

Performance & Resources Committee Meeting

Date of Meeting	Monday 6 February 2017
Paper Title	Scottish Government Draft Budget
Agenda Item	7
Paper Number	PRC4-C
Responsible Officer	Robin Ashton, Executive Director
Status	Disclosable
Action	For Noting

1. Report Purpose

- 1.1. The purpose of this report is to provide the Committee with a summary of the financial proposals contained within the draft Scottish Budget and outline the likely implications for the college sector.

2. Recommendations

- 2.1. The Committee is invited to:

- **note** the contents of this report;
- **note** the financial context facing the Scottish Government and the college sector;
- **note** that the increases in the proposed allocations for the delivery of college education; and
- **note** that the SFC allocation to the Glasgow Region is expected in mid-February.

3. Scotland's Spending Plans and Draft Budget

- 3.1. The full draft budget is available on the Scottish Government web site: <http://www.gov.scot> or from GCRB on request.
- 3.2. The overall financial context outlined in the draft budget remains extremely challenging and is now more complex as the Scotland Act 2016 has devolved more powers and responsibilities to the Scottish Government in respect of taxation and borrowing. Members should note that the Budget does not provide any significant level of detail beyond fiscal year 2017/18 therefore the accuracy of the long term financial planning which Audit Scotland now requires of colleges will be influenced by the lack of data beyond the forthcoming financial year. The overall theme in the document is one of further austerity but with some additional capital spend planned to stimulate the economy and growth.
- 3.3. In very high level terms the total expenditure budget is anticipated to increase, in cash terms, from £30,661m in 2016-17 to £31,457m in 2017-18 (an increase of 2.6%) and then to £32,147m in 2019-20 (4.8% over 3 years). There are increased risks associated with the expected income from the devolved taxation and assumed borrowing of £450m per year by the Scottish Government.

3.4. The budget document places significant emphasis on Education and Skills and priorities this area of spend. In respect of this portfolio the main priorities outlined are:

- early learning and childcare;
- tackling inequality & economic disadvantage;
- widening access to further and higher education; and
- raising standards in the education system.

3.5. The draft budget document commits the Government to maintaining at least 116,000 full time equivalent places in the college sector in 2017/18. It also commits to increases in apprenticeship places.

3.6. The document provides a detailed budget for the Scottish Funding Council (SFC) which allocates significant additional resource to further education in comparison with the 2016/17 budget:

	2015-16 Budget	2016-17 Draft Budget	2016-17 Budget	2017-18 Draft Budget
	£m	£m	£m	£m
<i>College Operational Expenditure</i>	695.7	715.1	721.4	741.3
<i>College Operational Income</i>	(165.4)	(184.8)	(184.8)	(190.0)
Net College Resource	530.3	530.3	536.6	551.3
College NPD expenditure	-	24.4	24.4	29.1
College Depreciation Costs	-	-	30.0	30.0
HE Resource	1,062.5	1,027.2	1,081.3	1,013.9
<i>College Capital Expenditure</i>	45.0	50.0	50.0	70.4
<i>College Capital Receipts</i>	(19.5)	(23.0)	(23.0)	(23.0)
Net College Capital	25.5	27.0	27.0	47.4
SFHEFC Admin	7.9	7.5	7.5	7.5
Total	1,647.2	1,652.1	1,742.5	1,734.8
of which:				
DEL Resource	1,600.7	1,589.4	1,679.8	1,631.9
DEL Capital	46.5	52.7	52.7	92.9
Financial Transactions	-	10.0	10.0	10.0

3.7. The overall budget for the college sector operational expenditure is being increased from £536.6m to £551.3m. This amounts to an increase equivalent to 2.7%. This budget provides the core revenue grant to colleges and pays for FE student support costs.

3.8. Additionally, the college sector capital allocations are to increase by £20.4m (circa 40%). The allocations for NPD projects have also increased by around £5m.

3.9. The HE resource budget has been cut in cash terms by 6% or £67m.

3.10. It is disappointing that the budget does not provide any comfort in respect of the longer term position for the college sector, particularly when colleges are being required by Audit Scotland to prepare 5 year plans.

4. Risk Analysis

4.1. Overall, the intentions outlined in the draft budget are encouraging for the college sector and should go some way to contributing to the cost pressures facing the sector. However, it is difficult at this stage to extrapolate in a meaningful way how this increase in budget will feed through the funding model used by the SFC to allocate funds to college regions, but recent increases in allocations have been on the basis of standard percentage increases.

5. Legal Implications

5.1. There are no specific legal implications associated with this paper.

6. Financial Implications

6.1. The draft Scottish Budget, if approved by Parliament, should mean that the revenue and capital funding allocations to the college sector will increase. It will take some time for these high-level figures to work through the funding models used by the SFC and GCRB to provide the Glasgow College Region and the assigned colleges their core grant allocations. It will only be at this point that the colleges will be able to establish if the additional resource is sufficient to enable it to fund the pay rises which have been or are likely to be offered to staff as a consequence of national bargaining.

6.2. There may be direct or indirect implications for the region resulting from the University Sector and Local Government Settlements.

7. Regional Outcome Agreement Implications

7.1. Securing financial sustainability across the three colleges is a necessary foundation for delivery of the Regional Outcome Agreement.