

Board Meeting

Date of Meeting	Monday 29 August 2016
Paper Title	Assigned College Outcome Agreement Funding Recommendations
Agenda Item	9
Paper Number	BM1-F
Responsible Officer	Robin Ashton, GCRB Executive Director
Status	Non-disclosable
Action	For Agreement

1. Report Purpose

- 1.1.** To consider recommendations on the distribution of 2016/17 regional outcome agreement funding to its assigned colleges to be made by the GCRB Board to the Scottish Funding Council.

2. Recommendations

- 2.1.** The Board is invited to:

- **note** the SFC funding allocation to the Glasgow Region for 2016/17 college outcome agreements;
- **agree** that in light of the decision not to award the Glasgow College Region full transitional funding, GCRB management should confirm with the SFC that the Glasgow region will not undertake further additional activity in 2016/17 beyond the Credit total of 368,574 specified in the SFC funding announcement;
- **note** the progress made by GCRB and college management over the course of this academic year to develop a regional funding model and the commitment to continue to further develop the regional funding approach for 2017/18 and beyond;
- **endorse** the proposed assigned college funding allocations and **request** the GCRB Executive Director to confirm these with the Scottish Funding Council; and
- **request** the GCRB Executive Director to continue to work with Glasgow college and SFC colleagues to review regional funding approaches, including capital grant allocation, and provide a report on this to a future meeting of the GCRB Board.

3. Background

- 3.1.** Members will be aware that as a regional strategic body, a key role of GCRB is to fund the assigned colleges.

- 3.2. Whilst GCRB does not yet have fundable body status, demonstrating the capacity to make funding recommendations is a significant element within the assurances required by the Scottish Funding Council (SFC) as conditions for granting GCRB fully operational fundable body status.
- 3.3. Alongside the drafting of a Regional Outcome Agreement for 2016/17, the GCRB executive has been working closely with the colleges on the development of a regional funding methodology to enable it to administer funds in a fair and transparent manner, based on a robust evidence base, and which responds to regional curriculum changes and needs. Annex 1 contains a more detailed overview as to the funding approaches developed to date as part of the ongoing work on a regional funding model.
- 3.4. Since the announcement by the SFC of college outcome agreement funding for academic year 2016/17, GCRB management and the Glasgow colleges have been working to finalise draft funding proposals for the GCRB board to consider and this paper now sets out funding recommendations for the assigned colleges based on these discussions.
- 3.5. GCRB management have liaised closely with the SFC on the development of these funding proposals and the SFC ROA manager has confirmed that the SFC are content with the recommendations made in this paper and are supportive of the approach taken by GCRB to develop a regional funding model for assigned college funding allocations.
- 3.6. Notwithstanding the progress made to date in developing regional funding approaches, GCRB management and the Glasgow colleges recognise that further work is required to enhance the robustness of the regional funding model, to ensure that it aligns funding to delivery of GCRB strategic aims on a sustainable basis and responds fully to agreed curriculum delivery plans. Members should note that in line with this recommendation, a commitment to further develop the regional funding model is contained within the 2016/17 Glasgow Regional Outcome Agreement within its operational actions section.

4. Regional Funding Allocation for 2016/17

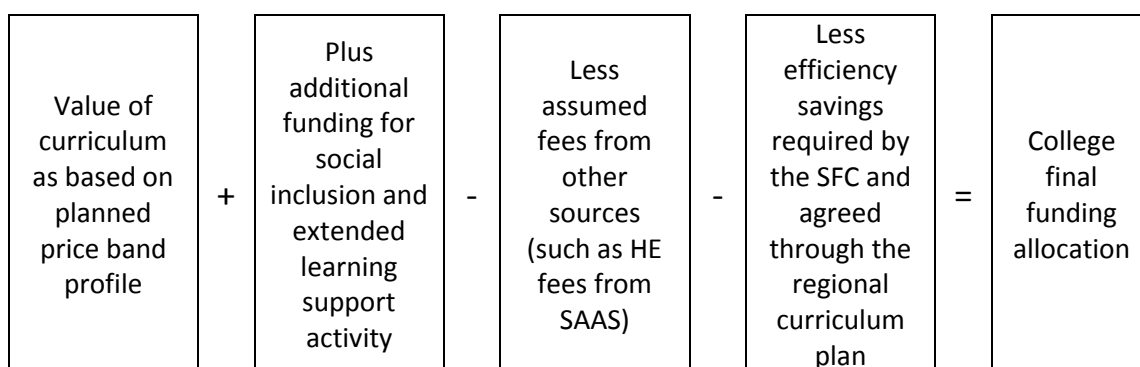
- 4.1. On 9th May, 2016 the SFC announced college sector regional outcome agreement funding for academic year 2016/17.
- 4.2. Following this announcement, a further uplift of 0.9% was provided by the SFC to all college regions on 1st July 2016.
- 4.3. The table below sets out the allocations made to the Glasgow College Region for 2016/17 in comparison to 2015/16 values.

