



Scottish Funding Council
Comhairle Maoineachaidh na h-Alba

Final college funding allocations for AY 2021-22

SFC Announcement

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Summary: Announcement of final funding allocations for colleges for Academic Year 2021-22.

FAO: Principals, Chairs, Finance Directors and Board Secretaries of Scotland's colleges

Further information: **Contact:** Lorna MacDonald
Job title: Director of Finance
Department: Finance
Tel: 0131 313 6690
Email: lornamacdonald@sfc.ac.uk



Scottish Funding Council
Comhairle Maoineachaidh na h-Alba

Scottish Funding Council
Apex 2
97 Haymarket Terrace
Edinburgh
EH12 5HD
T 0131 313 6500
F 0131 313 6501
www.sfc.ac.uk

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Final college funding allocations for AY 2021-22

Purpose

1. I am writing to announce Scottish Funding Council's final decisions on funding allocations for colleges¹ for the forthcoming Academic Year (AY) 2021-22.
2. The final funding allocations set out in this announcement are based on the Scottish Government's draft [Scottish Budget 2021-22 announcement](#) on 28 January 2021 which was approved by the Scottish Parliament on 9 March 2021.
3. The current [guidance letter](#) of 19 March 2021 from the Minister for Further Education, Higher Education and Science outlines the Scottish Government's policy priorities for SFC. These final funding allocations take account of those priorities.
4. SFC [published indicative allocations on 24 March 2021](#) to help colleges plan for the forthcoming AY. 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 (paragraphs 13-17).

Policy drivers

5. In considering these final allocations we are aiming to achieve a number of policy objectives:
 - To provide learning opportunities at a time of significant economic and social turmoil – in these emergency years, to sustain a pipeline of educated and skilled people who will be critical to our recovery and to upskill the existing workforce.
 - To ensure that students, who may be at risk of not completing their qualifications or failing to progress to further study or employment because of the practical or placement requirements in their courses during AY 2020-21, are supported to succeed. Meeting this objective may involve a combination of one-off funds, bringing forward allocations, increased credit targets and flexibility in our credit guidance.
 - To support the financial sustainability and stability of colleges by providing a general uplift in teaching funding for AY 2021-22, alongside one-off funding for education and skills gaps in AY 2021-22.
 - To protect and promote Foundation Apprenticeships, and for the first time

¹ All references to 'college(s)' in this document relate to colleges, college regions, and regional strategic bodies (as appropriate), unless otherwise specified.

deliver these opportunities through SFC's funding lines, working closely with Skills Development Scotland (SDS) and local authorities.

- To provide sufficient student support funding to meet demand and the needs of deferred students.

Key points

6. The key points in this final funding announcement for AY 2021-22 are:
 - SFC's Revenue budget for AY 2021-22 has increased by 10.8% (£70.2 million) from AY 2020-21 [paragraphs 10-12]. Within this total:
 - Teaching funding has increased by 8.2% (£40.0 million) [paragraph 18].
 - Student support funding has increased by 1.9% (£2.6 million) and we have also set aside some additional student support contingency funding [paragraphs 38-39].
 - Other programme funding has increased by £13.0 million [paragraphs 51-52].
 - Student activity (credit) volume for the sector has been increased by 3.6% (circa 63,000 credits), largely as a result of credits for Foundation Apprenticeships and deferred students [paragraphs 30-35].
 - Capital budget has decreased by £2.0 million, with sector-wide capital maintenance reducing by 6.2% (£1.8 million) [paragraphs 53-57].

Scottish budget FY 2021-22

7. The Scottish Government's approved Scottish Budget 2021-22 set a College Resource (Revenue) budget for Financial Year (FY) 2021-22 of £675.7 million; an increase of £35.7 million (5.6%) from FY 2020-21.
8. In addition, the Scottish Government has allocated a further £23.4 million following the publication of the UK Government's Budget on 3 March 2021 and the resultant Barnett consequentials. In total this provides a FE revenue budget for FY 2021-22 of £699.1 million; a total increase of £59.1 million.
9. The College Capital (net) budget was set at £33.7 million; a reduction of £2.0 million (5.9%) from FY 2020-21.

