

College Income – A Quick Guide

1. Purpose

The purpose of this guide is to provide an overview of the different sources of income that may be received by a college. It is not intended to be an exhaustive list, but to provide a summary to allow an understanding of the various income streams available to the college sector.

2. Background

The college sector in Scotland has undergone significant changes in the last few years. Colleges have merged, reducing the number to 26, and a new regional structure has been developed. Colleges have been brought back into the public sector and a new governance structure has been applied.

It should be noted that terms such as 'commercial' or 'business' used in this guide may incorporate different activities in different colleges. Therefore, the presentation within the accounts of each college may also differ.

3. College Funding Streams

Scottish Funding Council – Main Grant

The majority of college funding comes from the Main Grant provided by Scottish Government and distributed through the Scottish Funding Council (SFC). The amount for each year is detailed within the individual Outcome Agreements that are agreed between the SFC and each region. Outcome Agreements were introduced in academic year (AY) 2012/13 and are intended to enable SFC and colleges to demonstrate the impact of the sector and its contribution to meeting Scottish Government priorities. Outcome Agreements set out what colleges plan to deliver in return for their funding from the SFC.

For 2015/16 onwards, the Main Grant will be determined using a revised funding model. The new credit based system will mean that colleges are now paid for the activity they deliver and there will be a clear relationship between these credit targets and learning hours. The credit targets will also be much more closely aligned with the awards that the students have enrolled to achieve.

The credit based system uses a demographic model to inform the Outcome Agreements and help ensure each region receives an appropriate number of college places to serve the local population. Other pieces of evidence that are taken into consideration to determine the number of places required will include the regional skills assessments, historical performance against activity targets and evidence of demand.

Previously, the Main Grant had been determined by a system based on weighted student units of measurement (WSUMs), but this has been replaced by the simplified credit based system described above.

In December 2014, SFC [published](#) a newsletter explaining the new model.

Scottish Funding Council – Other Discretionary Grants

There may be occasions when the SFC provide additional grant income to colleges. This may be to fund a one-off project or specific expenditure.

Student Funding

Many students attending college receive financial support to enable them to pursue their course of study. There are various sources of funding, depending upon the personal circumstances of the individual student, for example:

- **Education Maintenance Allowance (EMA)** – provides maintenance support for young people from low income households who undertake post-compulsory, full-time, non-advanced courses at school or college. The programme aims to increase participation and retention in post-compulsory education.
- **Bursary** – this is a financial award given to a student at the discretion of a college to help maintain that student in their education beyond their statutory school leaving date. An award can include allowances that cover a student's maintenance, travel and study costs. Colleges can also use bursary funds for allowance to cover costs incurred by a student due to an adult dependant and/or additional support needs for learning.
- **Childcare** – this is a fund allocated to colleges to assist eligible students with their childcare costs. The funds have two elements, these are:
 1. **Lone Parents Childcare Grant (LPCG)** – an element which will be an entitlement payment to all eligible students who are lone parents and who have formal registered childcare expenses while studying.
 2. **Discretionary Childcare Funds** – all students may apply to for financial help with formal registered childcare expenses. Payments from the Discretionary Childcare Funds will be made at the discretion of the colleges and are based on an assessment of need.
- **Discretionary** – the further education discretionary fund (FEDF) is primarily for emergency use. The fund is intended to provide financial help to students whose access to or continuance in, further education may be inhibited by financial considerations, or where students, for whatever reasons, including physical or other disabilities, face financial difficulties.
- **Loan**

The majority of these funds are managed and disbursed by the college (the exception being student loans). In effect, it is money that is received and paid by the college and therefore the net impact on the college should be minimal. The challenge facing colleges is that the funds are cash limited, which means that the college must estimate demand from students and match this to the funds supplied. In the majority of cases, students who are eligible for support from this fund are not automatically entitled to this support. If demand exceeds the budget, and the shortfall isn't matched by additional Scottish Government funding, then the college would have to fund the deficit from other sources.

Course Fees

The vast majority of students attending a full-time course of further education will not have to pay a course fee (often referred to as a fee waiver). This fee waiver is incorporated within the SFC Main Grant paid to colleges.

Many students attending a full-time course of higher education (for example Higher National Certificate or Diploma) will have their course fees paid by Scottish Awards Agency for Scotland (SAAS). Therefore the college will receive a payment from SAAS to meet the cost of these fees.

