

Board Meeting

Date of Meeting	Monday 22 May 2017
Paper Title	SFC Final Allocations for 2017-18 Regional Outcome Agreements
Agenda Item	17
Paper Number	BM6-L
Responsible Officer	Robin Ashton, GCRB Executive Director
Status	Disclosable
Action	For Agreement

1. Report Purpose

- 1.1. To note the SFC Final Allocations for 2017-18 Regional Outcome Agreements and the revised Glasgow Region Credit activity targets and funding.

2. Recommendations

- 2.1. The Board is invited to:

- **note** the SFC announcement of final allocations for 2017-18 Regional Outcome Agreements;
- **note** the final agreed Credit targets for the assigned colleges; and
- **note** that GCRB and the college executive are discussing finalised assigned college funding allocations based on the funding approaches agreed at the previous meeting of the Board and that once complete, GCRB will provide formal notification to the assigned colleges of funding for 2017-18 and related conditions of grant.

3. Background

- 3.1. On February 10, 2017 the SFC published its indicative allocations for 2017-18 outcome agreement funding for colleges.
- 3.2. On 5 May, 2017 the SFC announced final allocations for 2017-18 Regional Outcome Agreement Funding for Colleges (SFC circular attached as Annex A).
- 3.3. This differs in the following respects from the SFC indicative announcement:
- The Glasgow region has been provided with 1,000 additional Credits as part of SFC commitment to the regional Curriculum and Estates plan. This additional activity will be allocated to the City of Glasgow College in order that the college is allocated circa 170,000 Credits activity in line with the college's NPD project business case assumptions.

- The Glasgow region has been provided with 970 Credits for additional childcare provision in support of the national increase in free childcare provision from 600 hours to 1,140 hours. This is based on delivering 53.5 FTEs (38.5 HNC FTEs and a further 15 PDA FTEs) in 2017-18.

3.4. The GCRB and college executive are in dialogue with the SFC seeking further detail on the basis of the additional Credits and related funding contained within the final allocation announcement.

3.5. Based on these final allocations to the Glasgow College Region, and following consultation with the assigned colleges, the Credit based Regional Outcome Agreement targets and assigned college funding allocations have been agreed as set out below.

Measure:	Glasgow Region	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College
Initial core credit target	367,494	167,231	121,961	78,302
Efficiency Adjustment	1,080	2,920	-920	-920
Final core Credit Target	368,574	170,151	121,041	77,382
ESF Credit Target	20,383	10,668	7,319	2,396
Additional Credits for growth	1,000	1,000		
Additional Credits for Childcare	970	324	323	323
Total Credit Target	390,927	182,143	128,683	80,101
Volume of Credits delivered to 10% SIMD	112,265	44,465	37,388	30,412
Volume of Credits delivered at FE level	219,366	80,370	86,770	52,226
Administration, Financial and Business Services	80,132	51,337	18,720	10,075
Creative and Cultural Industries	59,507	28,397	19,523	11,587
Energy, Engineering, Construction & Manufacturing	76,977	35,370	19,441	22,166
Food, Drink, Tourism, Hospitality and Leisure	69,153	42,445	17,136	9,572
Health, Care and Education	39,082	9,601	19,406	10,075
Land-Based Industries	2,830	0	2,830	0
Life and Chemical Sciences	11,399	101	7,267	4,031
Transition and Supported Learning	51,848	14,892	24,361	12,595

3.6. These Credit targets will be integrated into the final version of the 2017-18 Regional Outcome Agreement and their implementation monitored by the GCRB Performance and Resources Committee.

3.7. GCRB and the college executive are discussing finalised assigned college funding allocations based on the funding approaches agreed at the previous meeting of the Board.

3.8. Once complete, GCRB will provide formal notification to the assigned colleges of funding for 2017-18 and conditions of grant.

4. Risk Analysis

4.1. As the funding allocations considered within this paper are intended to support delivery of the region's strategic aspirations, the risks are those contained in GCRB's risk register. The allocation of ROA funding is of particular relevance to the following GCRB identified risks:

- if Scottish Government and SFC are unable to allocate adequate resources for the college sector and Glasgow respectively, it might not be possible to sign the Regional Outcome Agreement and its delivery will be put in jeopardy;
- if there is breakdown in performance in the assigned colleges (including academic quality management arrangements and financial sustainability), the Regional Outcome Agreement targets may not be achieved; and
- if there are insufficient non-advanced student support funds, students will be unable to take up places offered and activity targets will not be met.

