

## Board Meeting

Date of Meeting	Monday 26 March 2018
Paper Title	Regional Funding 2018-19
Agenda Item	14
Paper Number	BM4-M
Responsible Officer	Jim Godfrey, Finance and Resources Director
Recommended Status	Disclosable
Action	For Approval

### 1. Report Purpose

1.1. To enable the Board to consider the arrangements for Regional Funding for 2018/19.

### 2. Recommendations

2.1. The Board is invited to:

- **approve** the approach to regional funding, and the indicative allocation of funding, for 2018/19.
- **note** that final Regional Funding allocations for 2018/19 will be presented to the Board for approval in June 2018, following publication of the national allocations by SFC.
- **note** that the capital policy for 2018/19 will be considered by the Performance and Resources Committee at its next meeting in June 2018.
- **note** that a group will be set up to review the regional approach to funding for 2019/20 and beyond.
- **note** that Colleges Scotland and SFC have recently met to discuss a revised national funding model and **request** that the Glasgow region is actively engaged in this process.

### 3. Background

3.1. The majority of funding for the college sector is allocated by SFC on an annual basis. The indicative funding allocation for colleges was published by the Scottish Funding Council on 27 February 2018. A copy of this publication is available via the following link: <http://www.sfc.ac.uk/publications-statistics/announcements/announcements-2018/SFCAN062018.aspx>

3.2. It is therefore the responsibility of GCRB to similarly allocate this funding to the Glasgow colleges. Board members will recall previous discussions regarding the allocation of funding for 2017/18.

- 3.3.** The approach to Regional Funding has been reviewed and a revised methodology developed for 2018/19. The detailed approach to Regional Funding for 2018/19 is set out within this report.
- 3.4.** The draft approach was considered by the Performance and Resources Committee at its meeting on 7 March 2018. It has also been the subject of discussion, and consultation, with the colleges through meetings of the Sustainable Institutions Group, Glasgow Colleges Group and a meeting of Chairs and Principals. The input from a number of stakeholders is very much appreciated. As a result of feedback received, some refinements have been incorporated into the revised report and indicative funding allocation for 2018/19.

#### **4. Approach to Funding for 2018/19**

**4.1.** The approach to funding for 2018/19, set out in this report, is consistent with:

- The proposed Finance Policy and specifically the aim of adopting a simplified approach to the funding allocation to colleges; and
- The approach adopted nationally by SFC and Scottish Government.

**4.2.** The approach to funding for 2018/19 can be summarised as:

- The allocation of revenue funding for 2018/19 is based upon the relative share of funding for each college in 2017/18;
- The priority for capital funding in 2018/19 is to fund the ‘very high’ priority maintenance work identified within the National Condition Survey<sup>1</sup>;
- Capital funding is also provided for lifecycle maintenance, including to City of Glasgow College to meet some of the costs of the NPD contract; and
- In respect of the various other funds, the allocation process follows SFC guidance in respect of each fund.

#### **5. Financial Position 2018/19**

- 5.1.** The national funding allocation for 2018/19 contains some positive news. This includes funding to meet the costs of national bargaining, additional student support funds and capital funding to address backlog, and lifecycle, maintenance. The provision of this funding helps to reduce some of the risks to financial sustainability for 2018/19.
- 5.2.** At the same time, the additional funding has been provided for specific purposes and the underlying settlement represents ‘flat cash’. In other words, colleges will need to make annual efficiency savings to meet the additional costs of price inflation and annual pay settlements. These annual efficiency savings are challenging and the cumulative effect of these efficiency savings poses an on-going risk.

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<sup>1</sup> It may be necessary to make some updates to the works identified within the National Condition Survey and this will be addressed through the Estates Strategy.

## 6. Further Detail

- 6.1. A significant amount of supplementary information is attached to this covering report.
- 6.2. Annex A contains the detailed approach to funding for 2018/19. It provides background information to each element of funding and the supporting rationale for the proposed approach. An earlier version of this was paper was considered by the Performance and Resources Committee at the beginning of March 2018.
- 6.3. Annex B is the Indicative Funding Allocation for 2018/19 for the colleges in the Glasgow region. The layout of this document is consistent with the format used by SFC to provide the indicative allocation to the college sector.

## 7. Further Actions

- 7.1. The GCRB Capital Policy for 2017/18 was approved by the Board in June 2017. It was agreed that this policy would be reviewed after a year and therefore the review, and revised policy, will be presented to the next meeting of the Performance and Resources Committee. The revised policy will take into account the changes to the methodology used to allocate capital monies by SFC.
- 7.2. The regional approach to funding is always capable of improvement. As such, the Performance and Resources Committee requested that a group be established to consider how the regional approach might be enhanced for 2019/20 and beyond. The Finance and Resources Director will convene an initial meeting and invite interested parties. The work of this group will be reported to the Performance and Resources Committee in due course.
- 7.3. At the end of February 2018, Colleges Scotland met with SFC to discuss how a future national funding model might be developed. The Glasgow region has a key role to play in these future discussions and is seeking active involvement in this process. These national developments will also help to inform the regional approach and the work of the regional group outlined above.

