

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

Scotland's Colleges

1. Introduction

We welcome the opportunity to comment and to provide some further details on the issues raised in the Cabinet Secretary for Education and Lifelong Learning's oral evidence to the Education and Culture Committee on Tuesday 23 October 2012. Since *Scotland's Colleges* provided oral evidence, there have been a number of developments on which it would also be timely to update the Committee on, and will hopefully assist in their considerations. Firstly, the Scottish Government's Letter of Strategic Guidance for 2013-14 has now been received by the Scottish Funding Council (SFC), and this has allowed us to update our figures, knowing the financial year (FY) allocation that SFC is to receive. It also clarifies the allocation for the Employability Fund, which was noted in oral evidence on Tuesday 2 October 2012. *Scotland's Colleges* has also recently completed a survey of its members on the issue of waiting lists, which we have summarised below, and included the figures as an appendix.

We will be pleased to discuss any of these points in more detail, if that would be helpful for the Committee.

2. Summary

- Given significant discussion on budget figures, we have provided updated figures in light of letter of strategic guidance from the Cabinet Secretary to the SFC. This indicates **£24m less going to SFC than stated in draft budget 2013-14. We understand this likely reflects a budget transfer to Skills Development Scotland (SDS) for an Employability Fund**, which was noted in oral evidence to the committee on the Tuesday 2 October 2012.
- The impact of the confirmed allocation to SFC is a **£36.5m reduction in revenue for 2013-14** and a £35.2m reduction for 2014-15.
- We estimate the impact on funds available for core teaching grant, assuming student support funding to be constant, and given £4m is to be deducted by SFC in each year to repay the £8m drawn forward funds, to be a **£25.5m less available for teaching grant in 2013-14** and £39.2m less available for 2014-15.
- *Scotland's Colleges* welcomes that the fund transfer will remain ring-fenced for colleges, but we are concerned that this is funding that will not now be available for core provision when demand remains high.
- Given discussion of waiting lists in the committee session, we have provided survey data just completed by *Scotland's Colleges* on **current waiting lists, and of those members who responded (36 colleges), that totals just over 21,000**.
- Some more information is provided on sector reserves and how these are calculated and accessed.
- Given discussion on changes in student numbers in terms of headcount, we have provided some information on the **reasons for the change in terms of part-time numbers**.

- *Scotland's Colleges* is surveying members on issues of staffing and we hope to update the committee before the end of the year.

3. Letter of Strategic Guidance for 2013-14

The Letter of Strategic Guidance from the Cabinet Secretary was sent to SFC on Thursday 4 October 2012. This indicates the FY figures for SFC allocation to the college sector and confirms some key targets.

Key points:

- The Letter of Strategic Guidance 2013-14 shows that **funds allocated to the SFC for next two years (2013-14 and 2014-15) are £24m lower than those stated in the Scottish Government's draft budget 2013-14.**
- The letter provides more detail on **the £24m for employability initiatives** described in oral evidence to the committee on Tuesday 2 October 2012, following announcement by the Cabinet Secretary at a joint session of chairs and principals. The letter indicated this is a **budget transfer from SFC to SDS, rather than additional funding.**
- *Scotland's Colleges* therefore assumes that this transfer is reflected in the reduction in SFC funding, though that has not expressly been confirmed by the Scottish Government. We note that the Cabinet Secretary has also indicated to the Committee in written evidence¹ that the £6m additional funding announced in the budget for places is to go to this Employability Fund.
- In terms of impact on the 2013-14 SFC budget allocation for colleges, **the reduction to overall revenue will therefore be £36.5m.**

Table 1 shows the figures from the Budget and the Letter of Strategic Guidance, and the impact in cash terms and percentages.

Table 1: Revenue Financial Year (FY)	2010-11	2011-12	2012-13	2013-14 Draft	2014-15 Draft	Total
1. Revenue Funding for SFC FE Programme – Scottish Government Draft Budget (20/9/12) (£m)	583.7*	544.7	533.3	511.7	470.7	
Reduction P.A. (£m)		-39.0	-11.4	-21.6	-41.0	-113.0
Reduction P.A. (%)		-6.6%	-2.0%	-4.0%	-8.0%	-19.3%
2. Revenue Allocation to SFC from Scottish Government in Guidance Letter (4/10/12)				496.8	461.6	
<i>Difference between Draft Budget and SFC Allocation (£m)</i>				-14.9	-9.1	-24.0
Reduction P.A. (£m)		-39.0	-11.4	-36.5	-35.2	-122.1
Reduction P.A. (%)		-6.6%	-2.0%	-6.8%	-7.1%	-20.9%

Source: *Scottish Draft Budget and Spending Review Documents 2011/12, Draft Budget 2013/14 and Scottish Government letter of Strategic Guidance 2012*

* SFC Grant Letter 2010/11 – FY Allocation

¹ Scottish Parliament Education and Culture Committee papers for the meeting on 23 October 2012, published 22 October 2012.

