



# SFC Announcement

## Outcome Agreements for universities – indicative funding decisions for AY 2015-16

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Summary: To provide universities with the Scottish Funding Council's initial decisions on funding Outcome Agreements for academic year 2015-16.

FAO: Principals and directors of Scotland's universities

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## **Outcome agreements for universities – indicative funding decisions for AY 2015-16**

### **Purpose**

1. I am writing to provide you with the Scottish Funding Council's (SFC) initial decisions on funding Outcome Agreements for academic year (AY) 2015-16. The figures are indicative only and cannot be finalised until the budget bill has been agreed by the Scottish Parliament and we have finalised and agreed your Outcome Agreement, which we expect to be in April. The purpose of providing these indicative figures is to help you plan your provision and for us to move towards your finalised Outcome Agreement for AY 2015-16.
2. The decisions on funding are in line with the former Cabinet Secretary's Letter of Guidance of [31 July 2014](#) and letter of advice on the 2015-16 Budget of 20 November 2014 (attached). They support SFC's strategy, in particular the extent to which the achievements in the emerging draft Outcome Agreements meet the national aspirations identified by SFC. They have also been guided by negotiations on Outcome Agreements including consideration of performance against the AY 2013-14 and AY 2014-15 Outcome Agreements where that is likely to affect the amount or type of funding we should allocate for AY 2015-16.

### **Overall available funds for the university sector**

3. In the letter of guidance of 31 July, the former Cabinet Secretary reiterated the Scottish Government's high-level strategic objectives:
  - High-quality effective learning
  - Access to education for people from the widest range of backgrounds
  - Learning which prepares people well for the world of work and successful long-term careers, and in doing so supports our ambitions for economic growth
  - Internationally competitive and impactful research
  - Effective knowledge exchange and innovation including excellent university/industry collaboration
4. The guidance letter also highlighted the *“significant impact on the economy and on the prosperity and well-being of Scotland's people. In the coming year I would like to see further efforts to support access to learning, research and*

*innovation.*” We will continue to use our funding through the outcome agreement process to demonstrate what universities deliver in return for public investment.

5. For AY 2015-16 we will allocate around £1,041 million. The former Cabinet Secretary’s advice on the 2015-16 budget, which was set-out in the letter to the Council on 20 November, asked the Council to make firm spending plans on the basis of £1,041 million for HE resource in financial year 2015-16. We have used this to set an indicative AY budget for 2015-16 as we do not have any information on the Scottish Government plans for the financial years beyond 2015-16. The figure excludes capital (see paragraph 33) and Scottish Government ring-fenced funds for controlled subjects (see paragraph 23).

### **Additional ring-fenced funding**

6. Details of any additional funded places provided by ring-fenced funding from the Scottish Government will be provided in April. This should include Nursing and Midwifery provision, as well as changes to any additional funded places in other controlled subjects.

### **Teaching funds**

7. For teaching funding we have made no adjustment to the prices of our teaching price groups for AY 2015-16, these remain at the same level as last year. This is in line with the Scottish Government advice to *‘maintain the unit of resource for teaching in cash terms’*. Our prices include an assumed level of tuition fees for eligible home – Scottish/EU - undergraduate students, which is paid for by the Students Awards Agency for Scotland (SAAS). Our assumption is that the tuition fees will remain at £1,820. This figure will be confirmed with SAAS in the early part of 2015.

### **Additional funded places**

8. In AY 2013-14 we introduced four new investment schemes providing institutions with additional funded places to widen access, increase articulation from college, and support key sectors of the economy with additional undergraduate and taught postgraduate places. We also continued previous investments that included increasing provision in STEM subjects and at the University of the Highlands and Islands.
9. Given the strategic importance of these schemes, the intention is that the places for undergraduate provision will build up over four years and as such we have added additional places for AY 2015-16. Only places that were filled in AY 2013-14 and AY 2014-15 will be rolled forward to AY 2015-16. We have moved places from the widening access scheme (SIMD 40) to articulation as detailed in paragraph 10.

