

Evidence to the Education and Culture Committee on the Scottish Government's Draft Budget 2014/15

1. Introduction

This paper sets out the funding trend for the college sector since the last spending review, putting this year's settlement into a broader context. We have included separately, for information, the figures for the academic year funding also, which runs from August to July. With the Office for National Statistics (ONS) reclassification of the Scottish college sector as public bodies coming into effect this year, it is expected that colleges will move to operating on an April to March financial year (FY) from 2014, and funding allocations from the Scottish Funding Council (SFC) may also move to a FY for the college sector.

2. Summary

- Colleges Scotland welcomes the installation of a floor to college funding. This gives colleges stability going forward and helps protect activity levels.
- While there have been overall reductions in funding, colleges have achieved efficiencies through regionalisation, making changes easier to absorb by benefiting from economies of scale.
- There is scope to expand activity in a number of strategic areas, particularly to support opportunities for young people and prevent disadvantage in adult learning.

The funding proposed for 2014/15 is a 'flat cash' settlement of £521.7m, as was expected from the announcement made in February 2013 at the conclusion of the last budget process. This represents a £51m increase on the original figure of £470.7m proposed in the 2011 Spending Review. The additional funding sees the college budget in 2011/12 to 2014/15 Spending Review period fall in cash terms by £34m, compared to the originally proposed £85m. Colleges Scotland expressed concerns when the 2011 Spending Review was announced in terms of the potential impact of this reduction on the sector in being able to maintain activity, however with reforms and merger processes completing, efficiencies and economies of scale will have come into effect making this change easier to absorb, better protect activity levels and provide much needed stability as reforms bed in.

However, challenges remain for the sector in ensuring it can meet the needs of the economy, and expectations of government, in offering the breadth of opportunities to support young people toward employment while not disadvantaging other groups who rely on colleges for improving their skills and circumstances.

As identified by the Education and Culture Committee in their remit for considering the Draft Budget, the Scottish Government have made youth employability a priority given the serious challenges faced by this group in the current economy. Colleges have the potential to do more to bring opportunities to young people still in school, to those wanting to access a higher education or go on to university. They are also the main provider of opportunities for adults wanting to return to education, to retrain or improve their skills and prospects. A flat cash settlement is welcome in that it allows the sector to broadly continue what it is providing currently and secure the reforms underway, but it also means that new activity can only be done at the expense of current activity. We therefore identify a number of areas of spending which illustrate potential opportunities for colleges to do more, for example in line with ongoing work of the Wood Commission to support young people, as well as to widen access to higher education and ensure appropriate support for adult learning.

3. Facts and Figures

Funding

Below are the figures in the Scottish Budget for SFC college funding from the 2011 Spending Review and the Scottish Budget 2014/15, including the indicative figures provided for 2015/16, showing the change against each baseline.

As indicated in Table 1, over the course of the three years of the current Spending Review period, there has been significant shift on final allocation against initial plans constituting a total of £117.5m. This sees an overall funding reduction of £34m over the three years, a substantially improved settlement for the sector compared with the originally proposed £85m reduction in funding in that period.

Table 1: Spending Review Period 2012/13 to 2014/15 – draft versus settlements to date

	2011/12 (Baseline)	2012/13	2013/14	2014/15 (Draft)	Movement 2011/12 to 2014/15
Spending Review 2011 Draft Figures	£555.7m	£506.9m	£494.7m	£470.7m	-£85m
Additional Funds Announced (against plans in each year)	-	+£39.5m	+£27.0m	+£51.0m	+£117.5
Updated Total Figures	-	£546.4m	£521.7m	£521.7m	-£34.0m
% Year to Year	-	-1.6%	-4.5%	0.0%	-6.1%

Source: Scottish Government Budget documents and statements 2011/12- 2014/14

Table 2 shows the comparative draft figures for 2014/15 and 2015/16 against the 2013/14 baseline, illustrating a £4m increase in cash which is a real terms percentage decrease of 1.9%.