Efficiency Savings

The Letter of Strategic Guidance also notes that £51m is to be secured by colleges in efficiency savings over the next two years, with £18m in 2013-14 and £33m in 2014-15, advising that this not exceed 6% in any college next year. We assume this to be the figure referred to by the Cabinet Secretary in his oral evidence.

4. Core Teaching Grant

We previously provided the Committee with an estimate of impact on funds available for the core teaching grant, and can now restate this, given the updated figures in the Letter of Strategic Guidance.

While it is not possible to provide an accurate prediction of teaching grant allocation from the SFC to the sector, due to the conversion of financial to academic year, we can estimate what proportion of the overall FY revenue will be available for the teaching grant allocation in the academic year (AY).

The Cabinet Secretary has committed to maintain bursary support at current levels, which is £95.6m², and in the initial budget announcement, as well as the letter of guidance, there is a confirmed £11m additional funding provided to deliver that commitment. The bursary figure is an AY figure. If that is to be maintained into 2014-15, it will have been constant for the duration of the spending review, which provides a fair indication of FY impact also.

£15m was provided for spend in 2012-13 for the College Transformation Fund, and that has therefore also been deducted from the final revenue allocation of last year for comparison. SFC have confirmed they intend to deduct the £8m drawn forward funds for last year's teaching grant in two tranches of £4m in each of 2013-14 and 2014-15. While this will be done on an AY basis, we have included it here for illustrative purposes.

Again, this table only includes funds allocated from the SFC and therefore does not include the New College Learning Programme from SDS.

Table 2: Funds Estimated as Available for the Core Teaching Grant (FY)	2012-13	2013-14	2014-15	Total
Revenue Funding (£m)	533.3	496.8	461.6	
Student Bursary Funding (£m)	-95.6	-95.6*	-95.6*	
Transformation Funding (£m)	-15.0	0.0	0.0	
Available Funds for College Teaching Grant (£m)	422.7	401.2	366.0	
Deduction of drawn forward funds for 2012-13 (£m) (AY)		-4.0	-4.0	-8.0
Reduction (£m)		-25.5	-39.2	-64.7
Reduction % P.A.		-6.0%	-9.8%	-15.3%

Source: Letter of strategic guidance 2012, SFC Grant letters 2011/12 and indicative grant letter 2012/13.

* Excludes £3.9m for childcare for HE college students budget transfer from SAAS to SFC.

² Scottish Funding Council Grant letter 2011/12 and Indicative Grant letter 2012/13, Scottish Govt news release 'College student support' 8/2/12

Table 2 suggests a reduction of funds available to the college teaching grant of £21.5m in 2013-14 and £35.2m in 2014-15, a total of £56.7m, prior to the £8m drawn forward funds being deducted. We therefore estimate a **reduction in funds available of £25.5m next year and £39.2m the following year, 6% and 9.8% respectively – just over 15% overall over the two years.**

5. Employability Fund

Colleges recognise their role in vocational training and employability skills, and the majority of colleges are working with SDS to deliver the New College Learning Programme (NCLP).

Detail on the Employability Fund being established with the £24m budget transfer from SFC will follow in the Letter of Strategic Guidance to SDS, and we welcome that this funding will be ring-fenced for the sector. However, we are concerned that this is £24m that will not be available for the core teaching grant, which as we noted in our previous evidence has fallen at a higher level in both cash and percentage terms than the revenue grant as a whole.

The demand for places, particularly on full-time courses leading to recognised qualifications, remains high.

6. College Waiting Lists

In September 2012, *Scotland's Colleges* surveyed its members on current waiting lists. We asked members to indicate numbers of applications, numbers enrolled, numbers with no offer and those on waiting lists, where these were held. We also asked these to be broken down by subject category (superclass) to provide some elaboration on demand in key subjects.

43 colleges (including the newly merged SRUC and Edinburgh College) were invited to take part in the survey with 84% (36 colleges) responding.