	2016-17	2015-16	Change	%
Teaching Grant	£79,548,236	£77,123,694	£2,424,542	3.1%
SFC ESF Grant	£6,682,883	£6,113,802	£569,081	9.3%
Student Support	£18,751,839	£19,030,343	-£278,504	-1.5%
Capital Grant	£3,438,926	£4,021,864	-£582,938	-14.5%
Total	£108,421,884	£106,289,703	£2,132,181	2.0%

- 4.4.** The increase in teaching grant funding of around 3% is due mainly to a 1.9% sector uplift for cost pressures, plus additional funded activity. Funding for European Social Funded (ESF) activity is also increased in line with planned increase in regional delivery levels. The student support funding represents an initial funding amount, with further funds set aside to be released according to national need later in the academic year. The most significant budget line reduction relates to capital grant which was reduced by 14.5%.
- 4.5.** In terms of the methodology used by the SFC to determine the allocations to each college region, two approaches influenced the final allocation made to Glasgow:
- a historical approach which used 2015/16 levels of funding as a basis for applying uplifts to funding across the sector; and
 - an approach using the new simplified funding method through which SFC are seeking to better align resources more closely to regional needs, attaching a value to curriculum volumes per price bands and modifying this value in relation to aspects such as assumed fees, social inclusion and extended learning support premium and efficiency savings.
- 4.6.** Annex 2 provides a summary of the calculations used by the SFC to determine the Glasgow College Region main teaching grant funding for 2016/17.
- 4.7.** The simplified approach to funding set out by the SFC indicated that Glasgow should receive more resources than through a purely historical approach. Due to changes made to enhance the Glasgow regional curriculum, the value of the curriculum has increased through the delivery of greater volumes of activity in higher price bands (for example through a growth in STEM related subjects or delivery targeted at those furthest from the labour market). This shortfall between historical and new funding methods was calculated by the SFC to be £785,103 based on 2014/15 baseline data.
- 4.8.** As a result of the shortfall identified by the SFC, 'transition' funding was allocated to the region to bridge the gap between historical and new funding methods. The SFC capped the 'transition' funding at around 50% of the shortfall between the historical and simplified funding models, with Glasgow receiving £392,284 rather than the £785,103 recognised by the SFC.
- 4.9.** GCRB members should note that the GCRB Chair and Executive Director made a number of requests to the SFC to reconsider the decision to reduce transition funding but that this was unsuccessful.

5. Main Teaching Grant Allocations

- 5.1.** Main teaching grant funding represents the most significant element of outcome agreement funding.
- 5.2.** In summary, in terms of calculating main teaching grant allocations for the individual colleges, the funding model developed by the region takes the following approach:



5.3. In light of the additional funding provided to the sector on July 1st by the SFC for cost pressures, following calculations of assigned college allocations based on the above approach, a 0.9% uplift was made to each of the assigned college allocations of funding.

5.4. Annex 3 provides detailed funding allocations for each of the above elements and the table below provides a summary of the funding allocations based on these calculations.

	Glasgow Region	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College
Credit value scaled to funding	£86,754,122	£37,827,143	£29,323,354	£19,603,625
Social Inclusion Premium	£2,273,660	£719,529	£653,161	£900,970
ELS grant	£9,280,742	£4,045,622	£3,140,089	£2,095,031
Total assumed fees	-£16,326,963	-£8,761,852	-£4,285,089	-£3,280,022
Total efficiency savings	-£3,312,445	-£1,489,427	-£1,087,297	-£735,721
Main teaching grant	£78,669,114	£32,341,014	£27,744,218	£18,583,883
0.9% uplift for cost pressures	£699,120	£287,410	£246,559	£165,152
Final main teaching grant	£79,368,234	£32,628,423	£27,990,776	£18,749,035

Comparison to 2015-16 actual amounts	£76,898,694	£29,697,025	£27,816,867	£19,384,802
% change in teaching grant	2.3%	8.9%	-0.3%	-4.1%

(Note: teaching grant figures are after deductions for GCRB costs.)

