

Education and Culture Committee
Scrutiny of the 2013-14 Draft Budget

Scotland's Colleges

1. Introduction

In this paper, we have set out our analysis of the impact of the draft budget on colleges. Such an analysis is not straightforward, as it involves both financial year (FY) and academic year (AY) allocations, funding through Skills Development Scotland (SDS), as well as the recurrent Scottish Funding Council (SFC) budgets. The final revenue allocations from the SFC to the college sector for the current year are yet to be published, which also makes it difficult to accurately determine the baseline for this year.

There have been a number of figures published recently to describe the impact on the number of students and staff. We have provided the most up to date figures from SFC and Scottish Government statistics as part of this paper, to help improve clarity.

We will be pleased to provide further written evidence to the committee on any aspect of the issues covered.

2. Summary

2.1 Facts and Figures:

- The draft budget 2013/14 indicates that recurring **SFC revenue budgets for colleges will fall by £21.6m, 4% in cash terms** (Table 1).
- There is an expected revenue **reduction of £113m between 2010/11 and 2014/15.**
- Funding available for **core teaching budgets would fall by £6.6m, 1.6% in cash terms** (Table 1). **This decrease follows a 15.8% reduction to the core teaching budget since 2010/11**, which was a fall of a higher cash and proportional reduction than the revenue budget as whole – 15.8% between 2010/11 and 2012/13 versus 12% overall (Table 3).
- Activity levels in terms of number of units of learning funded from the SFC has declined by 9.1% since 2010/11. **The cash value of a unit of learning has also reduced by 11.8%** (Table 4).
- Student numbers fell by 80,000 to just over 300,000 between 2008/9 and 2010/11 (the most recent figures available), however **full-time equivalent (FTE) numbers remained constant at around 126,000** (Table 5).
- The most recent staffing figures for 2012 indicate **1,300 fewer staff than last year** (Table 6). *Scotland's Colleges* is surveying our members to determine what proportion of those staff went via voluntary, compulsory and other routes, and we hope to share that with the Education and Culture Committee shortly.

2.2 Impact:

- The additional £6m for teaching provided in the budget announcement is very welcome; however the **strong downward trend for teaching funds is a**

concern in terms of retaining student numbers, breadth of curriculum and quality of teaching.

- Funding was released for 2012/13 from SDS, which was intended to be equivalent to 4% of teaching activity. **This £13.1m has gone towards a specific programme of short duration employability courses for young people. At this point in the budget process, it is currently unclear how or if this funding will continue** and if it would be for that activity. It is important to note that the unit of resource for teaching these courses is set at a lower rate than other teaching activity. There is also a concern in the sector that because these courses are bid for and administered separately to all other teaching activity, they cost proportionally more to deliver.
- The £15m College Transformation Fund announced for 2012/13 was a one-off fund to support structural change. Since the closing date for that fund, a number of further regionalisation announcements have been made in colleges, and it is **currently unclear what will be available for colleges seeking mergers for the forthcoming year.**
- £8m was brought forward from the SFC revenue budget for 2012/13, from 2013/14 and 2014/15, and we would **likely expect £4m to be reclaimed from the forthcoming 2013/14 teaching budget allocation** from the SFC.

2.3 Recommendations:

- Consider **additional support for provision relating to key sectors** – the announcement of an Energy Skills Academy, for example, should link to specialised college provision. Technology for such industries is fast developing, and ensuring teaching and facilities are up to date will likely see the cost of delivering these subjects increase.
- Whilst considering key sectors, learners other than 16-19 year olds should be **supported to enable re-skilling, up-skilling and returning to work.**
- **Monitor the quality of the teaching provision** within colleges to ensure no diminution over the life of this budget.
- Seek clarity on regionalisation support, as the reforms underway will take a number of years to complete. Similarly, savings from mergers would not be realised immediately. **We believe ongoing support for regionalisation is needed.**
- Consider the funding level for higher education (HE) programmes being delivered in colleges and how that **funding could better reflect the value of HE teaching.**

3. Draft Budget 2012/13 – 2013/14

College revenue from the SFC is proposed to fall by £21.6m next year, a 4% cut in cash terms. *Scotland's Colleges* estimates that £6.6m of that will be from the funds available to the teaching budget, assuming that funding for student support remains constant.