- **Overall numbers on waiting lists are 21,280.** A detailed breakdown of numbers by age group and mode of study are below and this shows demand for full-time courses is particularly high.
- **This was distinct from the 93,183 applications not resulting in the offer of a place,** (of which waiting lists are a subset) and such learners may well have taken up a place at another college, or account for multiple applications, and is therefore distinct from those on a waiting list.
- **Not all colleges operate waiting lists** and not all courses have waiting lists; as it is clearly dependant on demand. Colleges may have places available in some courses, but waiting lists on others.
- Subject areas with the highest waiting lists were:
 - Health Care, Medicine, Health and Safety: 2,340
 - Family Care, Personal Development, Personal Care & Appearance: 1,958
 - Engineering: 1,254
- The SDS run New College Learning Programme, which are short courses concentrating on employability skills, has 1,776 enrolments and 90 on waiting lists. The target is for SDS to secure 5,800 enrolled as 'starts' into this programme.

Table 3: Waiting List Survey – Age and Mode of Study	Under 16	16-19	20-24	25+	Total
Full-time	265	9,924	4,287	4,461	18,937
Part-time	29	488	419	901	1,837
Total	294	10,412	4,706	5,362	21,280*

*Some colleges were unable to provide complete disaggregated figures showing all the full time, part time or age split. This has resulted in a slight discrepancy of 506 between total stated here and the sum-total of listings by age. Similarly, in Appendix 1, there is a discrepancy of 131 between total listed and sub-total from mode of study.

Further details are shown in Appendix 1. This is the collated picture, and does not indicate individual college returns, which members have requested we keep confidential.

7. College Reserves

Scotland's Colleges supports the view of the Cabinet Secretary that where surpluses exist, these are funds that can be put towards structural changes and mergers, and as noted in Mr Russell's oral evidence, that is happening currently.

Below is further elaboration on college reserves which may be of use for the Committee in understanding how these funds are used and accessed.

The total level of college reserves for the period 2009-10, as reported in the Russel Griggs *Review of Further Education Governance*, was £409 million. This figure includes £283 million which relates to the revaluation of properties. A college cannot release as cash that value unless selling the properties. It is important to note that the value of property recorded in these funds reflects depreciation replacement costs, rather than real market value. The release of reserves without a college having cash available may result in the college operating in a deficit position, and requiring to borrow from a bank.

The cash position of colleges is a better indicator of what can be used to fund expenditure such as restructuring costs, or investment in new estate, and is often saved with intended spend of this nature. Audit Scotland report '*Scotland's colleges: Current finances, future challenges*' (October 2012) notes the accumulated surplus generated from ongoing operations was £206m in 2010-11. Not all colleges have surpluses, and as noted in the same report, the sector was operating in overall deficit of £29m in that same year. Audit Scotland stated there was 'no consistent trend' in college surpluses and deficits and that colleges operate in 'tight margins where small variations from plans can affect the ability to achieve surplus'.

8. Places and Student Numbers

There are, as the Committee has heard this week, numerous ways of measuring college activity – student headcount, weighted SUMs, enrolments, full-time equivalents and hours of learning delivered. These offer different insights on what is being provided and the changes over time.

The Cabinet Secretary has indicated full-time equivalent as a key measure going forward, and we agree that this measure is a useful benchmark of activity, but believe it is also important to continue to recognise the changes in headcount figures to ensure impacts of change are not overlooked.

Given the interest in part-time provision and the reasons for the drop in headcount, we thought it would be useful to consider this provision and recent changes in more depth.

Patterns of learning are varied and particularly influenced by age and gender. The vast majority of college learners study part-time – over two thirds of the whole in 2010-11³. Studying part-time becomes more prevalent among learners over 20 years of age, and more common among female learners. However, it should be noted that the split of full to part-time among those aged 16-19 in 2010-11 was around 50:50 in both genders. The flexibility of college provision is part of its success, enabling individuals to study in a way that allows them to progress, upskill or reskill while working, or managing other responsibilities such as childcare.

The decrease in headcount numbers has been among those studying part-time. A number of factors has been at play in the significant drop in numbers which we are aware of, though this list is not exhaustive:

- **courses of less than 10 hours duration are no longer funded** by SFC, and guidance priority is for younger learners who favour full-time courses⁴.
- **a fall in demand for, and in some cases reduced provision in, evening and weekend courses.** These are varied in nature, from vocational higher national (HN) units and recognised qualifications, or specific courses in technical skills such as computing languages and programming; to leisure courses in languages, cookery or creative skills; or other introductory courses. The fall in demand and provision reflects both individuals having less disposable income and being less cost efficient and lower priority for delivery in guidance than other core provision.
- **a fall in employer block/day release courses⁴** (a 3% reduction in enrolments from 2009-10 to 2010-11⁵) again reflecting the economic circumstances.
- **A reduction in school college partnerships** for students under 16 years of age.