6. European Social Fund Allocations

6.1. In addition to SFC main teaching grant funding, the Glasgow Region has been allocated 17,544 Credits of European Social Funded (ESF) activity with £4,143,387 teaching grant. This funding includes elements of both resource related to mainstream ESF and to the South West Scotland Youth Employment Initiative which is intended to provide high quality opportunities to support the sustainable integration into the labour market of young persons (aged 16 to 19) who are already outside the education system.

6.2. Across Scotland, the SFC funds college regions for ESF activity at different rates related to their average price per credit. Following this approach (scaled to the ESF funding available to the region) for each of the assigned colleges gives the following allocations:

	Glasgow Region	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College
2016/17 ESF Credit Target	17,544	8,053	5,690	3,801
Average main grant Credit price	£236.07	£226.20	£240.43	£250.36
ESF Credit funding at average main grant Credit price	£4,141,240	£1,821,560	£1,368,047	£951,633
ESF Credit funding scaled to regional ESF allocation	£4,143,387	£1,822,505	£1,368,757	£952,126

6.3. Within the ESF funding there is also a significant allocation of student support funding. As this relates to volume of learners, rather than delivery cost, it is suggested that this is distributed proportionately across the three colleges.

7. Student Support Fund Allocations

7.1. An initial funding amount of £18,751,839 has been provided to the Glasgow College region, with further funds set aside to be released according to national need later in the academic year. In addition, the regional allocation of ESF includes an approximate 40% share for student support. The table below sets out initial allocations for student support funds from core and ESF funding.

	Glasgow Region	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College
Initial allocation 2016-17	£18,751,839	£6,803,050	£8,127,359	£3,821,430
ESF Student Support	£2,158,571	£990,822	£700,084	£467,666
ESF Childcare	£380,924	£174,851	£123,544	£82,529
Total ESF Student Support	£2,539,495	£1,165,672	£823,628	£550,195
Total Student Support	£21,291,334	£7,968,722	£8,950,987	£4,371,625

8. Capital Grant Allocations

8.1. As detailed in section 4 of this report, there has been a 14.5% reduction to the overall regional capital allocation, which has reduced from £4,021,864 in 2015/16 to £3,438,926 in 2016/17 (-£582,938).

8.2. For 2016/17, the SFC also introduced a new method to allocate capital funding to college regions using a price (£9.33) per Credit. This differs significantly from the previous historical allocation method.

8.3. In terms of allocating funding to the assigned colleges, one option would be to use this new method to allocate capital funding based on a proportionate share of Credits. An alternative method would be to allocate according to the previous method, less 14.5% to all colleges.

8.4. It is recommended by GCRB management that for 2016/17, an average of these two options is used as a transition step as set out below.

	Glasgow Region	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College
New allocation method	£3,438,926	£1,580,851	£1,132,714	£725,360
Previous allocation method less 14.5%	£3,438,926	£1,260,669	£1,227,064	£951,193
Average of 2 methods	£3,438,926	£1,420,760	£1,179,889	£838,277

8.5. It is also recommended that as part of further work to develop regional funding approaches, GCRB and college management undertake a review of capital funding allocations and present this to a future meeting of the GCRB Board, prior to any further capital allocations.

