

Performance and Resources Committee Meeting

Date of Meeting	Monday 13 March 2017
Paper Title	Indicative Assigned College 2017-18 ROA Funding Allocations
Agenda Item	9
Paper Number	PRC5-E
Responsible Officer	Robin Ashton, GCRB Executive Director
Status	Disclosable
Action	For Agreement

1. Report Purpose

- 1.1. To consider recommendations on the distribution of 2017-18 indicative regional outcome agreement funding to the assigned colleges.

2. Recommendations

- 2.1. The Board is invited to:

- **note** the indicative Scottish Funding Council (SFC) funding allocation to the Glasgow Region for 2017-18 college outcome agreements;
- **note** the progress made by GCRB and college management over the course of this academic year to further develop a regional funding model and funding allocation framework;
- **consider** the proposal to make greater use of future year targets in the funding calculations for 2017-18;
- **recommend** to the GCRB Board, subject to any amendment resulting from Committee considerations, indicative funding allocations for core teaching grant, European Social Funds, and student support funding for the assigned colleges for 2017-18; and
- **instruct** the GCRB Executive Director to work with colleagues from the Glasgow colleges and the SFC to:
 - develop 2017-18 capital grant allocation recommendations for consideration at the next meeting of the Committee;
 - continue to review and further develop funding approaches for future ROA funding allocations.

3. Background

- 3.1.** Members will be aware that as a regional strategic body, a key role of GCRB is to fund the assigned colleges.
- 3.2.** Whilst GCRB does not yet have fundable body status, demonstrating the capacity to make funding recommendations is a significant element within the assurances required by the SFC as conditions for granting GCRB fully operational fundable body status.
- 3.3.** On February 10, 2017 the SFC published its indicative allocations for 2017-18 outcome agreement funding for colleges. The SFC publication stated that the figures are indicative only and cannot be finalised until the budget bill has been agreed by the Scottish Parliament and until Regional Outcome Agreements are finalised and agreed, which SFC expect to do in April.
- 3.4.** Alongside the drafting of a Regional Outcome Agreement for 2017-18, the GCRB executive has been working closely with the colleges on the development of a regional funding methodology. This included discussion of regional funding approaches at meetings of Finance Vice Principals on 9 September, 30 September, 4 November, 25 November, 16 December and 13 January, and at meetings of the regional Principals' group on 11 October, 15 November, 20 December and 31 January.
- 3.5.** This paper presents for member's consideration indicative funding allocations for the assigned colleges in relation to core teaching grant, European Social Funds, and student support funding which result from these discussions.
- 3.6.** Members should note that further work is required to develop capital grant allocation recommendations and that these will be provided to the next meeting of the Committee.

4. Credit Activity Targets

- 4.1.** The SFC 2017-18 funding announcement set a Credit activity level of 368,574 Credits for the Glasgow College Region. This retains the request made by the SFC in 2016-17 that City of Glasgow College deliver an additional 1,080 credits for no additional funding as part of the Glasgow curriculum plan. This relates to efficiency savings which City of Glasgow committed to as part of the agreed regional curriculum and estates plan. The City of Glasgow College also committed to deliver further 2,760 Credits without funding in 2017-18, again as part of commitments made within the regional curriculum and estates plan.
- 4.2.** Given that the full transitional funding was not allocated to the Glasgow region and that this means the region is significantly underfunded for its planned delivery, it is recommended that the Glasgow region does not deliver beyond the additional activity specified in the SFC funding announcement (i.e. only deliver the fundable Credit total of 367,494 plus the 1,080 additional Credits, and not the further 2,760 Credits).
- 4.3.** In order to continue to recognise the City of Glasgow commitments to efficiency made within the agreed regional curriculum and estates plan, it is proposed that City of Glasgow reduce their overall volume of planned additional efficiency Credits by 920 Credits, and that Clyde and Kelvin colleges lower their delivery targets by similar amounts so that the region as a whole is planning to deliver to the activity target

specified in the SFC funding announcement. This would lead to the following Credit delivery targets:

Credit Targets for 2017-18	Glasgow Region	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College
SFC Core funded credit target	367,494	167,231	121,961	78,302
Planned efficiency credits		3,840		
Efficiency adjustment	1,080	-920	-920	-920
Final efficiency credits	1,080	2,920	-920	-920
Total Core credit target	368,574	170,151	121,041	77,382
Initial ESF Credit target	19,106	9,641	7,069	2,396
Additional ESF Credits	1,277	1,027	250	
Total ESF Credit Target	20,383	10,668	7,319	2,396
Total Credit target	388,957	180,819	128,360	79,778

4.4. Members should note that the above Credit targets do not include the additional credits specified by the SFC in their funding announcement (estimated at an additional 1,000 Credits) to be funded from SFC's strategic fund. When this is confirmed by the SFC, these Credits will be allocated to City of Glasgow College as agreed within the regional Curriculum and Estates Plan.

