

Board Meeting

Date of Meeting	Monday 29 January 2024
Paper Title	Budget and Finance Update
Agenda Item	11
Paper Number	BM2-G
Responsible Officer	Martin Boyle, Executive Director/Jim Godfrey, Finance Director
Status	Disclosable
Action	For noting

1. Executive Summary

- 1.1** The Scottish Government's Draft Budget¹ was presented to Parliament on 19 December, laying out the initial expectations for the Scottish college sector's budget for 2024-2025. As widely expected, the draft presents the likelihood of a challenging settlement for the sector. The draft budget provides the likelihood of a reduction in funding for the sector, and it is expected that this will translate into a reduction in funding for the region too. In addition, the Scottish Government has confirmed that there is now no funding available for the Flexible Workforce Development Fund (FWDF) for the remainder of 2023-24 and 2024-2025.
- 1.2** Following the Draft Budget publication, the Scottish Funding Council (SFC) published *Financial Sustainability of Colleges in Scotland 2020-2021 to 2025-2026*². Overall, this illustrates a deteriorating financial picture across the sector, and the SFC warning about its ability to manage cash advances and reprofile grant payments to ensure colleges have sufficient cash to manage their liabilities, as they have done in the past.
- 1.3** The Draft Budget and SFC publication, taken alongside Audit Scotland's *Scotland's Colleges 2023 briefing paper*³ (September 2023, shared with board at that time) paint the fullest and clearest picture of the significant challenges facing the sector, and are shared with board for information.
- 1.4** It is important to note that at this stage the Budget remains in draft form, we have no indication of final allocation, Credit allocation or any other guidance. It is anticipated that this will be addressed more fully in March-April 2024.

2. Recommendations

- 2.1** Board is invited to **note** the current position of national and regional finances in anticipation of allocation decisions in coming months.

¹ <https://www.gov.scot/budget/>

² <https://www.sfc.ac.uk/nmsruntime/saveasdialog.aspx?IID=24800&SID=9380>

³ https://www.audit-scotland.gov.uk/uploads/docs/report/2023/briefing_230907_colleges_2023.pdf

3. Background

3.1 The recent cycle of information from Scottish Government, SFC and Audit Scotland provided a clear and unambiguous overview of the expected funding position for 2024-2025. The Audit Scotland and SFC reports also provide a clear insight into the risks facing the sector, so are a particularly useful and accurate formal overview of the current position and expected settlement issues.

4. Report

4.1 The Draft Budget provides an indication that there will be a reduction in revenue funding for the college sector, with the 2024/25 budget provisionally confirmed as £643.0m. This represents a reduction of £58.7m against the Budget for 2023/24 of £701.7m, equivalent to 8.4%.

4.2 However, it is important to note that the college sector did not receive the £26m allocated for Sector Transformation in the 2023/24 Budget, nor was the use or allocation of this £26m confirmed or formally allocated. This amount was included in the initial £701.7m announced as part of last year's Draft Budget.

4.3 The college sector is therefore in line to receive a £32.7m reduction in Revenue Funding in 2024/25. This is equivalent to a 4.7% reduction.

4.4 Alongside this, the Scottish Government has increased current levels of capital funding for the college sector with the Draft Budget for 2024/25 provisionally confirmed as £84.9m. This represents an increase of £2.5m, or equivalent to 3.0%, against the Budget for 2023/24.

4.5 Additional key points to note from the Draft Budget include:

- Reduced investment in SFC, from £2.01bn in 2023/24 to £1.9bn in 2024/25. SFC has seen a reduction in administration costs from £7.8m in 2023/24 to £7.6m in 2024/25.
- Investment of £202.5m in Skills Development Scotland (SDS) for 2024/25, representing a further reduction in the overall SDS budget, having seen a reduction from £217.1m to £206.6m between the 2022/23 and 2023/24 Budgets.
- Scottish Government "to provide opportunities for people to learn and develop their skills through further and higher education and apprenticeships".
- Scottish Government to provide "vital financial support to students to support them in completing their studies in the face of significant cost of living pressures".
- Scottish Government "taking action to support our colleges, universities and skills system with over £2.4 billion of investment, including protecting free tuition and driving forward our commitment to Widening Access"
- Students Award Agency for Scotland (SAAS) Operating Costs have seen reduction, from £13.0m in 2023/24 to £11.2m for 2024/25.

- 4.6** Colleges Scotland is currently leading a unified sector response, engaging with Scottish Government and SFC, while GCRB will continue to also liaise directly as is standard practice to share Glasgow-specific elements.
- 4.7** National discussion is currently focused around:
- Cash flow for colleges to safeguard operation
 - Impact to end of current academic year
 - Progression of the sector reform agenda which has been under consideration for some time
 - Impact of discussion regarding three-year pay deal

Conclusion

- 4.8** This paper is intended to provide as clear a picture as possible of the current position regarding future finances in the sector, from which implications for Glasgow may be drawn.
- 4.9** It is, however, important to note that this does not constitute a final, approved budget settlement, nor does it provide any clarity on Credit or financial allocations to individual colleges. The final budget settlement and associated Credit guidance is expected in March/April 2024, at which point all information will be shared in full with board and the formal allocation process continued.

Future Actions

- 4.10** With a broadly accepted reduction of circa 4.7%, it is to be expected that Glasgow's reduction will be very close to this level. In the first instance, this is around the level that pre-Budget discussions had expected, and individual Glasgow colleges are all mid-way in the delivery of approved voluntary severance schemes to respond to funding challenges. These schemes are approved to 2025, and are seen as a specific way to allow colleges to continue to seek to address funding challenges.
- 4.11** On that basis, there may be minimal additional saving opportunities afforded in year. Colleges have already made a wide range of institution-specific reductions in cost via voluntary severance, restructuring, and a range of other initiatives.
- 4.12** However, it is likely that this funding trajectory will continue for some time, and GCRB and the assigned colleges may wish to consider initiating projects which consider regional initiatives and innovations for the mid-long term to lay foundations for future challenges. These may include scoping in areas such as: estates; digital; curriculum. While it is acknowledged that there is no assurance of saving via changes, it may be of value to the region to identify the high-level areas where feasibility studies and exploratory partnership work could explore opportunities for future-year opportunities.

5. Risk and Compliance Analysis

5.1 There is a significant risk to the regional college system via pressure on college sector funding allocations. It is therefore important for GCRB and the Glasgow colleges to monitor, and to collate a coherent full picture of planned response.

6. Financial and Resource Analysis

6.1 The Draft Budget represents a financial and resource risk to the Glasgow college system, and as such requires to be monitored and managed carefully and effectively.

7. Equalities Implications

7.1 The potential for risk to provision brings with it associated risk to equalities via impact on particular student demographics, and as such requires to be planned and monitored.

8. Learner Implications

8.1 A reduction in funding has on-going implications for delivery to learners across the Glasgow college system.