Overall funds available for the college sector

10. In setting SFC's Academic Year (AY) budget for 2021-22, we span two Financial Years (FYs): 2021-22 and 2022-23. The revenue budgets for FY 2021-22 announced by the Scottish Government are converted into AY budgets by taking account of the proportion of the FY 2021-22 budgets that are already committed to the current AY 2020-21. It also involves a forecast of the next

FY budget for 2022-23, which we have assumed will not increase (in cash terms) beyond the current FY 2021-22 level. We have also assumed that the Barnett consequentialia have been provided on a one-off basis.

11. Last year, in setting AY 2020-21 budgets, SFC had assumed 'flat-cash' settlements for the following FY 2021-22. The actual increased settlements for FY 2021-22 announced by the Scottish Government therefore further increase SFC's AY 2021-22 budgets.
12. On that basis, SFC has set a college revenue budget for AY 2021-22 of £711.8 million, which represents an increase of £60.1 million (9.2%) compared with AY 2020-21. A further £10 million has been set aside for short skills-based courses under the Young Persons Guarantee, along with funding to be confirmed for the Flexible Workforce Development Fund. This is shown in [Table 1](#).

Changes from indicative funding announcement

13. There are some changes to teaching funding allocations from the indicative announcement on 24 March ([SFC/AN/11/2021](#)). These changes are set out below.

Foundation Apprenticeship places

14. As announced in March, SFC has taken over responsibility for the funding of Foundation Apprenticeships (FAs) delivered directly through Scotland's colleges from AY 2021-22. FAs that are delivered through local authorities or independent training providers will continue to be funded by SDS. We announced that SFC would fund the delivery of 3,118 starts (30,252 credits) in AY 2021-22 and would continue to work closely with SDS and the college sector to meet the collective ambition of 5,000 opportunities in AY 2021-22, through colleges, local authorities and independent training providers.
15. Following further liaison with the sector, we have made some minor amendments to the distribution of credits. The total sector activity total is now 3,162 starts (30,354 credits) in AY 2021-22 and colleges will receive £8.8 million of associated funding for this activity. This is an increase from the indicative announcement of £0.1 million.

Core/ESF credit targets

16. AY 2021-22 is the final year of the European Social Fund (ESF) programme for colleges. To ease the transition to AY 2022-23 when ESF funding will no longer be available, we had adjusted the balance between core credits and ESF credits. This was set out in the indicative funding announcement, which provided a rebalancing that resulted in each college having the same proportion of ESF

credits in addition to their core credits and, therefore, an equal reduction in additional ESF credits in AY 2022-23 across the sector.

17. Following some feedback and dialogue with the sector, the balance between core credits and ESF credits has been adjusted to reflect colleges' ability to deliver. The total sector core and ESF targets however are unchanged from the indicative announcement.

Teaching funding

18. Total teaching funding for colleges in AY 2021-22 (excluding ESF) has increased by £40.0 million (8.2%) to £527.1 million. As shown in [Table 1](#), this includes:
 - A general uplift of £11.6 million
 - £10.0 million for students whose studies have been deferred
 - £8.8 million for Foundation Apprenticeships
 - £4.4 million for Mental Health support
 - £5.0 million for Digital Learning
19. A breakdown of the above funding allocations for individual colleges is shown in [Table 2](#).
20. SFC has also provided an uplift of £0.2 million for Newbattle Abbey College in recognition of particular funding pressures at the college and the fact that they do not receive capital lifecycle maintenance funding.
21. 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. A breakdown by college is shown in [Table 6](#). This funding will continue to be held in reserve 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 remain subject to change.

General uplift

22. The core teaching grant for AY 2021-22 has been increased by £11.6 million (2.4%) and includes a £0.4 million increase to the £12.9 million pension costs that were added into core teaching in AY 2020-21. As a result of this uplift the gross credit price will increase by 2.5%.

Deferred students

23. £10 million has been allocated to allow students whose studies have been disrupted by COVID-19 to complete their courses in AY 2021-22 and move onto

further study or employment. This is a one-off ring-fenced allocation of funding that has been provisionally allocated in proportion to colleges' existing gross core teaching funding.

24. Given its specific purpose, the current distribution of this £10 million is subject to change, depending on the actual outturn of deferred student numbers at each college. The final distribution of this funding will be announced in September, when SFC is in a better position to ensure that it is allocated where it is needed to support deferred students.