## 8. Risk Analysis

- 8.1. In considering the approach to funding the region's outcomes and ambitions, the following risks and mitigating actions are identified. These specific risks are cross-referenced to the Board's Risk Register.

Risk ID	GCRB Risk	Revenue	Capital	Other
0002	Effective working relationships are not developed/maintained with key partners due to a focus on short-term internal priorities.	The maintenance of positive and effective relationships with key partners, e.g. Scottish Government and SFC, are crucial. Working collaboratively with key partners will enable the Glasgow region to influence national policy and funding.		Some of these sources of funding, e.g. ESOL, are of critical importance to partners. The political, and reputational, risk may exceed the financial risk.

Risk ID	GCRB Risk	Revenue	Capital	Other
0004	Opportunities are missed/not resourced appropriately and the potential to add value via the strategic plan is overlooked.	The financial pressures facing the college sector, e.g. the cost of national bargaining, and the allocation of funding to meet specific purposes could limit regional discretion. This might make it more difficult to allocate resources to meet regional ambitions in the future.		
0006	Fewer learners achieving positive outcomes.	Any impact on the financial sustainability of a college will have implications on the outcomes, and ambitions, delivered.	The review of student funding may have a positive benefit re the ability of learners to achieve positive outcomes. The potential risk to student funding as a result of changes to the ESF programme have been offset by an increase in core student funds.	
0007	Financial sustainability is jeopardised by a reduction in funding and/or an increase in costs.	The revenue funding allocation is of critical importance to the three colleges. The funding allocated for 2018/19 alleviates some risks but the underlying position remains 'flat cash' with colleges needing to make annual efficiency savings.	The colleges rely upon the capital grant to fund on-going expenditure, e.g. lifecycle maintenance. The provision of funding for lifecycle maintenance is welcomed and reduces this risk. The provision of substantial funds to address Very High Priority maintenance requirements <sup>2</sup> is also welcomed. However, the funding allocation provides limited flexibility to address other priorities e.g. ICT investment.	Some of these sources of funding, e.g. ESF and National Bargaining, are significant and have a material impact on colleges.
0009	Working relationships within the Glasgow College Region (e.g. students, staff, board members) are ineffective and reduces our collective impact.	Financial pressures facing colleges can cause tension within the region, e.g. if the promotional of individual interests takes precedence. The agreement, by all parties, of the indicative funding allocation for 2018/19 is very positive and helps to mitigate this risk.		

<sup>2</sup> Within the National Condition Survey

**9. Legal Implications**

**9.1.** There are no specific legal implications associated with this report.

**10. Resource Implications**

**10.1.** The financial implications are set out in the annex to this report.

**11. Strategic Plan Implications**

**11.1.** This policy is aligned to the Finance Policy which is in turn aligned to the Glasgow Region Strategic Plan for College Education 2017-2022.

**11.2.** This policy is consistent with the Financial Memorandum and seeks to make progress on the regional ambitions within the available resource constraints.

## **Regional Approach to Funding 2018/19**

A core responsibility of GCRB is the deployment of resources to enable the achievement of the Regional Outcome Agreement and the ambitions of the Regional Strategic Plan. This is one of the primary objectives within the Finance Policy for the Glasgow College Region.

GCRB therefore allocates funding to the three assigned colleges to enable them to meet these objectives. GCRB determines the allocation process in line with the priorities set by the Scottish Government and the procedures determined by the Scottish Funding Council.

In making allocations, GCRB has been guided by the following Funding Decision Principles:

- i) There is an open and transparent consultation process involving the assigned colleges prior to funding proposals being considered by the GCRB Board or its Committees.
- ii) The basis of any funding proposals and decisions are made clear and available to the assigned colleges.
- iii) Funding proposals and decisions consider issues of institutional and regional sustainability and balance competing demands.
- iv) Funding proposals and decisions support the achievement of regional goals and outcomes.

In December 2017, the Scottish Government announced the budget proposals for 2018/19. The principal change for 2018/19 is the provision of additional funds to meet the cost of the national bargaining for lecturing staff. However, the settlement remains challenging and there are unlikely to be additional resources for other activities.

The future funding allocations might therefore be considered in three distinct tranches:

- i) **Revenue** – that is the core grant that supports college provision.
- ii) **Capital** – which provides funding for lifecycle maintenance and investment in infrastructure.
- iii) **Other** – which includes all other funds, for example, European Social Fund (ESF) projects, Student Support, Flexible Workforce Development Fund (FWDF), English for Speakers of Other Languages (ESOL) and funding to support the cost of national bargaining.

The approach to the three elements of funding will be considered in turn over the following pages.

It is important to bear in mind that, in addition to the funding outlined above, Colleges also generate revenue (e.g. commercial income) and receive additional funding from other sources (e.g. Arm's Length Foundation).