5. Legal Implications

5.1. The SFC have set out their conditions of grant with for these final allocations, and these are provided in Annex B.

6. Financial Implications

6.1. Colleges face financial challenges, particularly in light of wage increase related cost pressures. Whilst, the overall teaching grant allocation contains an uplift in recognition of these, further resources may be required to fully meet commitments made as part of national bargaining.

6.2. The region's financial position is reported to each meeting of the Performance and Resources Committee, and this includes assigned college financial monitoring and forecasting reports.

7. Regional Outcome Agreement Implications

7.1. The funding allocations considered within this paper are intended to support delivery of the 2017-18 Glasgow Regional Outcome Agreement.



SFC Announcement

Outcome Agreement Funding for Colleges – Final Allocations for AY 2017-18

Issue date: 5 May 2017

Reference: SFC/AN/08/2017

Summary: Announcement of final funding allocations for college outcome agreements in AY 2017-18

FAO: Chairs, Principals/Chief Executives, and Directors of Scotland's colleges/regional strategic bodies

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Outcome Agreement Funding for Colleges – Final Allocations for AY 2017-18

Purpose

1. I am writing to provide you with the Scottish Funding Council's (SFC) final decisions on college Outcome Agreement funding for academic year (AY) 2017-18. This follows the indicative funding announcement that was published on 10 February and the letter highlights the changes that have been made since then.
2. The figures provided in this announcement should be used to finalise your Outcome Agreement and the final funding allocation for your college will be taken to be accepted upon the signing of your final Outcome Agreement for AY 2017-18. Funding is dependent on agreeing a satisfactory Outcome Agreement.
3. The decisions on funding set out in this announcement are in line with Ministerial guidance. They also support SFC's Strategic Plan, particularly the extent to which the achievements in the emerging Outcome Agreements meet our national aspirations in our Outcome Agreement guidance.

Key points

4. The key points in this final funding announcement for AY 2017-18 are:
 - There is an increase in the overall SFC college Revenue budget of 2.6% from £536.1 million in AY 2016-17 to £549.9 million in AY 2017-18.
 - Total teaching funding for AY 2017-18 has increased by 3%. This includes the provision of £1.6 million of additional funding for an increase in Early Years Education (childcare) activity.
 - Student activity targets have increased by 0.7%, largely due to an increase of 11,213 credits for Early Years Education activity.
 - We have increased Student Support funding by an inflation rate of 1.45%
 - Capital/Maintenance Grant funding has increased by £5.2 million.

Guidance and policy priorities

5. In her letter of guidance of 30 March 2017, the Minister for Further Education, Higher Education and Science reiterated the Scottish Government's high-level strategic objectives:
 - High-quality learning in a learning system which is seamlessly connected for the learner, including learning which prepares people well for the world of work and successful long term careers, prioritising provision that meets known skills gaps in the economy

- Access to education for people from the widest range of backgrounds, including implementation of the recommendations of the Commission on Widening Access and addressing gender balance among student intakes for some key subjects.
 - The highest standards of governance and financial accountability in colleges and universities to ensure the efficient and effective running of these bodies
 - Colleges working in partnership to maximise the impact of the learning on offer in colleges to individuals, society and the economy.
 - Effective knowledge exchange and innovation including excellent collaboration between universities and colleges and industries.
6. The Scottish Government has also confirmed its commitment to maintain at least 116,000 full-time equivalent (FTE) college places.

Scottish Budget and overall funds available for the college sector

7. The final Scottish Budget 2017-18 was approved by the Scottish Parliament on 23 February 2017. The final Budget document states that in 2017-18 the Scottish Government will *“increase our investment in our college sector to ensure that it continues to add real value to our economy and offer opportunities to adults of all ages”*. It also states that the Scottish Government will *“provide capital funding to both the college and university sectors to support research and infrastructure investment”*.
8. The Further Education (FE) Resource budget for financial year (FY) 2017-18 was announced as £551.3 million, an increase of £8.8 million (1.6%) from the FY 2016-17 budget of £542.5 million (which embeds an in-year uplift of £12.2 million). The FE Capital budget for FY 2017-18 is £47.4 million, with £19.5 million earmarked for the Forth Valley College new build project.
9. In setting our AY budget for 2017-18, we span two FYs – 2017-18 and 2018-19. We do not have any information on the Scottish Government plans for FY budgets beyond 2017-18, and as such have planned on the basis of flat cash for future years. We have set a Revenue budget for AY 2017-18 of £549.9 million (**Table 1**), which is an increase of £13.8 million from AY 2016-17 (including the additional funding for Early Years Education). This is the available Resource budget set out above converted to an AY budget, taking account of the proportion of the FY 2017-18 budget committed to AY 2016-17, and £1.9 million for Early Years Education.
10. We have set aside an additional £10 million for Flexible Workforce Development Fund (FWDF); £6 million that was previously transferred to Skills Development Scotland (SDS) for the College Employability Fund and a further £4 million. We are awaiting further guidance from Scottish Government about this Fund (see paragraphs 15 and 16).