Foundation Apprenticeships funding

25. SFC has allocated £8.8 million for AY 2021-22 which will fund the delivery of 3,162 starts (30,354 credits). This is a change from the indicative announcement in March (see paragraphs 14-15). This funding has been made available for AY 2021-22 to support the transition of FAs from SDS to SFC core funding.

Digital Learning

26. £5.0 million has been allocated by SFC to support colleges' transition towards the provision of increased digital learning. This additional funding has been allocated in proportion to colleges' share of student activity (credit) targets. Guidance on the use of this funding will be issued in June.

Mental Health

27. £4.4 million has been allocated to enable colleges to provide additional mental health services to staff and students due to the impact of COVID-19. This additional funding has been allocated in proportion to colleges' share of student activity (credit) targets. Guidance on the use of this funding will be issued in June.

AY 2021-22 activity targets

28. The Scottish Government has reaffirmed its commitment to maintain the circa 116k Full-Time Equivalent (FTE) volume target for college student places in AY 2021-22. The core teaching grant SFC has allocated for AY 2021-22 should enable the sector to continue to meet this commitment by delivering c.1.7 million core credits.

European Social Fund credits

29. 46,336 credits have been allocated for ESF activity, making up 2.7% of the total baseline credits allocated to the college sector (before the additional credits set out below).

Foundation Apprenticeship credits

30. SFC has allocated 30,354 credits for FAs in AY 2021-22, reflecting a target of 3,162 students embarking on FAs in AY 2021-22. This is a change from the indicative funding announcement (see paragraphs 14-15).
31. The distribution of FA credits is based on the maximum of either the current contracts that colleges have in place or senior phase school roll, factoring in the capacity of colleges to deliver these commitments and further liaison with the sector.
32. FA frameworks are offered in distinct curriculum areas (Accounting/Business/Financial Service, IT/Digital, Engineering/Technology, Food and Drink, Health/Child Care) and we have worked with the sector on planned subject areas. To recognise the additional delivery costs of FAs, which take account of work placement assessments, we are enabling additional credits to be claimed for each framework. Colleges are therefore being offered a level of funding for FAs which is consistent with the current level of funding received through SDS.
33. We will provide further guidance in relation to FAs following this announcement.

Credits for deferred students

34. An additional 33,487 credits have been allocated to support deferred students; an increase of 2.0% at a sector level, and an increase of between 1.8% and 2.7% for individual colleges.
35. The additional credits have provisionally been allocated in proportion to colleges' existing gross core teaching funding, subject to final confirmation in September - see paragraphs 23-24.

College/university articulation places

36. 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 2021-22 (subject to satisfactory outcome agreement targets with the universities that continue to receive these places).
37. 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

38. Student support funding for AY 2021-22 has been set at £140.6 million; an increase of £2.6 million (1.9%) on what was announced last year. Funding allocations to individual colleges are set out in [Table 4](#).
39. The COVID-19 pandemic has had a significant impact on students in terms of disruption to their education and, in many cases, financial hardship. Given the uncertainties around the number of students yet to complete courses and full return to campus teaching there may be a need to provide additional student support. We have therefore identified £3.8 million contingency funding that can be deployed if necessary.

European Social Funding

40. SFC continues its commitment to provide funding for the sector's participation in the ESF programme 'Developing Scotland's Workforce' in AY 2021-22, which is the final year of the programme for colleges (see paragraph 29). We have budgeted for the full amount of funding (c.£13 million) associated with college ESF activity in AY 2021-22. This reflects the risks associated with 'match-funding' claims for ESF from the Scottish Government.
41. SFC will allocate funding of £13.2 million to colleges (unchanged from last year) for the delivery of additional ESF activity in AY 2021-22. (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.) ESF funding allocations and associated activity (credit) targets for individual colleges are shown in [Table 2](#) and [Table 3](#).

Flexible Workforce Development Fund

42. The Scottish Government and SFC remain 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), and this was extended to SMEs (and independent training providers via SDS) in AY 2020-21.
43. AY 2021-22 will be the fifth year of the FWDF which was set-up as a pilot programme in AY 2017-18. Its purpose remains to provide employers with training opportunities to support inclusive growth through up-skilling/re-skilling employees (originally in response to feedback from the Scottish Government's consultation on the introduction of the UK Government Apprenticeship Levy).
44. SFC is continuing to budget for the continuation of the current FWDF programme and we have set aside £6 million from our core budget. In AY 2020-21 the total FWDF budget for colleges increased to £17 million.

