



Scottish Funding Council
Comhairle Maoinachaidh na h-Alba

Indicative college funding allocations AY 2021-22

SFC Announcement

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

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Indicative college funding allocations for AY 2021-22

Purpose

1. I am writing to announce Scottish Funding Council (SFC) decisions on the indicative funding allocations for colleges¹ for the forthcoming Academic Year (AY) 2021-22.
2. 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 indicative funding allocations take account of those priorities.
3. The indicative 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. SFC provides indicative allocations to help colleges plan for the forthcoming AY. Final allocations will be published by the end of May 2021.

Policy drivers

4. In considering these indicative 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 deliver these opportunities through SFC's funding lines, working closely with Skills Development Scotland and local authorities.

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

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

Key points

5. The key points in this indicative funding announcement are:
 - SFC's Revenue budget for AY 2021-22 has increased by 10.8% (£70.2 million) from AY 2020-21 [paragraphs 9-11]. Within this total:
 - Teaching funding has increased by 8.0% (£39.8 million) [paragraph 12].
 - Student support funding has increased by 1.9% (£2.6 million) and we have also set aside some additional student support contingency funding [paragraphs 30 and 31].
 - The other programme funding budget, which includes national sector-wide services and strategic projects, has increased by £13.1 million [paragraph 42].
 - 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 [paragraphs 25-26] and deferred students [paragraph 27].
 - Capital budget has decreased by £2.0 million, with sector-wide capital maintenance reducing by 6.2% (£1.8 million) [paragraph 43].

Scottish budget FY 2021-22

6. 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.
7. In addition, the Scottish Government has allocated a further £33.4 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 £709.1 million; a total increase of £69.1 million.
8. 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

9. 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 consequentials have been provided on a one-off basis.

10. 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.
11. On that basis, SFC has set a college revenue budget for AY 2021-22 of £721.8 million, which represents an increase of £70.2 million (10.8%) compared with AY 2020-21.

Teaching funding

12. Total teaching funding for colleges in AY 2021-22 has increased by £39.8 million (8.0%) to £540.1 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.
 - £8.7 million for Foundation Apprenticeships.
 - £5.0 million for Digital Learning.
 - £4.4 million for Mental Health support.
13. A breakdown of indicative allocations for individual colleges is shown in Table 2.
14. 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.
15. 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. 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 are subject to change.

General uplift

16. 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

17. £10 million has been allocated to allow students whose studies have been disrupted by COVID-19 to complete their courses and move onto further study or employment. This additional funding has been allocated in proportion to colleges' existing allocations of core teaching grant.

Foundation Apprenticeships

18. From AY 2021-22 SFC will take over the funding of Foundation Apprenticeships (FAs) delivered directly through Scotland's colleges. FAs that are delivered through local authorities or independent training providers will continue to be funded by Skills Development Scotland (SDS). SFC has allocated £8.7 million for AY 2021-22 which will fund the delivery of 3,118 starts (30,252 credits). This funding has been made available for AY 2021-22 to support the transition of FAs from SDS to SFC core funding.
19. SFC will 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.

Digital Learning

20. £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. We will provide further guidance on the use of these funds, along with monitoring and reporting arrangements, following this announcement.

Mental Health

21. £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. We will provide further guidance on the use of these funds, along with monitoring and reporting arrangements, following this announcement.

AY 2021-22 activity targets

22. 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

23. AY 2021-22 is the final year of the European Social Fund (ESF) programme for colleges (see paragraphs 32-33). In order to ease the transition to AY 2022-23 when ESF funding will no longer be available, we have adjusted the balance between core credits and ESF credits. As a result of this rebalancing each college will have the same proportion of ESF credits in addition to their core credits and, therefore, the reduction in additional ESF credits in AY 2022-23 will be equal across the sector.
24. 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

25. SFC has allocated 30,252 credits for FAs in AY 2021-22, reflecting a target of 3,118 students embarking on FAs in AY 2021-22. 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.
26. 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. We will provide further guidance in relation to FAs following this announcement.

Credits for deferred students

27. An additional 33,488 credits have been allocated to support deferred students (paragraph 17); an increase of 1.9% at a sector level, and an increase of between 1.8% and 2.7% for individual colleges.

College/university articulation places

28. 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).

29. 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

30. 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. Indicative allocations to individual colleges are set out in Table 4.
31. 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 well 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

32. 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 23). 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.
33. 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.) Indicative ESF funding allocations and associated activity (credit) targets for individual colleges are shown in Table 2.

Flexible Workforce Development Fund

34. 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.
35. 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 is 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).

36. 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. In AY 2020-21 the Scottish Government funding that was transferred for FWDF increased from £4 million to £11 million, for a total college budget of £17 million. Our current working assumption is for a similar level of funding to be transferred for AY 2021-22.

Skills-based courses

37. A budget of £10 million has been set aside to be used for short skills-based courses. 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 through the Young Person's Guarantee and National Transition Training Fund in AY 2020-21.

Funding for Counsellors

38. 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.
39. SFC expects a further year's funding for counsellors in colleges to be announced in due course and will work with the Scottish Government to confirm funding for 2021-22.

Access to free sanitary provision

40. 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.

Other programme funding

41. A portion of SFC's annual funding for colleges is earmarked for other 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.

42. The budget for this funding in AY 2021-22 has been set at £21.3 million; a £13.1 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

43. 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:

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

44. 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.
45. 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.
46. 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 volume of activity (credit) target. Indicative allocations for FY 2021-22 for individual colleges are shown in Table 5.

Tables

47. We have attached the following indicative tables for AY 2021-22:

- 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 2021-22)

Further information

48. For more information, please contact Martin Smith, Chief Funding & Information Officer, tel: 0131 313 6528, email: msmith@sfc.ac.uk.



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