Table 2: Draft Budget Figures 2014/15 and 2015/16 – showing changes in cash and real terms

Draft Budget 2014/15 and Indicative 2015/16 Figures	2013/14 (Baseline)	2014/15 (Draft)	2015/16 (Indicative)	Total Movement 2013/14 to 2015/16
Updated Total Figures	£521.7m	£521.7m	£525.7m	+£4m
% Change		0%	+0.7%	+0.7%
Real Terms* (2013 prices)		£512.0m	£506.8m	-1.9%

Source: Scottish Government's Budget Statement and documents, September 2013

* based on SPICe data re Draft Budget 2014-15, Level 3

Academic Year Funding

For illustrative purposes we have also included in Table 3 the funds allocated to colleges for the August to July academic year (AY) from the SFC. The SFC converts the FY allocation into an AY distribution. These funds cover the teaching grant and also student support, which has been stable at £95.6m for each of the past three years, and other discretionary funds. This has therefore seen the funding reductions taken forward primarily in the teaching grant, rather than other parts of the overall settlement, and the proportional impact of the reduction is therefore greater as it affects only a part of the total funding.

Table 3 – SFC Funding Allocations (Academic Year)

	2011/12	2012/13	2013/14	Total Change
Academic Year Revenue (£m, Actual)	£545.5m	£511.0m	£496.4m*	
Reduction from Actual (£m)		-£34.5m	-£14.6m	-£49.1m
% Reduction (Cash Terms)		-6.3%	-2.8%	-9%

Source: SFC Grant Letters and Outcome Agreement 2013/14

* The funds for 2013/14 also included some additional funding aimed at certain regions to enable growth, and the distribution of a one-off SFC skills fund of around £5m.

It is also important to note that from 2014/15 the funding distribution method is expected to change. Making this comparative analysis in future years may therefore not be possible in the same way. Such funds will also no longer be delivered to individual colleges, but instead be delivered regionally to what will become the regional colleges and, in the case of multi-college regions, the relevant regional strategic bodies (in Highlands and Islands, to UHI) for distribution to the colleges assigned to them.

Reclassification of Colleges as Public Sector Bodies

The Draft Budget this year presents college finances differently, due to the ONS reclassification of the college sector as public sector (central government). It notes that the central government classification requires that the full income and expenditure budget for the sector is recorded against Departmental Expenditure Limits. This income, noted as being £165.4m, is the approximate 25% of other income, including commercial activity, that colleges maintain in addition to direct SFC funding.

Staffing

The restructuring across the sector – with mergers being taken forward in 20 colleges since last year – combined with the lower financial base, has seen staffing numbers reduce to approximately 13,600 according to the latest public sector statistical publication in September 2013. We would anticipate that the decline would level off with the completion of mergers and the greater stability expected from the proposed financial settlement.

Table 4 – Staffing Numbers

	Q2 - 2009	Q2 - 2010	Q2 - 2011	Q2 - 2012	Q2 - 2013	Total
Headcount (Nearest 100)	16,900	16,000	15,900	14,500	13,600	-
Movement per annum	-	-900	-100	-1,300	-900	-3,200

Source: Quarter 2, 2013 Figures – Public Sector Employment in Scotland, Scottish Government

4. Employability and Young People

Student Numbers

The focus on young people has seen colleges increase the proportion of their activity towards those aged 16-19. Over 70% of college activity is now dedicated to supporting this group. In 2011/12, the most recent figures available – 43% of college learners were aged 16-24, up from 35% in 2009/10. While the overall number of learners has fallen, those aged 16-24 have not experienced a drop in numbers of the same magnitude as those outwith that range.

The full-time equivalent (FTE) level has also remained relatively constant at around 133,000 between 2008/09 and 2011/12, according to recent SFC data.

Table 5 – Student Numbers 2008/09 to 2011/12 (most recent figures available)

Year	2008-09	2009-10	2010-11	2011-12
Age of Student (start of academic year)	Count	Count	Count	Count
under 16	76,970	68,894	55,053	29,907
16-18	66,353	65,998	62,475	57,592
19-24	57,758	57,379	55,264	54,158
25-59	161,008	143,716	124,888	108,708
60-64	9,397	7,880	6,283	4,671
65 & over	12,196	10,268	7,946	5,068
Overall	383,682	354,135	311,909	260,104
FTE (all students)	133,149	134,918	134,546	133,199

Source: SFC Infact database

It is not easy to say at this point whether this is meeting demand. We believe national tracking of applications and enrolment data would greatly improve understanding of demand and in what areas there may be challenges.