11. The £13.8 million increase in the Revenue budget as detailed above does not include the total FWDF of £10 million.

Expansion of Early Years Education

12. The Scottish Government's plans to almost double the entitlement to free childcare by 2020 will require a substantial increase in the childcare workforce. The Government is, therefore, aiming to train additional students at practitioner level.
13. In AY 2017-18 we are, therefore, allocating additional credits to deliver 579 full-time qualified practitioners at HNC level (579 FTE places). We are also allocating additional credits to fund a further 80 practitioners via part-time/work-based Professional Development Award routes (40 FTEs). This would provide a total of 659 qualified practitioners by the end of their course.
14. Ring-fenced additional teaching funding of £1.6 million will be provided by the Scottish Government to meet the costs of this additional teaching activity, as shown in **Table 1**. Colleges will be expected to deliver 11,213 credits in AY 2017-18 (as shown in **Table 2**) which takes account of success rates and potential withdrawals to provide the required amount of practitioners. We expect the amount of childcare provision to increase over the next two years to meet the Scottish Government's childcare expansion plans.

Flexible Workforce Development Fund

15. Our Ministerial guidance letter identified that the £6 million for the Employability Fund that was previously transferred to SDS would be *"re-focussed and used to respond to the skills needs of employers through the establishment of a new Flexible Workforce Development Fund"*. SFC was asked to work with the Scottish Government and SDS *"to assist with the development and delivery of this new employer led approach"*. In addition, £4 million was identified in SFC's Budget Allocation and Monitoring letter for the FWDF but this has still to be confirmed. There will be a £10 million ring-fenced fund to be used for Flexible Workforce Development activity.
16. Once we have further details and final guidance from the Scottish Government on the criteria and use of FWDF, we will write to all colleges/regions.

Teaching funding allocations by college/region AY 2017-18

17. Core teaching allocations remain broadly unchanged from the indicative outcome agreement funding announcement that was made in February ([SFC/AN/02/2017](#)).
18. The starting point for the AY 2017-18 teaching funding allocations is the final teaching funding allocated in AY 2016-17 ([SFC/AN/09/2016](#)). As announced in

our indicative funding letter, we increased teaching grants by 1.8%, a total of £7.3 million, to obtain indicative AY 2017-18 funding allocations.

19. We then compared the indicative AY 2017-18 allocations with the funding which colleges/regions would receive through the simplified funding model. Where colleges/regions would have received additional funding through that simplified model, we increased their AY 2017-18 allocations up to either the funding they would have received through that model, or an additional 1% on their indicative AY 2017-18 allocations. This was the basis of the indicative teaching funding allocations announced in February.
20. As set out in the indicative funding announcement, we have removed the rural grant from Fife College to reflect their withdrawal from the Elmwood Campus. Rural funding for Fife College was reduced by £175,000 in AY 2016-17. We are reducing the Fife College grant by a further £175,000 in AY 2017-18. SRUC will receive the whole rural premium of £350,000 in AY 2017-18 as it will incur the full cost of running the Elmwood campus.
21. The changes outlined above were the basis of the indicative funding allocations announced in February.
22. **Table 2** sets out the final teaching funding allocations for each college/region in AY 2017-18. This includes an additional £1.6 million to fund 11,213 additional childcare credits. This funding is based on SFC's price group 2 and, as this activity is all at HE level, colleges should receive additional tuition fees for these students from the Student Awards Agency for Scotland (SAAS).
23. We have allocated an additional 1,000 credits to the Glasgow College Region in relation to meeting a long-standing commitment to implement the Glasgow Curriculum and Estates Review (following the completion of the City of Glasgow College's new campus development). Consequently the teaching funding for Glasgow Region will increase by £0.2 million (which is offset by a similar reduction in the sector Strategic Funding budget).
24. As a result of these changes, the overall teaching funding for the college sector has increased by 3% from the final AY 2016-17 teaching funding allocations.