In terms of full-time equivalent (FTE) numbers, we have been unable to find any reference in SFC published figures to the 116,000 number that was quoted in the Cabinet Secretary's evidence. As we noted in our previous written submission, FTE has been at around 126,000 over the past few years⁶. It is possible that the 116,000 is the as yet unpublished 2011-12 figure for FTE from the SFC as part of their annual statistics. We'd greatly welcome some clarity on this figure and indication as to which year it refers to, and whether it is reflecting SFC funded provision gathered in annual returns, or reflects the anticipated annual provision, including SDS funded New College Learning Programme.

³ and ⁵ SFC College performance indicators 2010/11

⁴ para 49 of circular SFC/14/2010

⁵ SFC Infact database

9. Impact of Budget Cuts to College Staffing Levels

Scotland's Colleges are surveying members on changes in staff levels, and the numbers who have left by voluntary or compulsory means, and we hope to share this information with the Committee before the year end.

Appendix 1
College Applications, Enrolments and Waiting Lists (As of September 2012)

College Sector	Applications	Enrolments	Learners with No Offer	Waiting Lists
SFC Funded Learners	259515	116851	93183	21280
All Learners Part-Time	38745	40665	11502	2079
All Learners Full-Time	212850	76360	80279	19070
Under 16 Year Olds Part-Time	1688	4505	237	29
Under 16 Year Olds Full-Time	4576	1875	1523	265
16-19 Year Olds Part-Time	11199	11031	3488	488
16-19 Year Olds Full-Time	111539	41657	45067	9924
20-24 Year Olds Part-Time	7610	5898	2690	419
20-24 Year Olds Full-Time	46426	16665	18510	4287
25 Year Old + Part-Time	18257	19648	4886	901
25 Year Old + Full-Time	44979	16624	16965	4461
Superclass II: Outline of Main Classes- Code List F	0	7378	0	0
A: Business/Management/Office Studies	18946	8189	6215	647
B: Sales, Marketing and Distribution	2019	781	670	64
C: Information Technology and Information	12945	8414	3798	497
D: Humanities (History/Archaeology/ Religious Studies/Philosophy)	3308	831	1120	138
E: Politics/Economics/Law/Social Sciences	11838	4568	5304	475
F: Area Studies/Cultural Studies/Languages/ Literature	6931	4532	2824	917
G: Education/Training/Teaching	6034	1577	2201	104
H: Family Care/Personal Development/ Personal Care and Appearance	33843	14570	13600	1958
J: Arts and Crafts	10415	4254	3602	301
K: Authorship/Photography/Publishing/ Media	8524	3603	3102	339
L: Performing Arts	7782	3595	4049	194
M: Sports, Games and Recreation	12187	4196	5346	792
N: Catering/Food/Leisure Services/Tourism	12924	5323	4993	368
P: Health Care/Medicine/Health and Safety	36493	13684	14807	2340
Q: Environment Protection/Energy/ Cleansing/Security	697	448	306	71
R: Sciences and Mathematics	7556	2924	3530	200
S: Agriculture, Horticulture and Animal Care	3818	2411	1404	140
T: Construction and Property (Built Environment)	11610	6788	4913	502
V: Services to Industry	638	532	185	35
W: Manufacturing/Production Work	1114	691	228	102
X: Engineering	15267	9074	5211	1254
Y: Oil/Mining/Plastics/Chemicals	267	199	33	2
Z: Transport Services	364	649	68	22
SDS New College Learning Programme				
All Learners	4922	1776	2412	90
16-19 Year Olds	1454	1040	147	43
20-24 Year Olds	2088	478	1347	19
25 Year Olds +	827	182	562	28

Notes:

- Most waiting lists are for full-time places which reflects the fact that not all part-time place applications will be in, given different starting points in the year, and equally does not represent all college applications for the year.
- Some colleges were unable to provide a full breakdown of number of students. Some provided only totals and some only full and part time split, but not age split. This has resulted in a slight discrepancy of 506 between total stated and the sum-total of listings by age, and discrepancy of 131 between total listed and mode of study.
- Colleges were asked to provide information on:
 - applications, enrolments, SDS college programme as a distinct set of data, and detail learners with no offer to include:
 - a. Applicants who have received no offer
 - b. Applicants rejected
 - c. Applicants to courses which are full
 - d. Applicants to courses which have been cancelled
 - e. Applicants who are currently on waiting lists.
 - Waiting list data was drawn from point E above
 - For UHI colleges only FE data was collected
 - Age at the start of the planned course
 - Superclass subjects.