## Revenue

The following information provides some context to the allocation of college funding:

- i) When the revised Funding Model was published by the SFC in December 2014, a consequence was that resources would move between regions. However, the Ministerial letter of guidance for 2015/16 capped the amount any college region could lose at 1% for that year. With the revised Funding Model, the share of resources identified for Glasgow was higher than under the historical arrangements and it was anticipated that progress to the revised regional allocations would be fully implemented after the transition period. However, this has not been the case and it seems unlikely that there will be a move to the revised regional allocations in the foreseeable future.
- ii) The planning assumption for the Financial Forecast Return (provided by the Scottish Funding Council in August 2017) stated that “Colleges should also assume that the transition to the simplified funding model will be put on hold during the period 2018/19 through to 2021/22.” The implication of the planning assumption is that SFC has moved from a formulaic approach to funding to a position of ‘steady state’. There must be some doubt as to whether the revised Funding Model, that was developed in 2014, will be ‘fit for purpose’ in 2022.
- iii) In recent years, GCRB has used a funding formula to allocate the core revenue grant to the assigned colleges. This formulaic approach was developed in 2015/16 and has many similarities with the revised Funding Model introduced by the Scottish Funding Council (SFC) for the financial year 2015/16. The regional funding formula has not always enjoyed the unanimous support of the individual colleges.

Against this background, consideration has been given as to how revenue funding for 2018/19 should be allocated. Two options were considered; continue to use the Regional Funding Model or adopt a Simplified Approach. For completeness, the case for each is shown on the following two pages.

Following careful consideration, the Simplified Approach was agreed for 2018/19 and received widespread support.

### **Using a Funding Model to allocate funding to colleges in 2017/18**

There were advantages to this approach, which included:

- i) The funding formula provided a link between some regional ambitions and the resources provided e.g. activity volumes by price bands.
- ii) There are some similarities between the revised Funding Model developed by SFC in 2014 and the one used by GCRB in recent years.
- iii) The process is transparent and the assigned colleges have been involved in its development.

The disadvantages of this option are:

- i) The formula uses a simplified approach to the allocation of funding and doesn't directly align to the range of ambitions within the regional strategy/outcome agreement.
- ii) If the total regional grant is constant, then any changes to the formula will result in an increase in grant to one college being offset by a reduction to another. Annual fluctuations in grant could be challenging for a college and introduce some instability.
- iii) There is a risk that colleges evaluate how the formula affects their position and then present a case for changing the formula to suit their circumstances. This has the potential to create conflict between colleges and also between a college and GCRB.
- iv) There is some subjectivity in determining the most appropriate data to be used in the formula (e.g. historic actual or forecast future).



### Simplified Approach for 2018/19

The approach adopted nationally is to use the 2017/18 allocation as the baseline and apply a percentage to this figure to obtain the total regional grant for 2018/19. A similar approach has been adopted within the region so that the modest increase that the region has received is applied to all partners.

By way of background information, the relative share of the core grant in 2017/18 was:

	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College	GCRB	Total
Core Grant	£33,520,295	£28,619,281	£19,218,439	£381,000	£81,739,015
Percentage	41%	35%	23.5%	0.5%	100%

The advantages to this approach include:

- i) It is simple to use and understand - colleges are provided a level of resource and agree a set of outcomes which they must fulfil in return.
- ii) The relative shares, and curriculum mix, of each college is now stable following the implementation of the regional curriculum and estates review. The percentage activity undertaken by each college is not expected to change in the near future.
- iii) It is consistent with the approach now being taken by the SFC i.e. the funding model agreed in 2014 is not being used and is unlikely to be so for the foreseeable future.
- iv) It provides greater certainty and autonomy for colleges, which enhances their ability to plan.
- v) The percentage allocations could be changed, for example if there is a future re-distribution of activity between colleges.
- vi) It provides an interim solution pending the development of a revised funding model by Colleges Scotland.

The disadvantages are as follows:

- i) The percentage allocation for each college is constant and doesn't reflect minor changes to curriculum activity.
- ii) The direct link between specific objectives and overall funding levels is limited.

## Capital

For 2017/18, GCRB introduced a Capital Funding Policy. This policy determined the allocation of capital grants to the assigned colleges in 2017/18 and the following grants were allocated:

	<b>City of Glasgow College</b>	<b>Glasgow Clyde College</b>	<b>Glasgow Kelvin College</b>	<b>Total</b>
<b>Lifecycle Maintenance</b>	£1,189,842	£842,128	£539,184	<b>£2,571,154</b>
<b>LAN Infrastructure</b>		£985,000		<b>£985,000</b>
<b>STEM Innovation</b>	£427,200			<b>£427,200</b>
<b>Interactive Smartboards</b>		£300,000		<b>£300,000</b>
<b>Building Improvements</b>			£284,000	<b>£284,000</b>

It was agreed that the Capital Funding Policy would be reviewed and this will take place before final funding decisions are taken for 2018/19. One significant development, during 2017/18, has been the publication (by SFC) of the National Condition Survey in December 2017.