9. Regional and College Activity Targets for 2016/17

- 9.1.** The SFC 2016/17 funding announcement set a funded activity level of 367,494 Credits was set for the Glasgow region. This retains the 2015/16 in-year allocation of additional Credits, and provides a further increase in activity from the previous year of 0.2%.
- 9.2.** Prior to the SFC announcement, college and GCRB management modelled activity levels based on the planned 2016/17 curriculum transfers as agreed within the regional Curriculum and Estates Plan. Following the SFC allocation, the additional growth was added to determine planned delivery targets for the region and assigned colleges.
- 9.3.** The SFC funding announcement also stated that the Glasgow college region would deliver an additional 1,080 credits for no additional funding as part of the Glasgow curriculum plan. This relates to 2015/16 efficiency savings which City of Glasgow committed to as part of the agreed regional curriculum and estates plan. The City of Glasgow College also committed to deliver a further 1,680 Credits without funding in 2016/17, so that the college and region as a whole would plan to deliver 2,760 Credits above the funded target.
- 9.4.** Given that the full transitional funding was not allocated to the Glasgow region and that this means the region is significantly underfunded for its planned delivery, it is recommended by GCRB management that the Glasgow region does not deliver beyond the additional activity specified in the SFC funding announcement (i.e. only deliver the fundable Credit total of 367,494 plus the 1,080 additional Credits, and not the further 1,680 Credits).
- 9.5.** In order to continue to recognise the City of Glasgow commitments to efficiency made within the agreed regional curriculum and estates plan, it is proposed that City of Glasgow reduce their overall volume of planned additional efficiency Credits by 560 Credits, and that Clyde and Kelvin colleges lower their delivery targets by similar amounts so that the region as a whole is planning to deliver to the activity target specified in the SFC funding announcement. This would lead to the following Credit delivery targets:

	Glasgow region	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College
Credit target for 2015-16	364,401	156,205	123,561	84,635
Transfer from Kelvin to City	0	4,410	0	-4,410
Transfer from Kelvin to Clyde	0	0	2,000	-2,000
Transfer from Clyde to City	0	3,883	-3,883	0
SFC Funded Growth	2,339	2,339	0	-105
Additional SFC Funded activity	859	394	283	182
Funded Credit target for 2016-17	367,494	167,231	121,961	78,302
Planned efficiency activity	2,760	2,760		
Adjustment	-1680	-560	-560	-560
Final Credit target for 2016-17	368,574	169,431	121,401	77,742
% change in Credit target	1.1%	8.5%	-1.7%	-8.1%

10. Risk Analysis

10.1. The funding allocations considered within this paper are intended to support delivery of commitments made in the 2016/17 Glasgow ROA. Since the ROA represents the region's strategic aspirations, the risks are those contained in GCRB's risk register. The allocation of ROA funding is of particular relevance to the following GCRB identified risks:

- if Scottish Government and SFC are unable to allocate adequate resources for the college sector and Glasgow respectively, it might not be possible to sign the Regional Outcome Agreement and its delivery will be put in jeopardy;
- if there is breakdown in performance in the assigned colleges (including academic quality management arrangements and financial sustainability), the Regional Outcome Agreement targets may not be achieved;
- if there is a material shortfall in the quality of facilities, student success will be reduced; and
- if there are insufficient non-advanced student support funds, students will be unable to take up places offered and activity targets will not be met.

11. Legal Implications

11.1. No legal implications are identified. However, it is a statutory function of Regional strategic bodies is to administer funds and fund assigned colleges.

12. Financial Implications

12.1. Colleges face severe financial challenges, particularly in light of wage increase related cost pressures. Whilst, the overall teaching grant allocation contains an uplift in recognition of these, further resources are required to fully meet commitments made as part of national bargaining.

12.2. The region's financial position is reported to each meeting of the Performance and Resources Committee, and this includes assigned college financial monitoring and forecasting reports.

13. Regional Outcome Agreement Implications

13.1. The funding allocations considered within this paper are intended to support delivery of commitments made in the 2016/17 Glasgow Regional Outcome Agreement.

Annex 1. Funding Approaches Taken within Regional Funding Model

GCRB Funding Approach		Funding Approach Criteria			
Elements of Funding	Proposed Allocation Method	Evidence based and transparent	Responds to regional curriculum needs	Respects and values assigned college contributions	Supports continued financial sustainability
1. Gross credit funding	Mapped to planned curriculum profiles	Colleges provided data based on student record reports	Takes account of curriculum and estates plan changes	Differing price profiles for specific college roles	Differentiated average rate per Credit per college
2. Social Inclusion Funding	Combination of methods related to shares of SIMD10 learners and Credits	Uses 14/15 SIMD10 student record data	Funding allocations influenced by levels of SIMD10 participation per college		
3. Extended Learning Support Funding	Based on a proportion of Credits	Based on 16/17 Credit targets	Funding allocations based on individual college activity targets		
4. Assumed Fees	14/15 benchmarks scaled to 16/17 targets	Uses 14/15 student record data	Takes account of curriculum transfers	Differentiated levels of assumed fees per college	Allocates appropriate assumed fees per college
5. Efficiency Savings	Historical savings based on division/ proportion of Credits and new savings specific to City of Glasgow College	Uses proportionate shares of college funding allocations	Takes account of commitments made within the regional curriculum and estates plan	Differing efficiency rates for the different sized colleges	Makes a stepped transition to proportionate allocation method
6. European Social Funding	Based on average Credit delivery price	Uses main grant funding model to determine average college credit prices	Activity levels allocated to colleges in context of curriculum and estates plan	Differentiated average rate per Credit per college	Allocation based on college average Credit price
7. Capital Funding	Based on average of old and new allocation methods	Uses mix of Credit targets and historical SFC allocations	Influenced by 16/17 Credit targets	Differing capital allocations for the different sized colleges	Makes a stepped transition to new funding method
8. Student Support Funding	Proportionate to historical and planned levels of demand	Uses 15/16 data and 16/17 estimates	Takes account of curriculum transfers	Funding allocations based on individual college estimates	