### ***Widening access***

10. In AY 2014-15 we initially allocated a further 730 funded places for widening access. However, depending on their enrolments, the Royal Conservatoire of Scotland (RCS) and the University of St Andrews were able to receive further places. It is projected RCS will receive an additional four places and St Andrews an additional nine places, taking the total allocation up to 743 places. The take-up across the sector continues to be good with almost all universities either meeting or exceeding their allocated numbers. The University of Glasgow had the largest number of additional places to fill at 200 FTEs and filled 138 of these places. We have agreed with the University that for 2015-16, they will receive funding for 150 places. Places being re-distributed will be used to support an increase in places for articulation as indicated in paragraph 13. Our reallocation of places helps ensure that all the additional places for 2015-16 are filled and are in line with universities' plans for widening access places.
11. For universities in receipt of widening access places, we will embed the additional places filled in 2014-15 into the core teaching funding, and we will allocate an additional 680 funded places for widening access for AY 2015-16, subject to continued delivery.
12. In AY 2014-15 we allocated 1,089 additional funded places for 1 + 3 and 2 + 2 articulation schemes with colleges. Of these places, 1,078 were filled and these will be embedded into core teaching funding allocations for AY 2015-16, subject to continued delivery.
13. As indicated in paragraph 10, we will re-allocate widening access places from the University of Glasgow for articulation places at the University of Strathclyde and Glasgow School of Art. This will take the total of additional articulation places for AY 2015-16 to 1,118 FTEs.
14. We are reviewing regional coherence funding, with the intention of implementing any changes in AY 2016-17.

### ***Skills: undergraduate and taught postgraduate***

15. In AY 2014-15 we allocated 342 additional undergraduate funded places for skills, 340 of these places were filled. We intend embedding all of these places and allocating a further 342 undergraduate places for AY 2015-16. In addition we are providing seven additional music places for RCS to enable it to enhance the range and depth of the ensemble experience it is able to offer students. This will bring the total of additional undergraduate skills places to 349 FTEs.
16. We also allocated 852 taught postgraduate funded places for skills in AY 2014-15, 714 of these additional places were filled. In some cases there are plans to fill these places from AY 2015-16. We have no plans to increase the

number of postgraduate skills places for AY 2015-16, however, we may look at some redistribution if that is necessary. The numbers will be confirmed along with the final Outcome Agreement funding in April.

17. In AY 2014-15 we allocated 105 taught postgraduate places for Innovation Centres. We intend to allocate a further 110 places in AY 2015-16. This would result in a total of 215 FTE taught postgraduate places which are fully funded as part of our overall investment in the Innovation Centres.

### ***Additional places schemes introduced in 2012-13***

18. We are proposing to continue the additional places schemes we introduced in AY 2012-13 (STEM, UHI, Crichton, Community Education, British Sign Language and Regional Coherence). This will be the fourth year for most of these additional places. We continue to monitor the success of these places and are allocating these additional places in line with our original plans. An additional 1,027 undergraduate places are being allocated for AY 2015-16.

### ***Additional places for 2015-16***

19. We therefore intend to allocate a total of 3,284 additional places in AY 2015-16 at cost of around £18 million. A summary is provided below and the institutional details are provided in Tables 3 and 4.

<b>Additional places for AY 2015-16</b>	<b>FTEs</b>
Widening access	680
Articulation	1,118
Undergraduate skills	349
STEM, UHI (and other from 2012-13)	1,027
Innovation Centres	110
<b>Total</b>	<b>3,284</b>

### **Small specialist institutions and regional coherence**

20. We continue to support our small specialist institutions and will provide a Small Specialist Institutions (SSI) grant at the same level as in AY 2014-15 to Glasgow School of Art and SRUC. RCS will receive an additional SSI grant for AY 2015-16 for their additional funded places.

### **Transfer to SAAS**

21. As tuition fees are paid to universities for eligible students from SAAS, we will transfer resource to SAAS to cover the cost of our additional places for widening access, articulation and skills. The cost of the transfer and fee

compensation is £14.2 million. In addition, SAAS now administers the part-time Fee Waiver Scheme, previously administered by SFC. We have budgeted in total £20 million for the SAAS transfer.

### **Rest of UK funded places**

22. We have continued to reduce funded places as originally planned, to phase out funded places for rest of UK (RUK) students. We are removing 3,835 places for RUK in AY 2015-16, which is the fourth year of this reduction. We are planning to remove about 309 places in AY 2016-17 which will be the last year of phasing out these places. The saving for AY 2015-16 is £21.6 million, but we continue to provide compensation for strategically important subjects and price validation at a cost of £15.7 million.

### **Controlled provision and additional SG ring-fenced places**

23. We are currently liaising with individual departments of the Scottish Government and we hope to have information relating to intakes and funded places for Medicine, Dentistry and Teacher Education by mid-February. We intend to issue intakes and funded places as soon as possible and these will be confirmed in April with the final Outcome Agreements. Information on Medical and Dental intakes are provided below.
24. For medical undergraduates we have been advised that the intake will be the same as last year, 784 places. In the intake guidance we received, we were advised that medical schools will be asked to bring international numbers back within the SFC target of 7.5% of the overall annual intake, which would be an additional 64 places. Ministers have been concerned that the total intake of international students in 2014 was significantly in excess of this. Through the outcome agreement process we will work with universities to bring international students in line with the revised target.
25. For dental undergraduate students the intake numbers are being maintained at 2014-15 levels. That is, 135 places across the Scottish Dental Schools.
26. We are currently in discussion with the Health Directorate in relation to intakes and funded places for 2015-16 for Nursing and Midwifery. The funds for these places are ring-fenced by Scottish Government and we will announce these as soon as possible and confirm the places and funding in the final Outcome Agreements in April. We are continuing with plans to make all Nursing and Midwifery pre-registration education a controlled subject.