### National Condition Survey

The Condition Survey identifies that almost £900m has been invested in significant college developments over the last 10 years. The total spent in Glasgow was reported as follows:

	<b>£m</b>
<b>City of Glasgow College</b>	193.0
<b>Glasgow Clyde College</b>	109.8
<b>Glasgow Kelvin College</b>	42.0
<b>Total</b>	<b>344.8</b>

The investment in Glasgow equates to over 38% of the national total, which is significantly greater than the relative share of student activity (around 22%). This investment has helped to provide a high standard of college facilities in the region. Notwithstanding the significant investment in the national estate, the National Condition Survey also identified that £350m is required over the next 5 years to maintain the college estate nationally. The published condition survey shows the future requirements of each college in Glasgow, with the figures summarised below:

	<b>Year 1</b>	<b>Year 2</b>	<b>Years 3-4</b>	<b>Year 5</b>	<b>Total</b>
	<b>Very High</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Glasgow Clyde College - Anniesland</b>	11	31	1,410	184	<b>1,636</b>
<b>Glasgow Clyde College - Cardonald</b>	499	3,072	1,281	0	<b>4,852</b>
<b>Glasgow Clyde College - Langside</b>	108	255	1,091	998	<b>2,452</b>
<b>Glasgow Kelvin College - East End</b>	30	44	492	1	<b>567</b>
<b>Glasgow Kelvin College - Easterhouse</b>	135	138	151	153	<b>577</b>
<b>Glasgow Kelvin College - Springburn</b>	180	158	385	1,468	<b>2,191</b>
	<b>963</b>	<b>3,698</b>	<b>4,810</b>	<b>2,804</b>	<b>12,275</b>

It is important to note that the above figures do not include professional fees, contingencies, other costs, VAT, optimism bias and inflation allowance. Gardiner & Theobald (the report author) estimate that the full maintenance cost will increase by 222% when these other costs are included. If the figure of £12.275m is multiplied by 222% it gives a total requirement of £27.25m (just under £5.5m per annum for each of the next 5 years).

The total in the table represents 7.5% of the national maintenance requirements. This is significantly lower than the regional share of student activity (around 22%) and reflects the higher level of capital investment in Glasgow in the last 10 years.

The National Condition Survey provides an evidence base, which will inform the future allocation of funds by the SFC to the region. In turn, it would be reasonable to conclude that the allocation of funds by GCRB would also be informed by the results of the Survey. If SFC allocate future capital funds in accordance with need, rather than activity, then there is a possibility that funds provided to the Region may decrease. The reason for this is that historical allocations have been based upon levels of student activity rather than need.

### 2018/19

The capital funds allocated to the region have been provided to meet two separate purposes; lifecycle maintenance and to address the backlog maintenance that is deemed to be a 'very high priority' (within the National Condition Survey).

The provision of funds to meet lifecycle maintenance is seen as a positive outcome. The indicative allocation of these funds to the colleges is on the same the basis as has been allocated to the region. This provides the following capital grant for lifecycle maintenance in 2018-19:

<b>Lifecycle Maintenance</b>	<b>City of Glasgow College</b>	<b>Glasgow Clyde College</b>	<b>Glasgow Kelvin College</b>	<b>Total</b>
<b>2018/19</b>	£1,285,526	£905,822	£565,875	<b>£2,757,223</b>
<b>Increase</b>	£95,684	£63,694	£26,691	<b>£186,069</b>

Furthermore, funds have been allocated to the region to address the 'very high priority' backlog maintenance as follows:

<b>Backlog Maintenance</b>	<b>City of Glasgow College</b>	<b>Glasgow Clyde College</b>	<b>Glasgow Kelvin College</b>	<b>Total</b>
<b>2018/19</b>	£0	£1,250,534	£2,244,265	<b>£3,494,799</b>

Prior to the final allocation being agreed, there is a piece of work to be undertaken to verify that the items identified in the National Condition Survey are still outstanding. It is possible that some of the works are complete and that funds are not required for the purpose that they have been provided.

There are two further points to note:

- The level of capital funds provided in 2018/19 is welcomed and is viewed positively. As a result, it is considered that the risk of insufficient capital funding has reduced for 2018/19.
- The funds have been allocated to the Glasgow Region for specific purposes. As such, the scope to direct funds to meet other regional, or college, priorities is reduced. This will be reflected in the review of the capital policy for 2018/19.

2019/20

The following year presents a challenging picture, primarily due to the potential volume of works identified as being a 'high priority' in the National Condition Survey. If the same process was implemented in 2019/20, as used for 2018/19, then it would result in the following to address the 'high priority' backlog maintenance:

<b>Backlog Maintenance</b>	<b>City of Glasgow College</b>	<b>Glasgow Clyde College</b>	<b>Glasgow Kelvin College</b>	<b>Total</b>
<b>2018/19</b>	£0	£7,275,052	£994,180	<b>£8,269,232</b>

In addition, there would need to be a further allocation of £2.76 million for lifecycle maintenance to give a total estates requirement in excess of £11 million. It would be optimistic to expect that funding of this level would be available to the region in 2019/20 and this presents a risk.

One further point to note, is that £6.7 million of the 'high priority' backlog maintenance relates to the Cardonald Campus of Glasgow Clyde College. The specific situation regarding this campus is something that will be considered within the Capital Policy for 2018/19.