Annex 2. Glasgow Region Final 2016/17 Regional Outcome Agreement Funding

Glasgow Region

Funding using historical approach

	Funding	Credits
College allocation for 2015-16 before in year changes	£77,123,694	367,761
2015-16 allocations post in year redistribution	£77,680,031	367,494
Additional changes for 2016-17	£0	1,080
2016-17 allocation before uplifts	£77,680,031	368,574
Cost pressure uplift	1.90%	0%
Change to reflect reduction in rural premium		
2016-17 allocation using historical approach	£79,155,952	368,574

Funding using simplified approach

	Funding	Credits
2016-17 activity target		368,574
Regional credit price	£239.64	
Gross credit funding	£88,326,836	
Assumed fees from other sources	£16,419,263	
SFC credit funding	£71,907,573	
Deprived postcode premium	£2,273,660	
Rural premium	£0	
Extended Learning Support premium	£9,280,742	
Historic efficiencies	-£3,520,920	
Additional 1% for small rural colleges	£0	
2016-17 SFC funding before historic efficiencies	£79,941,055	

Transition from historical to simplified funding

	Funding	Credits
Difference between historical and simplified funding	-£785,103	
Uplift to move towards simplified funding (up to 0.5%)	£392,284	
2016-17 funding adjusted for simplified funding	£79,548,236	

A comparison with 2015-16 funding

	Funding	Credits
Original 2015-16 funding	£77,123,694	367,761
2016-17 funding adjusted for simplified funding	£79,548,236	368,574
Difference in funding	£2,424,541	813
Change from 2015-16	3.1%	0.2%

Annex 3. Implementation of Regional Funding Model

A) Approach to Main Teaching Grant Funding

The funding method developed by the colleges and GCRB aligns funding to the type of curriculum being delivered by the college through the use of price band activity profiles. This is particularly important to the Glasgow region where significant changes are being made to both the regional and individual college curriculum profiles as the curriculum is aligned more closely to economic and social needs.

As part of regional discussions regarding curriculum change and funding levels, colleges provided curriculum price band data relating to both their in-year 2015/16 curriculum profiles and estimated plans for 2016/17. To ensure regional coherence of these individual college curriculum plans, the college data was simplified and aligned to curriculum shifts as specified within the regional Curriculum and Estates plan.

The table below shows the curriculum profiles being used to underpin the individual 2016/17 college funding allocations, alongside a gross credit funding price for each college, and a scaling of this linked to the teaching grant made available to the region.

	Glasgow Region	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College
Price group 1	69,200	45,300	18,400	5,500
Price group 2	169,800	65,000	66,200	38,600
Price group 3	105,800	59,000	23,300	23,500
Price group 4	2,000		2,000	
Price group 5	38,500	6,000	18,000	14,500
Total Credit activity target (incl. ESF)	385,300	175,300	127,900	82,100
Total Credit activity target (not incl. ESF)	367,494	167,231	121,961	78,302

total cost of delivering credits (incl. ESF)	£91,657,962	£39,965,350	£30,980,878	£20,711,734
ESF Teaching Grant	£4,143,432	£1,822,525	£1,368,784	£952,123
Total value of credits (not incl. ESF)	£87,514,530	£38,142,825	£29,612,094	£19,759,611
Credit Value scaled to funding	£86,754,121	£37,827,143	£29,323,354	£19,603,625

B) Approach to Additional Funding for Social Inclusion and Extended Learning Support

The SFC allocates additional funding nationally for activity which supports social inclusion and for the provision of extended learning support services.