Wood Commission

The Wood Commission's interim report suggested more should be done to provide vocational education to school-aged young people. We support this recommendation and will work with the Commission on how this may progress. A key area of activity that could meet this goal would be the expansion of the already successful work of school-college partnerships. These have been established in every local authority area, funded by the SFC, allowing for school pupils to undertake courses in a college while still enrolled at school, and for vocational skills to be delivered in the school environment. Colleges Scotland analysis of Colleges Regional Outcome Agreements for 2013-14 suggests that only approximately 4-5% of college activity (as measured by wSUMs) is planned to be delivered towards school-college partnership work. This may be an underestimate, as activity has also been funded by local authorities. In line with prioritising provision to school leavers studying full time, the proportion of activity aimed at this has reduced over time. This constitutes a relatively small portion of overall activity, however to expand this provision further could only be done with funding support or to move funds from other areas of provision.

Higher Education

Around a quarter of colleges' activity is at higher education level, offering HNCs and HNDs, and in working in partnership with universities, sometimes allowing students to articulate into a university course at third year to achieve a degree qualification. The David Hume Institute¹ last year found that the comparative per capita cost, based on SFC funding, to deliver HE was £5,281 in colleges and £12,381 in universities. While the institutions are clearly very different there is nonetheless an indication that in terms of delivery, where it is effective to use a college setting for HE, it presents significant value for money to deliver the same level of education.

In 2013/14, around £10m is to be distributed to fund 2,000 extra places for widening access in universities, half of which are for articulation places, where the first two years of a four-year degree must be delivered in partnership with a college. Such routes are often the only way those from the most disadvantaged backgrounds can achieve a degree level education, without having to repeat two years of study at the same level when entering university.

When the SFC tendered to universities for these places, they were over-subscribed, indicating a potential to extend this programme in the future.

5. Lifelong Learning

Colleges are the main source of lifelong learning and career development for adults in Scotland, offering courses on a first come, first served basis to over 100,000 people over the age of 25. **Of the 108,707 people aged 25-59 studying at college, 66,853 – almost two thirds – had no qualifications on entry².** For these individuals these courses are one of the only possible ways to improve their skills and earning potential, or be the route into work for the first time. It is essential for adult learners that courses be available on a flexible basis of part-time, day/block release or evening and weekend basis allowing them to fitting study around work or childcare responsibilities. Colleges also partner with employers to provide training to employees in the public and private sector, offering relevant new skills or job certification.

As shown above in Table 5, numbers of students have fallen by almost a third in the 25-59 age group, potentially reducing opportunities. In Table 6 below we show the impact in terms of the changes in adults studying from the most deprived backgrounds. While we would emphasise that the proportional fall in numbers is relatively evenly spread and does not appear to correlate with deprivation levels, it is important to note that more students come from higher deprivation backgrounds, meaning in terms of headcount in those groups, the numbers potentially affected are greater.

¹ David Hume Institute – Further Education, the Scottish Labour Market and the Wider Economy, October 2012

² SFC Infact database

Table 6 – Learners Aged 25-59 by Level of Deprivation – up to 20% most deprived population

Deprived population	2009/10	2011/12	Total change
5% -most deprived	9,773	7,231	-2542
5-10% most deprived	8,481	6,086	-2395
10-15% most deprived	7,646	5,726	-1920
15-20% most deprived	7,505	5,678	-1827
Total	33405	24721	-8684

Source: SFC Infact database

Female Returners

There are proportionally more female than male students in the 25-59 age groups. As shown in Table 7 below, the numbers for both genders have fallen over time, but the reduction has been proportionally greater for female learners. It is clear that working age women from 25-59 years are most likely to be disadvantaged by the shift of provision to prioritise young people. We therefore welcomed the additional funds provided in the last budget to specifically target female returners to help reduce that impact, and hope such support will be continued into future years.

Table 7 – Working Age Adults 25-59 - Student Numbers

	2009/10	2010/11	2011/12	% Change 2009/10 to 2011/12
Headcount – Learners Aged 25-59	143,718	124,887	108,707	-35,011
Male	56,328	50,936	44,913	-11,415
Female	87,390	73,951	63,794	-23,596
FTE – Learners Aged 25-59	40,003	38,744	37,888	-2115
Male	15,477	15,546	15,354	-123
Female	24,526	23,198	22,534	-1992

Source: SFC Infact database