## **Other**

There are numerous other sources of funding which lie outside the core revenue and capital grants. The purpose of this section is to provide an outline of each project and the challenges going forward. In considering each project, there is the potential to consider the risk to the particular source of funding. The other sources of funding include:

### ***i) European Social Fund (ESF) Projects***

The Youth Employment Initiative ends on 31 July 18. This is the ESF project that has been delivered in Glasgow. The Glasgow Colleges will participate in the Developing Scotland's Workforce programme from 2018/19 (until 2021/22). The aims of the project are:

- (1) Provide higher level skills, upskilling and job progression.
- (2) Support emerging employment potential in specific sectors.
- (3) Provide higher level accredited 'nationally recognised qualifications'

One of the challenges facing the Glasgow Colleges is that the intervention rate for the Developing Scotland's Workforce programme is approximately one third of the previous Youth Employment Initiative. For 2018/19, the number of ESF credits has reduced by almost 14% but the level of funding per credit has increased by 10%. For 2018/19, this is a positive outcome. However, the risk remains that this funding is currently worth £4.6 million to the Colleges but is due to end in the medium term.

### ***ii) Student Support Funding***

Funding for student support comes from the Scottish Funding Council and also from SAAS (for Higher Education students). The funding enables Colleges to pay bursaries, childcare and provide other support to learners.

There are two significant developments that could have a material impact on student support in 2018/19. Firstly, there is the Independent Review of Student Financial Support in Scotland. Scottish Ministers received the report on 20 November 2017 and are currently considering the recommendations<sup>3</sup>. Funding of £5m has been set aside within Scottish budget for 2018/19 to meet some of the potential costs of implementing the agreed recommendations.

Secondly, in 2017/18, the three Glasgow Colleges received £2.87m of ESF funding to provide student support for the Youth Employment Initiative. However, the Developing Scotland's Workforce project is focussed on HE students who are eligible for less student support from SFC. There was a risk that the Glasgow region could have suffered a reduction of £2.88 million in student funding. However, the reduction of ESF funded student support has been offset by an increase in core student support funding. This is a welcome development that has removed this risk for 2018/19.

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<sup>3</sup> Further details were provided in the report to the meeting of the Performance and Resources Committee on 1 December 2017.

**iii) Childcare**

Over the course of the period 2017 to 2020, “colleges are required to work closely with SFC and Scottish Government to respond to the demand for additional early years staff”<sup>4</sup>. For 2017/18, the level of additional childcare activity was matched with an additional resource allocation. For 2018/19, childcare activity is part of the overall resource allocation but there is a target level of activity at regional, and national, level. To meet the increased childcare target, it is likely that each college will need to transfer credit activity to childcare from elsewhere.

**iv) English for Speakers of Other Languages (ESOL)**

In 2017/18, SFC provided a grant of £305,751 to the region for additional ESOL provision. In turn, this funding was provided to Glasgow Clyde College to deliver the ESOL plan for 2017/18 as agreed by GCRB, Glasgow Clyde College and the regional partners. The key change for 2018/19 is that “from 2018/19 all English for Speakers of Other Languages (ESOL) provision should be resourced from college core teaching funding.”<sup>5</sup>

For 2018/19, £322,352 has been incorporated within the core teaching funding allocation. Of this total, £112,858 has previously been provided to partnership bodies to provide ESOL services. This figure will be paid to these partnership bodies in 2018/19 on behalf the region. The original allocation proposed that the remaining funds should be allocated to the three colleges based upon their share of credit activity. However, Glasgow Clyde College proposed that this allocation should be based upon a college share of ESOL activity. This revision was agreed by all parties and therefore the revised indicative allocation is based upon the respective share of ESOL activity<sup>6</sup>.

**v) National Bargaining**

The additional cost of implementing the national bargaining arrangements in 2018/19 have been offset by the provision of an additional grant. In 2017/18, SFC and Colleges Scotland produced a spreadsheet showing the expected cost of national bargaining for each college. This spreadsheet has been used to allocate these funds to the region and in turn to the colleges in Glasgow. The grant enables the colleges to meet the full cost of national bargaining in 2018/19 and reduces the financial risk for next year. The medium term risk is that the costs are embedded into the core running costs but the future funding is uncertain.

**vi) Other**

There are some other sources of funds that have been agreed by SFC with individual colleges in the past. Examples include amounts to meet the cost of Voluntary Severance and the Bridge to Business project. As GCRB assumes all of the responsibilities of fully operational status, the funding for these arrangements will also flow through GCRB. The arrangements for each funding stream are different and the process is not expected to change. The only change is that GCRB becomes responsible for the funds, and associated activity, and will therefore require assurance that the projects are on target to deliver the required outcomes.

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<sup>4</sup> SFC Guidance for the development of Outcome Agreements: 2018/19 to 2020/21 (November 2017)

<sup>5</sup> ESOL funding arrangements from 2018/19, published in November 2017 by SFC

<sup>6</sup> Using the FES data for 2016/17

Each of the funding streams identified above has a different purpose and criteria. As such, the financial arrangements of each are expected to follow the processes specified by the SFC. The role of GCRB, in respect of these other funds, might include:

- i) Presenting the regional case, e.g. in respect of the funding allocation.
- ii) Allocating funds to individual colleges. In some situations, this may be in accordance with SFC allocations (e.g. National Bargaining) but with others there may be a greater degree of regional determination.
- iii) Liaising with external partners, e.g. ESOL funding.

