



SFC Announcement

Outcome agreements for Colleges indicative funding decisions for AY 2014-15

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Summary: To provide colleges with the Scottish Funding Council's initial decisions on funding outcome agreements for academic year 2014-15.

FAO: Regional Leads, Principals and Directors of Scotland's colleges

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Outcome agreements for Colleges indicative funding decisions for AY 2014-15

Purpose

1. I am writing to provide you with the Scottish Funding Council's initial decisions on funding outcome agreements for academic year (AY) 2014-15. The figures are indicative only and cannot be finalised until the budget bill has been agreed by the Scottish Parliament and we have finalised and agreed your outcome agreement, which we expect to be during March 2014. The purpose of providing these indicative figures is to help you plan your provision and for us to move towards your finalised outcome agreement for AY 2014-15.

Overall available funds for college sector

2. For AY 2014-15 we will allocate around £526.3 million. Our financial year budget for 2014-15 is £521.7 million, however we expect some additional ring-fenced funding for HE childcare funds £3.9 million and £0.7 million for English for Speakers of Other Languages (ESOL). Our planning assumption is that our funding for colleges will be level in the next financial year (FY); this means that there is no need to adjust our AY budget to take account of changing FY budgets.
3. The decisions on funding are in line with the [Cabinet Secretary's letter of guidance of 21 October 2013](#). SFC has been asked 'to at least maintain the volume of WSUMs at 2013-14 levels (2,252,791 WSUMs) in AY 2014-15.' To ensure the sector meets this target we want to be sure that we allocate funding where need and demand are highest.
4. We have rolled forward from last year our regional prices for teaching, as this is a flat cash settlement for 2014-15 teaching allocations.

College funding allocations by region

5. SFC is moving towards a needs-based simpler system of allocating funding according to negotiation based on an agreed evidence base rather than formula. We are still discussing elements of this approach with the sector (see paragraph 18). We were asked in the letter of guidance to introduce the new method from AY 2014-15 – though within limits whereby no college will lose more than 1% cash in any one year.
6. In making provisional allocations to regions we have taken into account demographic data on need in the region, travel to study, performance of the region/college in meeting delivering existing growth, discussion with the college/region on their own assessment of need and the capacity for growth. Not every college made a case for additional growth.

7. These discussions and negotiations with all regions have led to our proposals, which broadly fall into three categories:
 - Regions/colleges where we have decided there should be level funding and WSUMs targets, that is the same as AY 2013-14 (Ayrshire, Borders, Forth Valley, Highlands & Islands, West, SRUC, Newbattle and SMO)
 - Regions/colleges where we have decided there should be a small amount of additional growth in provision (Glasgow, Lanarkshire and West Lothian)
 - Regions/colleges where there will be a small reduction in provision and funding, this is being discussed with those regions (Dumfries & Galloway, Dundee & Angus, Edinburgh, Fife, and North East College).

Student support

8. We were asked in the guidance letter to “protect college bursaries for AY 2014-15, increasing them by inflation”. We have increased the bursary rates by 1.9% (this was the government Gross Domestic Product (GDP) deflator for 2014-15 in December 2013). We have also increased the overall funds for childcare by 1.9%.
9. For regions with no additional growth of provision we will maintain their student support allocation updated by 1.9%. We have reallocated student support funds in line with the changes in provision. So for those regions with an increase in their WSUMs target we have provided some additional student support and there has been a corresponding decrease to regions with a reduced WSUMs target.

Strategic funds

10. Given the need to maintain student numbers and ensure colleges’ core allocations do not decrease by more than 1%, as set out in the Cabinet Secretary’s guidance we have a small budget available for strategic funds. This amounts to £14.7 million, and is fully committed to the continuation of existing projects and our support for sector wide agencies and services.
11. We are currently reviewing the arrangements we have in place for the sector agencies where we provide strategic funding, to agree an outcome based approach.

Employability Fund

12. The Cabinet Secretary’s guidance letter asked us to continue the current criteria and arrangements for the Employability Fund. This means that £6 million is being transferred to Skills Development Scotland who will allocate colleges this funding through their Employability Fund.

European Funds

13. The guidance letter from the Cabinet Secretary asked SFC to maximise funding available through the 2014-20 European Funding programme for colleges. We are working with the sector to develop proposals for an application to the new programme which covers delivery by colleges across the whole sector, but focused on pre-employment and employability programmes to meet national and regional skills requirements. The 2014-20 programme could potentially start in August 2014. We are also currently finalising the details of an extension of the current SFC European Social Fund (ESF) 'Priority 5' project to run from January 2014 to the end of July 2015.
14. We have therefore set aside £8 million match funding for AY 2014-15 (£6 million teaching funds and £2 million student support) to support these projects.

Capital Funding

15. Indicative capital formula allocations have been made for financial year 2014-15, apportioning the total £26.6 million in the same manner as in financial year 2013-14. The total budget has then been split between Capital and Maintenance on the assumption that the Scottish Government will adjust the SFC's grant in aid at the Autumn Budget Revision. This is required following the reclassification of incorporated colleges by the UK Office of National Statistics. Existing capital project commitments are not covered here.
16. Each college region's formula allocation has been split between Capital and Maintenance based on their projected capital expenditure as submitted in the Financial Forecasting Return. Capital allocations must only be used for items which can be capitalised, including IT. Maintenance allocations must only be used for building maintenance, which is not capitalised.
17. We will request an update from college regions to ensure that colleges expect to be able to spend their capital allocations. SFC agreement will be required to alter any of these budgets.

Simplification of funding measurement and prices

18. We are working with the sector to progress our proposals for simplification of the college measurement system, moving from WSUMs to credits and associated changes to unit prices. We intend to parallel run our new approach with three regions through the next academic year and plan to fully implement the new system from AY 2015-16.

Re-classification of colleges

19. The UK Office of National Statistics has reclassified all incorporated colleges as central government entities for the purposes of accounting and budgeting. This has a direct impact on the way in which the SFC is able to fund these colleges and in particular the system of paying grants on the basis of a profile announced in advance is no longer possible.
20. It is SFC's responsibility to allocate both cash and resource budgets to colleges in order to support the delivery of their Outcome Agreements, to distribute cash on the basis of need, monitor cash paid out by SFC against the overall FY budget, monitor spend against FY resource budget, monitor college sustainability and to provide information to Scottish Government and to Her Majesty's Treasury.
21. We will make payment to all incorporated colleges on the basis of need. Where Regional Strategic Bodies have been established by the Post-16 Education (Scotland) Act 2013, we expect to make payments to them for incorporated colleges assigned to them on the basis of need. In order to ascertain this need, colleges will be required to complete a monthly pro-forma stating their cash requirement for that month and their projected future cash requirement. In addition colleges will be asked to complete an annual pro-forma following the publication of SFC's indicative grant allocations.
22. The annual pro-forma will restate the academic year budgets announced in this letter as financial year budgets. It is these financial year budgets which colleges should use as the basis of their budgeting for financial year 2014-15.
23. A timetable of payment dates and dates for the issuing and return of cash-flow pro-forma is attached to this letter at Annex B.

Further information

24. Please contact Martin Smith, Deputy Director Funding Policy for further information, tel: 0131 313 6528, email: msmith@sfc.ac.uk



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