AY 2017-18 student activity targets

25. In response to Ministerial guidance, we have taken the AY 2016-17 activity target after any in-year adjustments as our starting point for AY 2017-18.
26. We have set a total activity target which takes account of our demographic model, the additional places for Early Years Education (childcare), the amount of additional ESF activity colleges are being asked to deliver and our assessment/knowledge of each college's/region's capacity to deliver and achieve these targets.

27. As set out above (paragraph 23), we have allocated an additional 1,000 credits to the Glasgow College Region.

University articulation places

28. Streamlining the learner journey by encouraging greater numbers of students using articulation routes between colleges and universities remains a priority for SFC. Between AYs 2013-14 and 2017-18, SFC allocated an additional 4,416 FTE funded places to universities for the purpose of articulation. Universities in receipt of articulation places now have four cohorts of places for articulating students, with the investment scheme having started in AY 2013-14. These places must be used by universities for articulating students in association with colleges. As set out in SFC's Articulation Guidance: *"The SFC will allocate the funding for the additional places to the university. The university must pass on 75 per cent of this funding to the college to teach the students on the HN part of the programme. The 25 per cent retained by the university will be used for quality assurance of the degree programme, aligning curriculum to achieve ease of transition, and providing support for associate students."*
29. For these additional articulation places delivered in colleges, universities should return students eligible for funding up to the number of FTE places funded by SFC through the Early Statistics Return. For any places delivered in colleges above the number of associate student places funded by SFC, colleges should return the associated credits to SFC through their Further Education Statistics (FES) returns, and this activity will count towards their core credit targets.
30. SFC plans to review the success of this articulation scheme for AY 2018-19 once we have final data for the full four years it has been in operation.

Student support

31. We have allocated student support funds on the same basis as last year, as set out in **Table 3**. This means that student support for AY 2017-18 has been based on the percentage share of demand for student support in AY 2016-17 adjusted for any changes in volume.
32. We have increased the bursary, childcare and discretionary rates by an inflationary rate of 1.45%, at a cost of £1.2 million.
33. The only change to student support funds since the indicative announcement in February is an additional allocation of childcare funding (£0.4 million) to support the additional HNC and PDA students who have their own childcare needs.
34. We have also initially earmarked £2 million for in-year adjustments. Whilst we have improved our initial targeting of student support funds, this allocation can never be completely accurate due to changing student cohorts. We have,

therefore, set aside these funds for the in-year redistribution, when we will know the level of actual need and will be able to target these funds more effectively.

Strategic funds

35. We have set aside a budget of £17 million for strategic funds; a slight reduction of £0.2 million from the February indicative funding announcement (see paragraph 23). This budget will enable us to continue to support sector-wide services and agencies, for example, Education Scotland, the Joint Information Systems Committee (JISC), College Development Network, English for Speakers of Other Languages (ESOL) activity, and Advanced Procurement for Universities and Colleges (APUC).

European funding

36. There is no change to the funding and activity targets for ESF programmes in AY 2017-18 from the indicative funding announcement in February.
37. The ESF budget for colleges in AY 2017-18 totals £19.7 million; an increase of just under £1 million from AY 2016-17. (This excludes UHI-partner colleges in the Highlands & Islands transitional region). SFC's ongoing annual contribution of up to £8 million can attract almost £12 million in ESF match-funding.
38. ESF funding and activity targets for 2017-18 are shown in **Table 4**.

Capital infrastructure FY 2017-18

39. The overall Capital budget for FY 2017-18 remains broadly unchanged from the indicative funding announcement (£47.4 million), as does the Capital/Maintenance Grant for the sector (£20.8 million) – although the distribution of this grant has been updated to reflect the additional childcare activity that has been allocated.
40. Capital project expenditure has changed, with our funding commitment to Forth Valley College reducing by £2 million. This reflects £2 million of estate disposal proceeds that were transferred to Forth Valley College. This means that SFC has an additional £2 million of capital funding, which will be allocated following the completion of the sector estate condition survey. Our revised overall Capital funding commitments for FY 2017-18 are shown in **Table 1**.
41. As shown above, the overall Capital funding budget for FY 2017-18 remains at £47.4 million; an increase of £20.4 million on the initial £27 million Capital budget for FY 2016-17 (which was subsequently increased in-year by one-off allocations totalling £15 million).
42. This increase allows for a sector Capital / Maintenance Grant of £20.8 million – which is a £5.2 million increase (compared to the Final AY 2016-17 Outcome

Agreement Funding Allocations announced in May 2016) – as well as meeting a range of other specific project commitments (set out above), principally £19.5 million for the new Falkirk campus at Forth Valley College.