## **Outcome Agreement funding for Glasgow College** **- indicative allocations for 2018/19**

The outcome agreement for colleges/regions was issued by the Scottish Funding Council on 27 February 2018. A copy of this circular is available via the following link:

<http://www.sfc.ac.uk/publications-statistics/announcements/announcements-2018/SFCAN062018.aspx>

The purpose of this document is to provide the initial decisions on indicative outcome agreement funding for colleges in academic year 2018/19. The provision of this information should help colleges plan their future provision.

### **Key Points**

The Key Points in this indicative funding announcement for 2018/19 are:

- Teaching funding has been increased to meet the full identified costs of national bargaining in the Glasgow Region – an increase of £6.4 million.
- An additional £0.8 million has been added to teaching grants for other additional financial pressures – equivalent to a 1% increase.
- The core student activity target has decreased by 982 credits with a further reduction of 2,830 credits of ESF activity. The total reduction in activity equates to 1%.
- Core student support has increased by £3.1 million but this is offset by a loss of ESF student support of £2.8 million.
- Capital funding has increased by £1.7 million.

The method of allocation is based upon the methodology used by the Scottish Funding Council to allocate funding to the Glasgow Region. It should be noted that there are some aspects of the funding allocation that are still subject to further investigation. Two supplementary tables have been provided (2A – 2017/18 Funding Reconciliation and 5A – Very High Priority Backlog Maintenance) to assist colleges in their own individual reconciliations back to the final totals.

### **Teaching Funding**

As set out in Table 2, for 2018/19 the core teaching funding has increased by £7.3 million, from £81.7 million to £89.0 million<sup>7</sup>. An overall increase of 8.9%.

The approach within the region follows the approach taken on a national level. The allocation for 2018/19 is based upon the relative share of the teaching funding for 2017/18. The figures used by SFC in respect of 2017/18 are subject to further clarification. The figures quoted in Table 2 have been reconciled to the original grant allocation but the rationale for one adjustment is subject to discussion.

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<sup>7</sup> This calculation is based upon the SFC's revised calculation of the funding allocation for 2017/18. Table 2A provides further detail of this reconciliation.



### **National Bargaining Costs**

The costs of the harmonisation related to national bargaining, down to institutional level, are taken from information collated and provided by Colleges Scotland (and validated by SFC). The teaching uplift provided in 2018/19 should be sufficient to fully meet the agreed, and estimated, costs of the national bargaining settlement for that year. The figures provided by Colleges Scotland demonstrate that the (regional) national bargaining costs in 2018/19 will be £6.2 million higher than in 2017/18, but to fully fund the agreed settlement, a further £0.26 million is required for changes to annual leave. The uplift for national bargaining amounts to 7.9% overall. However, the uplifts for individual colleges range from 4.75% to 10.53%.

### **Additional Financial Pressures**

A further grant of £0.8 million has been provided to meet other financial pressures, which are not fully addressed by the uplift for national bargaining costs.

### **English for Speakers of Other Languages**

As previously discussed, SFC has transferred £0.3 million of ESOL funding from Strategic Funds to core teaching grant, as shown in Table 2. This was a small top-up grant for ESOL to be delivered by college and Community Planning Partnerships (CPPs).

For 2018/19, a specific amount has been identified (£112,858) to meet the cost of partnership working. This amount has been included in the amount allocated to Glasgow Clyde College. The remainder of the grant has been allocated to the three colleges in relation to their relative share of total credit activity.

### **Academic Year 2018/19 Student Activity Targets**

The Scottish Government has re-affirmed its commitment to maintain circa 116,000 full-time equivalent student places. SFC uses its demographic model to inform the decision of the allocation of place to colleges/regions. The model has been updated to take account of the increased priority for older learners and part-time study.

For 2018/19, SFC has set the sector core student activity target at 1.7 million credits and the Glasgow regional target at 368,592. Table 3 shows the original activity target for 2017/18 and any in-year distribution of college activity, which has been taken as the starting point for 2018/19.

### **Early Learning and Childcare Workforce**

In 2017/18, additional funds were provided over and above the core budget, to provide additional college (and university places). For 2018/19, this activity is to be funded from core funds and there are no supplementary funds for this activity. In 2018/19, the Glasgow colleges are expected to deliver an additional 3,753 credits above the original baseline (of 3,179 credits).

### **Flexible Workforce Development Fund**

It is expected that funding of £10 million will be available in 2018/19 to provide employers with flexible workforce development opportunities. The level of funding is equivalent to the amount provided in 2017/18 and we await further information in respect of how this fund will operate in 2018/19.

### **European Social Funding**

The regional 2018/19 ESF budget is £4.6m. The one significant change, compared to 2017/18, is that the ESF project will change from the 'Youth Employment Initiative' to 'Developing Scotland's Workforce'. One significant impact is that the programme focusses on students on higher level (Higher National) activity.