5. Funding Allocation Framework

5.1. The funding methodology used to form the recommendations in this paper seeks to distribute funding according to four criteria, which ensure that regional funding decisions:

- are evidence based and transparent;
- respond to regional curriculum needs;
- respect and value assigned college contributions; and
- support continued financial sustainability.

5.2. The above criteria have been applied to the following seven funding elements:

- Gross credit funding
- Social Inclusion Funding
- Extended Learning Support
- Assumed Fees
- Historic efficiencies
- European Social Funding
- Student Support Funding

5.3. Members will recall that when the GCRB Board endorsed funding allocations for 2016-17, it requested that the GCRB Executive Director work with the Glasgow colleges to continue to review regional funding approaches. The Funding Allocation Framework overleaf results from discussions undertaken over the course of 2016-17 and provides a

summary as to how potential funding approaches would meet the four funding distribution criteria.

Funding Allocation Framework

Allocation Method		Allocation Criteria			
Funding Element	Potential Allocation Method	Evidence based and transparent	Responds to regional curriculum needs	Respects and values assigned college contributions	Supports continued financial sustainability
1. Gross credit funding	Mapped to planned curriculum profiles	Colleges provided forecasts of curriculum plans	Takes account of curriculum and estates plan changes	Differing price profiles for specific college roles	5 price bands allocate funding relative to delivery costs
2. Social Inclusion Funding	Combination of methods related to shares of SIMD10 learners and Credits	Based on audited 15/16 student record data	Each college draws in differing levels of SIMD10 residents	Funding allocations set according to planned levels of SIMD10	Funding allocations set according to planned levels of SIMD10
3. Extended Learning Support	Based on proportionate share of 17/18 gross Credit funding	Based on 17/18 Gross funding	ELS funding provided for colleges to implement their access and inclusion strategies	All colleges expected to prioritise access and inclusion activity	ESL funding is derived from overall college activity targets
4. Assumed Fees	Based on 15/16 benchmarks scaled to 17/18 targets	Based on audited 15/16 student record data	Estimate extrapolated from 15/16 fee actuals	Differentiated levels of assumed fees per college	Allocates appropriate assumed fees per college
5. Historic efficiencies	Based on proportionate share of 17/18 gross Credit funding	Based on 17/18 Gross funding	Efficiency levels set relative to college activity targets	Efficiency levels set relative to college activity targets	Recognises that merger activity now complete
6. European Social Funding	Based on average gross Credit value	Uses main grant funding model to determine average college credit prices	Activity levels allocated to colleges in context of curriculum and estates plan	Differentiated average rate per Credit per college	Allocation based on college average Credit price
7. Student Support Funding	Proportionate to historical and planned levels of demand	Uses college 16/17 data and 17/18 estimates	Estimate extrapolated from 16/17 actuals and 17/18 estimates	Funding allocations based on individual college estimates	Funding allocations based on individual college estimates

- 5.4.** In respect of the above criteria, members should note that whilst national SFC funding calculations made within the new Credit based funding model use historical data, the regional funding model has used forward projections for calculating college price band profiles. The rationale for this was that the curriculum shifts caused by implementation of the regional curriculum and estates plan meant that there were significant variations in the planned curriculum and that the funding model was required to take account of this.
- 5.5.** Following the announcement by the SFC of the regional funding allocation on 10 February, the GCRB Executive Director provided a draft funding model to the colleges based on prior regional discussions of approaches, and arranged a meeting of college Finance and Curriculum Vice Principals to discuss indicative funding. At the meeting, a new proposal was made by City of Glasgow Colleges to extend the use of future year targets to the funding elements related to Social Inclusion Funding and Assumed Fees.
- 5.6.** Greater use of projected data across more of the regional funding model could potentially align future funding more closely to future delivery, as in effect colleges would receive funds for agreed future outputs. Therefore, some modelling was undertaken as to how this proposed change could be implemented. However, this led to concerns regarding reliance on targeted increases, particularly those relating to SIMD10 and Further Education Credit volumes and members will recall that the region had not met forecast levels of activity in relation to these two indicators in 2015-16.
- 5.7.** The proposed changes therefore could potentially mean the robustness of data on which funding decisions were to be based was lessened. In addition, the proposed change also required greater reliance on data independently provided by the three colleges and this increased the risk of variability of data, as compared to the use of nationally available SFC benchmark data.
- 5.8.** Members should also note that greater use of future year targets would also increase risk of a funding clawback situation developing if a college did not meet its agreed level of projected activity, whereas use of historical data directly links actual activity with actual funding (albeit not in the year in which the activity was delivered).
- 5.9.** In the context of the above considerations, the funding allocations presented later in this report are based on the approaches set out in the Funding Allocation Framework above and prior to the proposal to make greater use of future year targets. However, members are asked to consider the proposal for greater use of targets in funding calculations, and if in agreement that they would wish this aspect to be further developed for 2017-18 funding allocations, the Executive Director will work with the colleges to develop amended funding proposals for GCRB Board consideration.
- 5.10.** Notwithstanding the above decision, it is recommended that the funding model continues to be reviewed in light of national developments relating to implementation of the simplified funding model, and that this evaluation includes further consideration of the extent of use of future year targets in funding calculations.