Additional funding for social inclusion is allocated nationally on the basis of regional Scottish Index of Multiple Deprivation (SIMD) statistics. As the assigned colleges do not have discrete geographic catchment areas, a method using an average of assigned college shares of SIMD 10% students and Credits was used. The table overleaf shows illustrates this approach.

	Glasgow Region	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College
Social Inclusion premium (2014-15 share of students scaled to 2016-17 targets)	£2,273,660	£811,549	£747,177	£714,935
Social Inclusion premium (2014-15 share of Credits scaled to 2016-17 targets)	£2,273,660	£627,509	£559,146	£1,087,006
Average of two methods	£2,273,660	£719,529	£653,161	£900,970

As extended learning support could potentially be accessed by any learners, the funding for this was allocated as a proportion of gross grant (equivalent approach to that used by SFC in calculating Glasgow region total ELS grant). This provides the colleges with the following additional ELS funding:

	Glasgow Region	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College
Extended Learning Support Grant	£9,280,742	£4,045,622	£3,140,089	£2,095,031

C) Approach to Assumed Fees

In determining funding levels of the colleges, account had to be taken of the fees colleges will collect from other sources (such as those provided by the Student Awards Agency for Scotland (SAAS) for Higher Education study fees). The SFC calculates this based on 2014/15 student records data scaled to 2016/17 credit targets and this same method was used to allocate assigned college funds as set out below.

	Glasgow Region	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College
2014/15 Notional fees	£26,673,733	£11,155,081	£8,974,360	£6,544,292
2014/15 Capped fee waiver	£10,063,181	£3,205,888	£4,343,898	£2,513,394
2014/15 Total fees from other sources	£16,610,552	£7,949,192	£4,630,462	£4,030,898
Total fees scaled to 16/17 target	£16,326,963	£8,761,852	£4,285,089	£3,280,022

D) Approach to Historical Efficiency Savings

In 2012/13, the Scottish Funding Council required colleges to deliver additional activity for no funding to increase the efficiency of the sector. For the Glasgow region, this amounted to activity of the value of £1,012,500 (at the time 6,000 WSUMs).

Over the last 3 academic years the 2012/13 savings have been allocated on the basis of specific college shares agreed in 2012/13. However, recognising that all three Glasgow Colleges have now implemented their mergers, it is proposed that these efficiency savings move towards proportionate shares based on credit volumes as is the case for the 2013/14 savings. However, to smooth the transition, it is suggested that an average of the two methods is used for 2016/17 as set out below.

	Glasgow Region	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College
2012-13 efficiencies (as per 12/13 agreed shares)	£1,012,500	£662,850	£200,813	£148,838

2012-13 efficiencies (as per share of grant)	£1,012,500	£417,817	£356,079	£238,604
Total 2012-13 efficiencies (average of 2 methods)	£1,012,500	£540,334	£278,446	£193,721

Further efficiency savings were made by the SFC in 2013/14 through the allocation of activity funded at a lower value rate based on proportionate activity levels. This has therefore been allocated on a share of grant basis as set out overleaf.

	Glasgow Region	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College
2013/14 efficiencies (as per share of grant)	£2,299,945	£949,093	£808,851	£542,000

E) Summary of Final Main Teaching Grant Allocations

The table below sets out final Credit funding allocations based on the above calculations and with the implementation of the additional 0.9% uplift made by the SFC in July for sector cost pressures.

	Glasgow Region	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College
Credit value scaled to funding	£86,754,122	£37,827,143	£29,323,354	£19,603,625
Social Inclusion Premium	£2,273,660	£719,529	£653,161	£900,970
ELS grant	£9,280,742	£4,045,622	£3,140,089	£2,095,031
Total assumed fees	-£16,326,963	-£8,761,852	-£4,285,089	-£3,280,022
Total efficiency savings	-£3,312,445	-£1,489,427	-£1,087,297	-£735,721
Main teaching grant	£78,669,114	£32,341,014	£27,744,218	£18,583,883
0.9% uplift for cost pressures	£699,120	£287,410	£246,559	£165,152
Final main teaching grant	£79,368,234	£32,628,423	£27,990,776	£18,749,035

Comparison to 2015-16 actual amounts	£76,898,694	£29,697,025	£27,816,867	£19,384,802
% change in teaching grant	2.3%	8.9%	-0.3%	-4.1%