Indicative ESF funding is set out in Table 2 and additional ESF (credit activity) targets are shown in Table 3. The additional ESF credit targets are for HN level activity and therefore no additional ESF support for student funding has been provided. Childcare costs arising from the additional ESF activity will be met through the core student support (childcare) budgets. As shown in Tables 2 and 3, the reduction in 2018/19 (compared with 2017/18) in college teaching funding for ESF is £0.25 million. Indicative ESF activity targets for 2018/19 have reduced by 2,830 credits.

### **Student Support**

For 2018/19, an inflationary increase of 1.5% has been added to the student support bursary, childcare rates and discretionary fund. In 2017/18, the core student support funding totalled £19.0 million. The cost of this inflationary uplift is £0.29 million. Given the change of profile for ESF students, more FE students need to be funded from core funding for 2018/19. Therefore an additional £2.8 million has been added to the core, which brings the total allocation up to £22.2 million.

### **Capital**

There are three distinct elements to the national policy objective to support capital investment in the college sector:

- Meeting the on-going lifecycle maintenance needs which are essentially the core estate needs, year-on-year, of the sector.
- Tackling the very high priority estates needs identified in the recently completed sector condition survey.
- Continuing to develop, and refine an evaluation framework to allow the identification and prioritisation of major capital projects for campus replacement or refurbishment.

The indicative capital budget provided to the Glasgow Region for 2018/19 is £6.25 million, an increase of £1.7 million on the previous year.

Funding for lifecycle maintenance represents a contribution to the sector's core estate needs as the year-on-year costs of running the college estate. For 2018/19, £2.8 million has been allocated to the regional colleges in proportion to the credit activity targets.

The region has also received an indicative allocation for 2018/19 to address the 'very high priority' backlog maintenance. These allocations have been informed by the national estate condition survey and the relative allocations to the colleges based upon data supplied by the Scottish Funding Council. This supporting data must be verified as it is possible that some funds have been allocated to address works that have previously been completed. The figures provided in Tables 5 and 5A have been provided to each college in order to reconcile back to the amount shown within the indicative funding allocation supplied by SFC. However, as stated above further work is necessary to assess these figures and the capital sums shown for backlog maintenance must be viewed with caution at this stage.

**Schedule of Tables (attached)**

1	College Sector Overall Indicative Budget Allocation for 2018/19
2	Indicative Funding Allocations for 2018/19
3	Indicative Credit Targets for 2018/19
4	Indicative Student Support funding allocations 2018/19
5	Indicative Capital Funding for 2018/19

The following additional information has also been supplied to the colleges (but not attached to this report):

2A	Final funding allocations for 2017/18 and activity (credit) targets
5A	Capital funding for 'very high priority' backlog maintenance 2018/19

**Table 1: College sector - Overall indicative budget for AY 2018-19**

	<b>Scotland</b>
<b>Revenue funding</b>	<b>AY 2018-19</b> <i>£000</i>
Core Teaching & fee waiver funding	413,972
National Bargaining Costs	34,158
Additional Financial Pressures	4,154
Rural & Remoteness uplift	1,000
ESOL transfer from Strategic funds	1,455
<b>Total Teaching</b>	<b>454,739</b>
<b>Core Student Support</b>	<b>111,041</b>
Student Support Review	5,200
SFC contribution to ESF programme activity	8,000
Flexible Workforce Development Fund - to be confirmed	10,000
Strategic funds	14,881
<b>Total Revenue funding (includes ring-fenced amounts shown below)</b>	<b>603,861</b>
<b>SG Ring-Fenced Funds</b>	
Flexible Workforce Development Fund - to be confirmed	4,000
<b>Total SFC excluding ring-fenced grants</b>	<b>599,861</b>
<b>ESF Teaching Grant</b>	<b>5,135</b>
<b>Capital funding</b>	<b>FY 2018-19</b> <i>£000</i>
College Lifecycle Maintenance	12,500
Condition Survey: Very High Priority Backlog Maintenance	26,900
<b>Project Funds</b>	
Forth Valley College: new Falkirk Campus	42,000
New College Lanarkshire: loan repayment (former Coatbridge Campus)	1,100
<b>Total Capital projects</b>	<b>43,100</b>
<b>Total Capital funding</b>	<b>82,500</b>