43. Capital/Maintenance Grant funding continues to be allocated on the basis of core student activity targets. In future this may be allocated on a different basis, i.e. one that is more reflective of actual capital/maintenance need, but this will be informed by the planned college estate condition survey and consultation with the sector.
44. We have set out in **Table 5** a breakdown of the college Capital/Maintenance Grant funding. This has been allocated in proportion to each college region's credit target.

College Non-Profit Distributing expenditure

45. The Scottish Government has allocated £29.1 million for college Non-Profit Distributing (NPD) expenditure. This is to support the unitary charges associated with the NPD projects at Inverness, Kilmarnock, and Glasgow, and has been agreed with Scottish Futures Trust.

Acceptance of grant and Outcome Agreements

46. This letter announces the final funding that will be associated with your Outcome Agreement for AY 2017-18. Funding is dependent on agreeing a satisfactory Outcome Agreement. By signing your Outcome Agreement you are agreeing to the funding allocation announced in this letter and the associated conditions of grant (see Annex B).

Funding tables

47. We have attached the following Annexes and Tables for colleges in AY 2017-18:
 - Annex A – Individual College/Region allocations (and calculations).
 - Annex B – Conditions of grant.
 - Table 1 – Overall final budget.
 - Table 2 – Activity (credit) targets and final funding allocations.
 - Table 3 – Student Support funding allocations.
 - Table 4 – European Social Funding (ESF) and additional activity targets.
 - Table 5 – Capital/Maintenance Grant funding (FY 2017-18).

Further Information

48. 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.

Conditions of College Outcome Agreement Funding

1. Grant funding is provided to allow colleges/regional strategic bodies to deliver their regional Outcome Agreements under Sections 9 and 10 of the Further and Higher Education (Scotland) Act 2005.
2. Governing bodies and their designated officers must comply with the terms of the [Financial Memorandum](#) (FM) between the Scottish Funding Council (SFC) and fundable bodies in the college sector.
3. Colleges/regional strategic bodies must have regard to public sector pay policy set by Scottish Ministers.
4. Colleges/regional strategic bodies are required to comply with any principles of governance which appear to SFC to constitute good practice in relation to such bodies. Regional strategic bodies receiving grants from SFC are required, when making payments to any college assigned to it, to impose this condition on the college.
5. Colleges/regional strategic bodies must maintain provision of acceptable quality and develop and implement a satisfactory quality improvement strategy.
6. If the Scottish Government revises its grant funding to SFC, we reserve the right to make in-year adjustments to college/regional strategic body funding. In this case, SFC would renegotiate the terms of its regional Outcome Agreement with the college/regional strategic body.
7. Where appropriate, colleges/regional strategic bodies must provide data returns requested by SFC by the deadlines and to the standards specified. Our Student Activity Data Guidance for Colleges can be found on the SFC website.
8. Where appropriate, colleges/regional strategic bodies must follow SFC's Student Support guidance.
9. Where a college/regional strategic body is in receipt of European Social Funding (ESF) it must follow ESF guidance.
10. The funding outlined in this announcement is subject to the agreement of your Outcome Agreement for 2017-18.

Tuition fees

11. Where applicable, colleges must charge student tuition fees at the levels set by Scottish Ministers under either the Student Fees (Specification) (Scotland)

Order 2006 or the Student Fees (Specification) (Scotland) Order 2011, whichever is applicable. Regional strategic bodies receiving grants from SFC are required, when making payments to any college assigned to it, to impose this condition on the college. However:

- the tuition fee levels set by Scottish Ministers under the Student Fees (Specification) (Scotland) Order 2006 do not apply to students who do not have a relevant connection with the United Kingdom and Islands or are not excepted students within the meaning of the Education (Fees and Awards) (Scotland) Regulations 2007
- the tuition fee levels set by Scottish Ministers under the Student Fees (Specification) (Scotland) Order 2011 do not apply to students who do not have a relevant connection with Scotland or are not excepted students within the meaning of the Education (Fees) (Scotland) Regulations 2011, but any tuition fees charged to students from the rest of the United Kingdom must not exceed £9,250 per year.

Strategic funding

12. Strategic grant funding must only be used for the purpose(s) for which it is provided.

Capital/Maintenance grant

13. Capital grant funding must only be used for items which can be capitalised, including Information Technology. Maintenance grant funding must only be used for estates/infrastructure maintenance and/or debt servicing associated with capital developments.

Failure to adhere to these conditions

14. If the college/regional strategic body does not deliver the regional Outcome Agreement and the targets within it, or does not meet the other conditions of grant set out in this document, SFC will consider the clawback of grant or reductions in future funding.