Our current working assumption remains for a similar budget for AY 2021-22, although that is subject to confirmation from the Scottish Government.

Skills-based courses

45. A budget of £10 million has been set aside through the Young Person's Guarantee to be allocated to colleges to support young people into employment, education, training, or a volunteering opportunity. Institutions will provide short skills-based courses to meet the Scottish Government's commitment to young people. SFC is continuing to work with the Scottish Government on the use and distribution of this funding, although we anticipate that it will allow the continuation of the provision currently supported in AY 2020-21.

Expansion of Early Years Education

46. SFC has been working with officials in the Scottish Government's Early Years Education division to confirm the volume of activity for AY 2021-22 that is required to meet their target output of trained childcare professionals.
47. The number of childcare credits that colleges are expected to deliver in AY 2021-22 is 31,018 credits, which is unchanged from AY 2020-21. A breakdown of this activity is shown in [Table 3A](#). Colleges are expected to deliver this activity, as a priority, from their core teaching funds.

Funding for Counsellors

48. 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.
49. SFC expects a further year's funding for counsellors in colleges to be announced in due course and is continuing to work with the Scottish Government to confirm funding for 2021-22. Guidance will be published separately prior to the start of the new AY.

Access to free sanitary provision

50. SFC expects a further year's funding for the provision of free sanitary products in colleges to be announced in due course and will work with the Scottish Government to confirm funding for 2021-22. A separate announcement will be published in due course.

Other programme funding

51. A portion of SFC's annual funding for colleges is earmarked for national services (including JISC, College Development Network (CDN), and Advanced

Procurement for Universities and Colleges (APUC)) and strategic programmes which will allow SFC to meet all current awarded commitments. They will allow us to focus on 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 the leveraging of funds from other partners, as well as financial sustainability requirements.

52. The budget for this funding in AY 2021-22 has been set at £21.2 million; a £13.0 million increase. Given the challenges and uncertainties ahead, as we move into a COVID-19 recovery period, this funding will enable SFC to have some flexibility to continue to respond and support the college sector and students.

Capital

53. The Scottish Government’s FY 2021-22 budget provides a College Capital budget of £33.7 million; a reduction of £2.0 million (5.9%). SFC has set the budget for sector-wide capital maintenance in FY 2021-22 at £29.4 million; a reduction of £1.8 million (6.2%). This is set out below:

Capital budgets	£ million
Backlog and Lifecycle Maintenance	29.4
Fife College (Dunfermline Learning Community Campus)	4.3
Total FE Capital	33.7
College NPD expenditure	29.3

54. 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.
55. SFC’s allocation method is similar to last year and is based on a c.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.
56. Therefore we have allocated the £29.4 million in these proportions, resulting in a total of £17.2 million based on high priority backlog maintenance and £12.2 million based on share of the sector’s overall volume of activity (credit)

target. There are some relatively small changes to the distribution of funding as the indicative allocations were based on share of core credits only, excluding ESF, FAs and credits for deferred students. Final funding allocations for FY 2021-22 for individual colleges are shown in [Table 5](#).

57. Capital funding allocations for lifecycle maintenance in FY 2021-22 will not change as a result of any revised distribution of credits for deferred students (see paragraph 35).

Tables

58. We have attached the following annexes/tables for AY 2021-22:

- [Annex A – Conditions of funding](#)
- [Table 1 – College sector – overall budget](#)
- [Table 2 – Teaching funding](#)
- [Table 3 – Student activity \(credit\) targets](#)
- [Table 3A – Childcare activity \(credit\) targets](#)
- [Table 4 – Student Support funding](#)
- [Table 5 – Capital funding \(FY 2021-22\)](#)
- [Table 6 – AY 2019-20 teaching funding set aside for support staff and middle management job evaluation](#)

Acceptance of funding

59. This letter announces the final funding that is associated with college outcome agreements for AY 2021-22. Funding is conditional on the agreement of satisfactory outcome agreements. By signing their respective outcome agreements, colleges are agreeing to the activity/funding allocations set out in this announcement and the associated terms and conditions of grant.

Further information

60. For more information, please contact Martin Smith, Deputy Director, Tertiary Education Funding, tel: 0131 313 6528, email: msmith@sfc.ac.uk.



Karen Watt
Chief Executive