6. Indicative 2017-18 Teaching Grant Allocations

- 6.1.** Not including any capital grant, the Glasgow College region was provided with total funds of £108,520,865, which consisted of a teaching Grant of £81,789,905, European Social Funds (ESF) grant of £7,688,038 and an initial Student Support allocation of £19,042,922.
- 6.2.** As the GCRB budget for 2017-18 has not yet been set, 0.6% of the total allocation has initially been set aside and this paper considers the allocation of the remaining £86,105,303.
- 6.3.** The tables below set out indicative funding allocations for members' consideration, based on the approaches set out within the Funding Allocation Framework described earlier in this report.

	Glasgow Region	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College
Price group 1	£12,331,320	£8,139,626	£3,231,827	£959,868
Price group 2	£36,812,222	£14,331,673	£14,363,160	£8,117,388
Price group 3	£28,137,966	£15,425,927	£6,236,830	£6,475,209
Price group 4	£685,230	£0	£685,230	£0
Price group 5	£13,858,092	£2,100,844	£6,527,367	£5,229,881
Gross funding for planned Credits	£91,824,829	£39,998,070	£31,044,413	£20,782,346
Gross price per Credit	£248.53	£237.90	£253.18	£263.99
Gross funding scaled to SFC allocation	£91,332,387	£39,783,567	£30,877,927	£20,670,893
Deprived post code premium	£2,225,195	£716,942	£672,123	£836,177
ELS Premium based on % of gross funding	£9,280,742	£4,042,608	£3,137,661	£2,100,473
Gross Grant in Aid	£102,838,324	£44,543,117	£34,687,710	£23,607,544
Assumed fees from other sources	-£16,452,265	-£8,991,310	-£4,267,208	-£3,193,747
Historic efficiencies based on % of gross funding	-£3,520,920	-£1,533,681	-£1,190,363	-£796,876
Net grant in aid	£82,865,139	£34,018,125	£29,230,139	£19,616,921
Net grant in aid scaled to SFC allocation	£81,289,905	£33,371,454	£28,674,485	£19,244,011
ESF Teaching allocation based on gross credit value	£5,023,396	£2,537,961	£1,853,040	£632,395
ESF Teaching grant scaled to SFC allocation	£4,815,398	£2,432,875	£1,776,313	£606,210
Total teaching grant allocation	£86,105,303	£35,804,329	£30,450,799	£19,850,221

7. Indicative 2017-18 Student Support Grant Allocations

- 7.1. The SFC funding announcement stated that Student support funding was to be increased by £1.2 million (1.45%) with a further £2 million set aside for in-year redistribution.
- 7.2. An initial funding amount of £19,042,922 core student support and £2,872,640 ESF student support has been provided to the Glasgow College region (total student support funding of £21,915,562).
- 7.3. In line with the approach used in 2016-17, colleges have provided details of current year end projections and future year estimates. As further funds are expected to be provided through national redistribution, all colleges have been allocated a proportionately equal 5.3% shortfall as set out in the table below.

	Glasgow Region	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College
Core student support	£19,042,922	£6,772,730	£8,045,606	£4,224,587
ESF student support	£2,872,640	£1,503,527	£1,031,504	£337,610
Total Student Support	£21,915,562	£8,276,256	£9,077,110	£4,562,196

8. Risk Analysis

- 8.1. The funding allocations considered within this paper are intended to support delivery of commitments made in the 2017-18 Glasgow ROA. Since the ROA represents 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;
- if there is a material shortfall in the quality of facilities, student success will be reduced; 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.

9. Legal Implications

- 9.1. No legal implications are identified. However, it is a statutory function of Regional strategic bodies is to administer funds and fund assigned colleges.

10. Financial Implications

- 10.1.** 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.
- 10.2.** 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.

11. Regional Outcome Agreement Implications

- 11.1.** The funding allocations considered within this paper are intended to support delivery of commitments made in the 2017-18 Glasgow Regional Outcome Agreement.