NB: these are financial year figures April – March, and are not easily comparable with the academic year figures, August – July from the SFC. The SFC figures are set out in section 4.2 below.

Table 1 – FE Revenue Funding 2013/14 (FY)	£M 2012/13	£M 2013/14	£M Impact	% Impact
Revenue Funding for SFC FE Programme (spending review 2011 draft figures)	506.9	494.7	12.2	2.4%
Additional Funding Announced (for SFC FE programme in budget processes)	26.4 ¹	17.0 ²		
Total Revenue	533.3	511.7	-21.6	-4.0%
Student Funding	-95.6 ³	-95.6 ⁴	nil	nil
Transformation Fund for College Structural Reform	-15.0	n/a	n/a	n/a
Available Funds for College Teaching Grant	422.7	416.1	-6.6	-1.6%

4. Context of Budgets Over Time

4.1 Government Revenue Budgets 2010/11 – 2014/15

It is important to see the 2013/14 budget proposal in the context of falling budgets over time. By 2014/15, the expected fall to colleges' revenue budgets will be £113m from 2010/11. These changes show that colleges are entering a highly challenging time for their ability to retain student numbers, breadth of curriculum and quality of provision.

Table 2 – College Revenue Funding from 2010/11 to 2014/15 (FY)	2010/11	2011/12	2012/13	2013/14 DRAFT	2014/15 DRAFT	Total Change 2010/11 – 2014/15
FY Budgets £m (SR2011 figure for 2014/15)	583.7 ⁵	544.7	533.3	511.7	470.7	
Change £m		-39.0	-11.4	-21.6	-41.0	-113.0m
Change (Cash Terms) %		-6.6	-2.0	-4.0	-8.0	-19.3%

Source: Scottish Draft Budget and Spending Review Documents 2011/12 and 2012/13

4.2 Academic Year and Teaching Grant Funding

The cut to the core teaching grant proposed for 2013/14 is of a lower level than that of the previous year. The additional £6m (£17m announced of which £11m is for student support and £6m for core teaching grant) for that budget is welcome, however again it is important to consider the trend over time. Since 2010/11 that reduction will be almost **15.8%** in cash terms.

Table 3 also shows that the **teaching grant has fallen by both a higher cash amount (-£72.9m since 2010/11 versus £69.8m) and at a higher proportion (15.8% versus 12.0%)** than revenue overall.

Key points to note:

- It is **not possible to predict the overall teaching grant allocation for 2013/14 or 2014/15** due to the conversion from financial to academic years.

¹ Additional funds to SFC of College Transformation Fund £15m and additional student support £11.4m announced in 2012/13 budget process

² Student support £11m and college funding £6m = total funding £17m.

³ SFC Indicative Grant Letter 2012/13

⁴ Assume student funding level for 2013/14 is the same as 2012/13 i.e. £95.6m.

⁵ SFC Grant Letter 2010/11 – FY allocation.

- What we can determine is that there will be **£6.6m less available from the FY budget** to put towards the AY 2013/14.
- Similarly, the SFC last year brought forward £8m in teaching funds from AYs 2013/14 and 2014/15. **We can expect £4m to be reclaimed from the AY 2013/14 allocation, and therefore there could potentially be a £10.6m reduction to the core teaching grant.**

Table 3 – SFC Funding Allocations⁶ (AY)	2010/11	2011/12	2012/13	Total Change
Academic Year Revenue (£m, Actual)⁷	580.8	545.5	511.0⁸	
Reduction from Actual (£m)		-35.3	-34.5	-69.8m
% Reduction (Cash Terms)		-6.0%	-6.3%	-12.0%
Of which Core Teaching Grant	460.4	421.0	387.5⁹	
Reduction from Actual (£m)		-39.4	-33.5	-72.9m
% Reduction (Cash Terms)		-8.6%	-8.0%	-15.8%

4.3 Activity Levels

Teaching funds are distributed as student units of measurement (SUMs) which equates to 40 hours of classroom based learning and one Scottish Qualifications Authority (SQA) credit, and can also be described as a ‘unit of learning’. These are weighted by subject to better reflect teaching costs (wSUMs). These should be seen as a measure of teaching activity, rather than student numbers.

