yet to be finalised but SFC is working with colleagues in the Scottish Government's Early Years Education division to agree on the required volume to meet their target output for trained childcare professionals. This volume will be confirmed in May.

European Social Funding

28. SFC continues its commitment to provide funding for the sector's participation in the ESF programme, 'Developing Scotland's Workforce'. We have therefore set aside £8 million as SFC's 'match-funding' commitment for colleges in AY 2020-21, the same amount as last year.
29. SFC will allocate total funding of around £13 million to colleges (unchanged from last year) for the delivery of additional ESF activity in AY 2020-21. This includes an assumed ESF contribution from the European Commission of around £5 million, which is 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 the University of the Highlands & Islands.) Individual ESF allocations and associated activity (credit) targets will be announced in May.

Flexible Workforce Development Fund

30. The Scottish Government and SFC remains committed to enabling UK Apprenticeship Levy-paying employers – and their employees – to benefit from training and up-skilling delivered through the Flexible Workforce Development Fund (FWDF).
31. AY 2020-21 will be the fourth 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 (in response to feedback from the Scottish Government's consultation on the introduction of the UK Government Apprenticeship Levy).
32. At this point 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 of additional funds will be transferred in-year to maintain a total budget of at least £10 million in AY 2020-21.
33. 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.

Funding for Counsellors

34. As part of its Programme for Government in responding to mental ill-health, the Scottish Government committed to providing more than 80 additional counsellors in FE and HE over a four year period from AY 2019-20.
35. Counsellor funding for AY 2020-21 for both colleges and universities will total £3.65 million. Individual allocations and guidance for AY 2020-21 will be

announced in May. Additional ring-fenced funds will be transferred to SFC from the Scottish Government for this purpose.

Free sanitary provision

36. SFC expects a further year's funding for the provision of free sanitary products in colleges to be announced in due course and is currently working with the Scottish Government to confirm funding for 2020-21.

Other programme funding

37. A portion of SFC's annual funding for colleges is earmarked for other national services (including JISC, CDN, and APUC) and strategic programmes which will allow SFC to meet all current awarded commitments. They will allow us to focus on short-term intervention projects that support transformational change aligned to Scottish Government and SFC priorities (e.g. widening access), and projects where we can facilitate collaboration and leveraging of funds from other partners, as well as financial sustainability requirements.
38. The budget for this funding in AY 2020-21 has been set at £8.3 million.

Capital

39. The Scottish Government's FY 2020-21 budget provides a College Capital budget of £35.7 million. SFC has increased funding for sector-wide capital maintenance in FY 2020-21 by £10.2 million to £31.2 million. This is set out below:

<i>Capital budgets</i>	<i>£ million</i>
Capital grant for backlog & lifecycle maintenance	31.2
Fife College - Dunfermline Learning Community Campus development	3.0
Support for business cases for highest priority campuses	1.5
Total Capital funding for colleges	35.7

40. The sector's backlog and lifecycle maintenance needs continue to far exceed the level of funding available. Therefore the overall aim for SFC's allocation methodology remains 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.

41. SFC's allocation method is similar to last year and is based on a 58/42% split of high priority backlog/lifecycle maintenance costs. This enables SFC to continue making a contribution to both the sector's backlog and lifecycle needs. This continues to represent the most transparent and best value methodology for allocating the available capital funds.
42. Therefore we have allocated the £31.2 million in these proportions, resulting in a total of £18.2 million based on high priority backlog maintenance and £13.0 million based on share of the sector's volume of activity (credit) target. Individual allocations for FY 2020-21 are shown in [Table 5](#).

Tables

43. We have attached the following tables for AY 2020-21:
 - [Table 1](#) – College sector – overall budget.
 - [Table 2](#) – Teaching funding allocations.
 - [Table 3](#) – Student activity (credit) targets.
 - [Table 4](#) – Student Support funding allocations.
 - [Table 5](#) – Capital funding allocations (FY 2020-21).
 - [Table 6](#) – AY 2019-20 teaching funding set aside for support staff and middle management Job Evaluation.
 - [Annex A](#) – Conditions of funding.

Further information

44. Given the emerging financial implications from the current COVID-19 crisis, our funding proposals may be subject to change.
45. For more information, please contact Martin Smith, Chief Funding & Information Officer, tel: 0131 313 6528, email: msmith@sfc.ac.uk.



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