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REGIONAL BOARD REPORT

Subject: Indicative Funding and 2018-19 Budget	**Purpose:** **For Approval** ☐ **For Discussion** ☐ **For Information** ☒
Prepared by: Peter D Smith, Vice Principal – Finance and Corporate Services	**Date:** 01 March 2018

Purpose: To inform the Regional Board of the publication of indicative college funding for academic year 2018-19 and the implications for the College budget.

Introduction

On 27 February 2018, the Scottish Funding Council (SFC) announced indicative funding levels for colleges for Academic Year (AY) 2018-19. The announcement can found here: -

http://www.sfc.ac.uk/publications-statistics/announcements/announcements-2018/SFCAN062018.aspx

In allocating funding to colleges, the SFC translates its budget for a Financial Year (FY), i.e. April to March, into Academic Years, i.e. August to July. The total net college sector resource for FY 2018-19 is £588.2M Revenue and £76.7M Capital. The SFC has converted the Revenue element to a budget for AY 2018-19 of £599.9M. Because of funds available from project slippage, the total Capital budget available has increased to £82.5M.

The SFC maintains its commitment to the Scottish Government target of 116,000 full-time student places. In 2017-18, the sector Core Credit target was 1,691,618, with an additional 61,607 Credits allocated to fund increased HE Childcare provision. For 2018-19, the Childcare provision has been included as part of the core sector target of 1,693,861 Credits.

Teaching Funding

Overall, the sector allocation has increased by 9.7%. This has been effected in a number of ways: -

1. The previously unfunded element of national bargaining and pay harmonisation (NBPH) in 2017-18 has now been funded.
2. The 2018-19 impact of NBPH has been funded, in accordance with data previously supplied by individual colleges to Colleges Scotland.
3. A general uplift of 1% has been applied over 2017-18 allocations.
4. An additional £1M has been included for Rural and Remoteness Funding (RRF).
5. English for Speakers of Other Languages (ESOL) funding, which was previously a separate allocation, has now been included in core grant, albeit it a reduced level.

The impact on Borders College is an increase of £655,296 for 2017-18 and 2018-19 NBPH costs, a 1% general uplift equivalent to £75,276, additional RRF of £200,000, with £21,004 ESOL funding added to the core. This last amount represents a

reduction of around £10k on 2017-18 ESOL funding. Our Core Credit target of 24,682 Credits is expected to include delivery of 1200 HE Childcare Credits.

Due the re-allocation of European Social Fund (ESF)–funded Credits across the sector, our allocation has reduced to 478 Credits from 574 Credits in 2017-18, with attached Teaching and Fee Waiver Funding of £134,524.

This gives a total for Teaching and Fee Waiver funding for Borders College of £8,574,079 to deliver 25,160 Credits, an increase of approximately 11.7%.

Student Support Funding

Total student support funding for the sector has been given an inflationary uplift of 1.5% and the revised total now stands at £111,041,450. This total has been pro-rated across colleges in accordance with their final 2016-17 allocation after the annual in-year distribution. This leaves Borders College with a total allocation of £1,668,143. This is a significant reduction of £318,372 from the 2017-18 allocation of £1,986,515. While we expect to underspend in 2017-18 by around £300,000, the reduced allocation will impact on our plans to utilise this funding for essential technology for personal use by students.

Capital Funding

Of the £82.5M Capital funding noted above, £43.1M has been allocated by SFC for specific projects, leaving £39.4M to be allocated for college estates' capital/maintenance funding. While this represents an increase of £18.6M over the 2017-18 allocations, £26.9M has been targeted to colleges with very high priority backlog maintenance, as identified in the 2017 condition survey, leaving only £12.5M for general lifecycle costs. The total allocated to Borders College is £261,126, including £76,494 high priority element, some £44k lower than in 2017-18. A particular issue for the College is that, historically we were able to use this funding to meet our annual contribution to the Campus Lifecycle Fund (£120k), along with releasing cash to allow for minor capital purchases and projects.

Flexible Workforce Development Fund (FWDF)

This is set to continue at the same level as in 2017-18. In 2017-18, the College allocation was £112k and we expect to utilise all of this.

Initial Budget Implications

While the increase to Teaching Funding is welcomed, as noted above, the increase includes £655, 296 to support NBPA costs. This total was built up as follows: -

Unfunded 2017-18 element	£26,548
Unpromoted lecturer pay increases	£203,995
Promoted lecturer pay increase	£19,723
Changes to Annual Leave	£4,890
Changes to Unpromoted Weekly Contact Hours	£150,790
Changes to Promoted Weekly Contact Hours	£21,485
Additional TQFE costs	£12,431
Additional payment to achieve conditions	£5,965
Support Staff Job Evaluation	£198,058
Middle Management Job Evaluation	£11,411
Total	**£655,296**

Board will recall, as part of the 2017-18 budget process, the College submitted to SFC a Financial Forecast Return (FFR) showing that implementing the full effects of NBPH would see us post an operating deficit of £106k in 2017-18, increasing by £659k to £765k in 2018-19. Board will also be aware that we now expect to post an operating deficit of only £69k in 2017-18, allowing us to balance our SFC Resource allocation. Further, Board will recall discussions around detailed implementation of the NBPH costs which may allow some flexibility to us.

Our starting point for the 2018-19 Budget and future financial forecasts is therefore a 2017-18 operating deficit of £69k. Notwithstanding the need to close the gap created by the reduction in capital maintenance funding and, all other things being equal, initial indications are that the allocation for NBPH, together with the increase to RRF will allow us to achieve a balanced budget position. This does not, however, make any allowance for cost-of-living pay awards which are currently being negotiated for both lecturing and support staff groups. The College also has a pressing need to continue to improve its management information systems and no cost for this is yet factored in.

In terms of Capital/Maintenance funding, as in previous years our initial priorities will be to continue with the replacement cycle for our minibuses (£27k), ATVs (£6k), and to provide a budget for ISLT hardware (£100k), with the remainder allocated against revenue items, in the main our contribution to the sinking fund.

Future Years

Looking forward to 2019-20 and beyond, the increasing NBPH costs continue as the main threat to College sustainability; however, if SFC/Colleges Scotland are able to negotiate funding to meet this as they did this year, then we should be able to maintain a balanced position, with efficiencies being used to fund innovation in our curriculum and business model.

Conclusion

The funding announcement sees a significant increase in cash terms for the College, albeit most of this will be utilised to fund NBPH costs. The reduction in student support funds will cause us significant difficulty in funding technology to support learning.

No growth in student activity has been targeted at the Borders College Region. This means that, in order to meet the aspirations of the College, our students and stakeholders, we must continue to press for growth as part of the Outcome Agreement process. This is scheduled to be concluded in early May, along with final funding allocations.

At this time, I expect to be able to bring a balanced 2018-19 Budget and financial forecast to Board in June 2018.

Recommendation: Paper is for information at this time.

Previous Committee Approvals: n/a

For publication ☐	**For publication with redactions** ☐	**Not for publication** ☒