Table 2: Indicative funding allocations for AY 2018-19

College/Region	Final core teaching funding allocation (excluding Childcare) 2017-18	Additional Childcare funding 2017-18	Indicative core teaching funding (including Childcare) 2018-19	Funding for National Bargaining (unfunded in 2017-18)	Funding for National Bargaining costs 2018-19	Total funding for National Bargaining costs 2018-19	Additional financial pressures	Additional Rural & Remoteness funding	ESOL transfer from Strategic funds	Indicative core teaching funding allocation 2018-19	Funding percentage change from 2017-18	ESF teaching (credit) funding 2017-18	ESF teaching (credit) funding 2018-19	Total teaching funding including ESF 2017-18	Total teaching funding including ESF 2018-19
	£	£	£	£	£	£	£	£	£	£	%	£	£	£	£
City of Glasgow College	33,520,295	45,725	<b>33,389,205</b>	255,017	3,274,831	3,529,848	335,661	0	82,367	<b>37,337,081</b>	11.4%	2,432,786	<b>2,366,842</b>	35,998,806	<b>39,703,923</b>
Glasgow Clyde College	28,619,281	45,725	<b>28,514,008</b>	0	1,360,386	1,360,386	286,650	0	97,401	<b>30,258,445</b>	5.7%	1,776,285	<b>1,639,583</b>	30,441,291	<b>31,898,028</b>
Glasgow Kelvin College	19,218,439	45,724	<b>19,162,685</b>	0	1,549,578	1,549,578	192,641	0	29,726	<b>20,934,630</b>	8.9%	606,327	<b>559,853</b>	19,870,490	<b>21,494,483</b>
Regional Expenditure	0	0	<b>0</b>	0	0	0	0	0	112,858	<b>112,858</b>	0.0%	0	<b>0</b>	0	<b>112,858</b>
GCRB	381,000	0	<b>378,992</b>	0	0	0	3,810	0	0	<b>382,802</b>	0.5%	0	<b>0</b>	381,000	<b>382,802</b>
<b>Glasgow</b>	<b>81,739,015</b>	<b>137,174</b>	<b>81,444,890</b>	<b>255,017</b>	<b>6,184,795</b>	<b>6,439,812</b>	<b>818,762</b>	<b>0</b>	<b>322,352</b>	<b>89,025,816</b>	<b>8.9%</b>	<b>4,815,398</b>	<b>4,566,278</b>	<b>86,691,587</b>	<b>93,592,094</b>
Percentage of National Allocation	19.72%	8.65%	<b>19.67%</b>	12.07%	19.30%	18.85%	19.71%	0.00%	22.15%	<b>19.58%</b>		33.82%	<b>34.76%</b>	20.14%	<b>20.00%</b>
<b>Scotland</b>	<b>414,573,741</b>	<b>1,586,345</b>	<b>413,971,828</b>	<b>2,112,422</b>	<b>32,045,778</b>	<b>34,158,200</b>	<b>4,154,101</b>	<b>1,000,000</b>	<b>1,455,000</b>	<b>454,739,128</b>	<b>9.7%</b>	<b>14,240,413</b>	<b>13,134,857</b>	<b>430,400,496</b>	<b>467,873,985</b>

**Table 3: Indicative credit targets for AY 2018-19**

College/Region	Final core credit targets (excluding Childcare) 2017-18	ESF activity targets 2017-18	Total activity targets 2017-18		Indicative core credit targets (including Childcare) 2018-19	Indicative ESF activity targets 2018-19	Total activity target 2018-19
	<i>Credits</i>	<i>Credits</i>	<i>Credits</i>		<i>Credits</i>	<i>Credits</i>	<i>Credits</i>
City of Glasgow College	171,151	10,668	181,819		170,849	9,187	<b>180,036</b>
Glasgow Clyde College	121,041	7,319	128,360		120,556	6,303	<b>126,859</b>
Glasgow Kelvin College	77,382	2,396	79,778		77,187	2,063	<b>79,250</b>
Glasgow Region	369,574	20,383	389,957		368,592	17,553	<b>386,145</b>
Percentage of National Allocation	21.85%	33.09%	22.24%		21.76%	34.55%	<b>22.13%</b>
Scotland	1,691,618	61,607	1,753,225		1,693,861	50,804	<b>1,744,665</b>

**Table 4: Indicative Student Support funding allocations AY 2018-19**

College / Region	student support spend 2016-17	Core student support funding 2017-18	Percentage share of student support spend 2016-17	Total student support funding 2018-19
	£	£	%	£
City of Glasgow College	8,063,950	6,772,729	36.98%	<b>8,194,584</b>
Glasgow Clyde College	9,175,459	8,045,605	42.08%	<b>9,324,719</b>
Glasgow Kelvin College	4,567,097	4,224,588	20.94%	<b>4,640,200</b>
Glasgow Region	21,806,506	19,042,922	100.0%	<b>22,159,503</b>
Percentage of National Allocation	19.96%	17.73%		<b>19.96%</b>
Scotland	109,272,580	107,430,000	100.0%	<b>111,041,450</b>

**Table 5: Indicative capital funding for FY 2018-19**

College/Region	FY 2018-19 indicative capital for lifecycle maintenance based on share of volume target	FY 2018-19 indicative capital based on gross very high priority backlog maintenance	Total indicative capital funding based on lifecycle & high priority backlog maintenance (college estate survey) for FY 2018-19
	£	£	£
City of Glasgow College	1,285,523	-	<b>1,285,523</b>
Glasgow Clyde College	905,819	1,250,534	<b>2,156,353</b>
Glasgow Kelvin College	565,881	2,244,265	<b>2,810,146</b>
<b>Glasgow</b>	<b>2,757,223</b>	<b>3,494,799</b>	<b>6,252,022</b>
Percentage of National Allocation	22.06%	12.99%	<b>15.87%</b>
<b>Scotland</b>	<b>12,500,000</b>	<b>26,895,240</b>	<b>39,395,240</b>

Revised Credits 28 Feb 18 - 2018- 19
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180,036
126,859
79,250
<b>386,145</b>