

Audit Committee Meeting

Date of Meeting	Monday 28 January 2019
Paper Title	Scottish Draft Budget 2019-20
Agenda Item	17
Paper Number	BM2-V
Responsible Officer	Jim Godfrey, Finance & Resources Director
Status	Disclosable
Action	For information

1. Report Purpose

- 1.1. To provide a summary of the draft budget for 2019-20.

2. Recommendations

- 2.1. The Board is invited to note the Scottish draft budget for 2019-20.

3. Report

- 3.1. The Scottish Government published its draft budget on 12 December 2018. The budget requires approval by the Scottish Parliament which is anticipated at the end of February 2019.
- 3.2. Following publication of the draft budget, Colleges Scotland produced an analysis of the budget announcement. A copy of this analysis is provided as an annex to this report.
- 3.3. The indicative funding allocations (for the college sector) is also expected to be published by SFC towards the end of February. Following receipt of the indicative allocation, a report will be provided to the next meeting of the Performance and Resources Committee on Thursday 14 March. The report will provide an analysis of the indicative allocation to the Glasgow college region and make proposals in respect of the allocation to the assigned colleges.

4. Risk Analysis

- 4.1. The college sector relies heavily on the funding it receives from the Scottish Government. The draft budget announced by the Scottish Government indicates a difficult financial position for the sector in 2019-20. The level of grant funding provided will be reflected in the long-term financial plans, and financial sustainability, of institutions.

5. Equalities Implications

- 5.1. There are no equalities implications arising from this report.

6. Legal Implications

6.1. There are no legal implications arising from this report.

7. Financial Implications

7.1. The financial implications are summarised in the annex to this report.

8. Strategic Plan Implications

8.1. The level of financial resources available has a direct bearing on the ability of region to meet the ambitions of the Regional Outcome Agreement and Strategic Plan.

Scottish Draft Budget 2019/20 Analysis

The Scottish Government published its [Draft Budget 2019/20](#) and [media statement](#) on Wednesday, 12 December 2018. The budget will not become final until it has gone through the Scottish Parliament's legislative process, which is likely to be concluded by February 2019. The Draft Budget only covers one year, so there will be another spending review in 2019.

Government Spending on Colleges

The key headlines in the 2019/20 Draft Budget in relation to the college sector are:

- The Scottish Government has **increased** current levels of **revenue funding** for the college sector by 3.1% in cash terms (1.3% in real terms), with the Draft Budget for 2019/20 confirmed as **£606.5m**. This represents an **additional £18.3m** against the Draft Budget for 2017/18. However, the full £18.3m is for funding National Bargaining. The revenue funding has not been adjusted for inflation, therefore this equates to a real terms reduction in funding to cover day-to-day operational costs.
- The Scottish Government has **reduced** current levels of **capital funding** for the college sector with the Draft Budget for 2019/20 confirmed as **£47.6m**. This represents a **reduction of £29.1m** against the draft budget for 2018/19. It should be noted that £22m of this capital funding is for the Forth Valley College campus build. Therefore, there is a capital budget of **£25.6m** available for backlog maintenance and lifecycle costs.

Below is the high-level breakdown of spending for the college sector in relation to the Scottish Funding Council (SFC):

	2018/19 £m	Draft Budget 2019/20 £m
College Operational Expenditure	778.2	796.5
College Operational Income	(190.0)	(190.0)
Net College Resource	588.2	606.5
College NPD Expenditure	29.3	29.3
College Capital Expenditure	78.7	49.6
College Capital Receipts	(2.0)	(2.0)
Net College Capital	76.7	47.6

The Scottish Government has stated that its top priorities are to raise attainment and close the attainment gap; promote health and wellbeing; and improve skills and employability for all citizens.

Key points to note in the Draft Budget include:

- Maintain at least 116,000 full-time equivalent college places.
- Focus on enabling equal access to learning and skills opportunities.
- Substantial expansion of early learning and childcare (entitlement to increase to 1,140 hours from August 2020) and investing in additional capacity in relevant courses in Scotland's colleges and universities and in apprenticeships to expand the workforce.
- Continue to take forward actions through the Science, Technology, Engineering and Mathematics (STEM) education and training strategy and strengthen partnerships between schools, college, universities, science centres, and employees.

- Supporting the internationalisation of colleges and universities including access for Scottish students to take part in international exchanges and to attract talented students to study in Scotland.
- SFC to ensure that provision in colleges and universities supports employability and productivity in line with the vision set out in the Enterprise and Skills Strategic Plan and Economic Action Plan.
- SFC to enable learners to move through education into fair work through continuous improvement in learner outcomes; and progressing the ambitions of Developing the Young Workforce and the Learner Journey review.
- SFC to deliver key commitments in the STEM Education and Training Strategy to ensure further and higher education provision meets the needs of employers.
- SFC to work with colleges to develop initiatives that will work towards reducing child poverty rates.
- SFC to champion diversity at all levels, from course choices to the make up of senior staff and boards.
- SFC to continue funding to support the college sector in maintaining college estates.
- Investment of £214m (an increase of £22m) in apprenticeships and skills through Skills Development Scotland to deliver on the Scottish Government's commitment to the expansion of apprenticeships to 30,000 starts by 2020.
- Maximise the collective capacity of the skills system, in line with the skills alignment workstream of the Enterprise and Skills Board.
- Continue to develop a new Careers Information and Advice and Guidance Strategy, to be published in Autumn 2019.
- Commitment to the continued availability of the Education Maintenance Allowance.
- Ensure the poorest higher education students receive increased bursary support.

Colleges Scotland will continue to work to influence the final Budget for 2019/20 between now and when the Budget Bill is finalised, expected during February 2019.

Lines to Take

A copy of Colleges Scotland's media statement is outlined below. We ask that members take a similar stance when communicating externally.



Wednesday, 12 December 2018

Comment on the Draft Scottish Budget 2019-20

Commenting on the Draft Scottish Budget announced today (Wednesday), Shona Struthers, Chief Executive of Colleges Scotland, said:

“There are elements of the Scottish Government's Draft Budget that the college sector can welcome given that the revenue resource budget for colleges has increased by £18.3 million to £606.5 million – a real terms increase of 1.3%. It is good news, for example, that the financing of National Bargaining is continuing as this significant investment in lecturing and support staff is essential for colleges and there is also the continuation of the £10 million investment for the Flexible Workforce Development Fund.

“We recognise that the Scottish Parliament continues to operate within a challenging financial environment, however, the 1.3% real terms revenue increase is to cover the costs of National Bargaining and means finances shall remain tight for colleges. Colleges will have to prioritise and efficiently manage resources to continue delivering high-quality learning and teaching as well as providing people with the necessary professional, technical, and vocational skills not only for today but also for tomorrow’s workforce.

“The Scottish Government’s Draft Budget also allocates £47.6 million in capital funding for the college estate, however £22 million of this is earmarked for Forth Valley College’s Falkirk campus rebuild, leaving £25.6 million for the college estate’s essential backlog and ongoing maintenance. The college sector’s requirement for capital is well in excess of the amount allocated, so there are challenges ahead for the college estate.

“Our colleges – located across every region of Scotland – are intrinsic to the success of our country and are embedded in all our communities, which is why Colleges Scotland will continue to make the case for greater investment in the sector.”

ENDS

Colleges Scotland
December 2018