Anyone who is not eligible for a fee waiver will be responsible for meeting the cost of the course. This might include:

- Students who don't meet the criteria for a fee waiver
- International students, who will be required to pay the full cost of the course
- Courses that are outside the scope of the funds provided by the Scottish Government and are provided by colleges on a full-cost basis

Training Contracts

Many colleges will deliver courses to meet the specific needs of a particular sector or business. These may include contracts with:

- Other public bodies e.g. local authorities, NHS, Scottish Prison Service
- Industry bodies such as Scottish and Northern Ireland Plumbing Employers Federation (SNIPeF) and Construction Industry Training Board (CITB)
- Skills Development Scotland (SDS) for the delivery of Modern Apprenticeships

Commercial Contracts

Colleges also utilise the expertise of their staff in order to provide consultancy advice and developmental services to commercial organisations and bodies.

Other

There may be range of other sources of income received by a college, for example:

- **European Funding** – often to support a particular project or initiative. It is likely that this income supports additional activity above and beyond the core business of the college. In this situation it is likely that an equivalent sum is also spent on the project.
- **Facilities** – may be rented to third parties. This may range from the hire of a classroom for a few hours to the operation of a full conference facility or business park. Some colleges will also generate funds from the estate e.g. using land/buildings to accommodate mobile phone masts or generating income from solar panels.
- **Catering Services** – provided to students will generate income. The presentation in the financial statements may vary depending upon whether this service is delivered in-house or contracted out to a third party.
- **Business Units** – may be operated by colleges to provide students with experience working in a commercial environment. Examples might include hair and beauty salons, training restaurants and sport/leisure facilities. Colleges will generate income on the basis of providing these services to staff, students and members of the public.
- **Bank Interest Received** – although this is now at a decreasing level as cash is not drawn down ahead of need.
- **Nursery and Childcare Services** – these are operated by some colleges. These services will benefit students and staff with young children enabling them to study and work at the college. These services are often provided on a commercial basis to members of the public living in the local community.

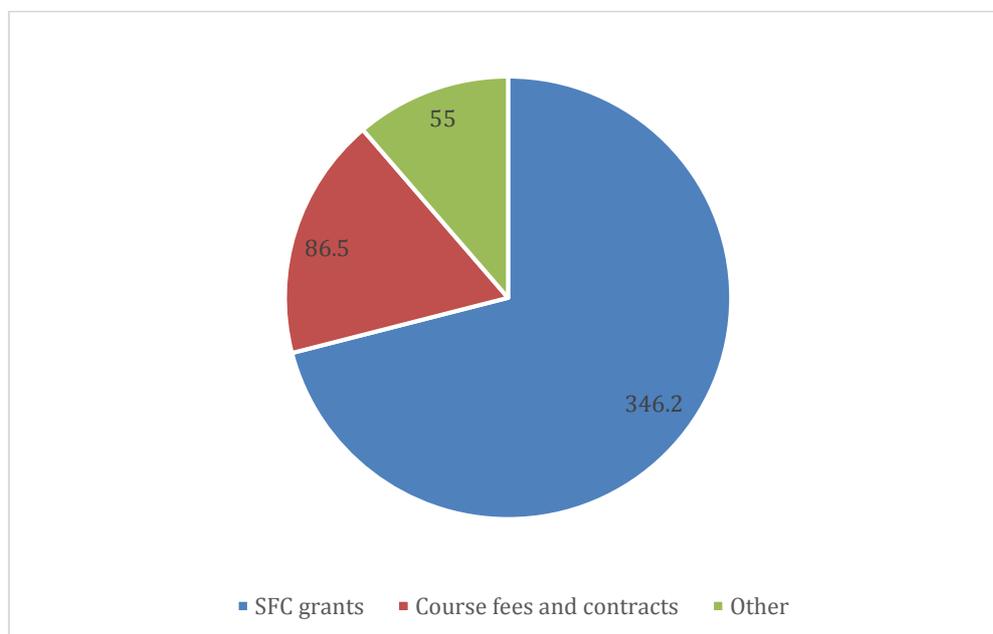
Capital Funding

Each year, colleges receive a small amount of capital funding from the SFC towards the cost of capital expenditure. There may also be specific funding to meet the cost significant developments e.g. the cost of a new campus. Other sources of capital funding might include grants from other sources (e.g. European Funds) or income from the sale of assets. Capital funds will need to be reinvested and cannot be used to meet revenue expenditure.

4. Overall Income for the College Sector in Scotland in 2013/14

The table and diagram below provides a basic percentage breakdown of overall income types across the college sector as a whole for 2013/14, which should be noted covered a shorter financial period:

Income category	Amount £m
SFC grants	346.2
Course fees and contracts	86.5
Other	55.0
Total	487.7



Note:

- Figures for 2013/14 are latest published following analysis by Audit Scotland
- Most colleges' accounts covered a shorter financial period in 2013/14
- The figures do not include bursaries and other student support funds which are provided to colleges for the benefit of individual students
- Source: Audit Scotland, *Scotland's Colleges 2015* report, published April 2015

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