Key points to note:

- The Table 4 below shows the fall in wSUM allocations of -9.1% and also the value of a wSUM -11.8%, which is the average amount available for delivering of one unit of learning.
- Colleges are concerned at the **dropping value of the unit of learning**. The cost of teaching has not reduced over this time and these figures do not include efficiency savings negotiated in recent regional outcome agreements.
- Funding methodology from 2013/14 is expected to move from outdated historic allocation basis to a FTE student number basis. This will make monitoring the value of the unit of learning difficult to track.

Table 4 – wSUMs - Activity Levels	2010/11 (Actual)	2011/12 (Actual)	2012/13 (Indicative)¹⁰	Total change
wSUMs	2,321,250	2,233,140	2,109,958	211,292
% Change (year to year)		-3.7%	-5.5%	
% Change (2010/11 – 2012/13)				-9.1%
Unit Value (1 x wSUM) =	£207.80	£188.52	£183.65	
% Change		-9.4%	-2.4%	
% Change (2010/11 – 2012/13)				-11.8%

Source: SFC Grant Letters

⁶ SFC Grant Letters 2010/11 and 2011/12.

⁷ SFC Grant letters 2010/11 and 2011/12.

⁸ SFC Indicative Grant Letter 2012/13–figure £499.6m plus £11.4m student support funding from SFC Circular: Confirmation of Student Support Funding for AY 2012-13.

⁹ Includes £8m SFC brought forward monies into 2012/13 – £4m from 2013/14 and £4m from 2014/15.

¹⁰ The final wSUM allocation for 2012/13 is unknown, so the indicative figure is used. wSUM targets are now negotiated regionally in regional outcome agreements and are expected to be published shortly.

4.4 Student Numbers

The latest figures available from the SFC are for 2010/11:

- Student numbers have fallen by approximately 80,000 on the previous two years, and that trend is likely to have continued for 2011/12 and 2012/13, while the FTE has remained relatively static at 126,000.
- This in part reflects the shift towards more full-time provision, particularly for younger students. Approximately 79,000 students (26%) in 2010/11 were full-time, so the vast majority of college learners are part-time. Similarly, funding has not been channelled into very short and non recognised qualifications, and these account for a further portion of the student number reduction.
- The priority in *Opportunities for All* is for young people aged 16-19. There is already a drop in the average age of students¹¹. **Scotland's Colleges remains concerned at the potential impact on other age category learners, who tend to study part-time**, often returning to education after having children, or whilst employed, to improve job progression and skills.

Table 5 – Student Numbers	2008/9	2009/10	2010/11
Headcount ¹²	384,986	347,336	305,969
FTEs ¹³	126,285	127,943	126,939

4.5 Staff Numbers

Figures on staff employment are gathered annually by the SFC and quarterly by the Scottish Government as part of their public sector employment figures. These figures are not directly comparable as they are rounded, and the Scottish Government figures do not appear to count temporary staff. SFC figures are not yet available for 2011/12, so we cannot include them.

Key points to note:

- The most up to date Scottish Government quarterly figures for 2012 indicate that numbers of staff have fallen by 2,300 since the same quarter in 2008 and 1,300 in the last year.
- Research from *Scotland's Colleges* last year, indicated around 1,000 staff had left the college sector, the vast majority via voluntary or early retirement means. We are currently repeating this exercise for the current year and hope to report these findings shortly.

Table 6 – Staffing Numbers	Q2 - 2008	Q2 - 2009	Q2 - 2010	Q2 - 2011	Q2 - 2012	Total
Headcount (Nearest 100) ¹⁴	16,900	16,900	16,000	15,900	14,600	
Movement per annum	-	0	-900	-100	-1,300	-2,300

¹¹ Data from SFC Performance Indicators 2011.

¹² Data from SFC Performance Indicators 2011.

¹³ SFC Infact Database.

¹⁴ 12 September 2012 – Quarter 2 Figures, Public Sector Employment, Scottish Government.