### **Research and knowledge exchange**

27. We intend to increase the budget for the Research Excellence Grant and the Research Postgraduate Grant by 0.5%. This is in line with the Cabinet

Secretary's guidance of *"slight cash uplift in the unit of resource for research"*.

28. The results of the Research Excellence Framework (REF) were published on 18 December 2014. We are consulting with the sector on how we apply the results of the REF to funding through the Research Excellence Grant.
29. In both AY 2013-14 and AY 2014-15, additional funding was embedded into the Research Excellence Grant for the Global Excellence Initiative to provide a time-limited injection of funding in support of world-leading research. £13.9 million was embedded for the Global Excellence Initiative in 2013-14 and a further £14.0 million in 2014-15. In the light of the Cabinet Secretary's letter of advice to the Council on 20th November, we are suspending support for the Global Excellence Initiative. It is our intention that, if funds become available to SFC during the course of the year, these will be used for supporting research informed by the REF 2014 results.
30. We have therefore set aside a budget for research and knowledge exchange (Research Excellence Grant, Research Postgraduate Grant and Knowledge Transfer Grant) of £282 million. We are not at this point providing the institutional breakdown of this budget until we have decided on the most effective way of applying the REF results. We expect to announce the breakdown of funds in April along with the final Outcome Agreements and following the conclusion of the consultation process, which is due to be completed in February.

### **Strategic funds**

31. We have budgeted for all our on-going strategic fund commitments. These funds are fully committed for our continuing support for Innovation Centres and research pools, as well as specific projects and our support for sector-wide agencies and services. Our priority is to use strategic funds to meet existing commitments and where we can lever in additional support, for example European Structural Funds and Department for Business, Innovation and Skills (DBIS) research capital funds. Given the pressure on our strategic funds in AY 2015-16, we are limited in our capacity to develop and invest in any new proposals from the sector. However, we closely monitor these funds and the timing of projects so some funding could be available in future years.

### **Review of teaching prices and validation**

32. In AY 2012-13 we introduced new teaching funding price groups and a validation process. The validation process was to avoid large swings in funding for a transition period. We said we would review this after three years. The validation process includes a tolerance of +/-5%, so we only adjust funding for universities outwith the tolerance band. We have reviewed the model and consulted with the sector. We will reduce the tolerance level to +/-4% in AY

2015-16 then to +/-2% in AY 2016-17, with the intention of moving to 'prices' in AY 2017-18.

### **Capital Funding**

33. We intend to allocate £21 million of capital funding to universities. Of this, £5 million is ring-fenced for specific research and development investment. We are budgeting £11 million match funding for DBIS research capital and £5 million for capital maintenance. Other infrastructure commitments, e.g. loan support, is being budgeted for within strategic funds. Capital funding must be used for estates build/maintenance and debt servicing associated with capital developments.
34. We are beginning to work with the sector to develop a ten-year investment strategy for infrastructure.

### **Funded places and indicative numbers (for consolidation)**

35. The Scottish Government's consolidation policy limits the number of full-time Scottish and EU undergraduate students. As in previous years, institutions should not exceed their indicative numbers for non-controlled subjects by more than 10%. We have revised the indicative number for each institution to reflect the increased number of funded places allocated for AY 2015-16 and whether places were filled in 2014-15.
36. We wrote to institutions asking for expressions of interest in a pilot scheme to increase consolidation limits, where this could be directly linked to their plans to increase widening access, or support specific skills areas such as ICT. Three institutions asked to take part in this scheme – Queen Margaret University, Heriot-Watt University and Robert Gordon University. We have not adjusted their indicative numbers, but will allow them to recruit a small number of places beyond the tolerance level of 10% where this meets the strategic objectives of the pilot scheme which is additional widening access or ICT places. This will be in place for two years, the current AY 2014-15 and AY 2015-16.

### **Funding tables and attachments**

37. We have attached the following tables and letter of advice:
  - Table 1 – University sector - overall budget for AY 2015-16
  - Table 2 – Indicative teaching grant for AY 2015-16
  - Table 3 – Funded places for AY 2015-16 before additional places for access and skills
  - Table 4 – Funded places for AY 2015-16
  - Table 5 – Indicative student numbers for non-controlled subject areas for AY 2015-16

- Cabinet Secretary letter of advice - 20th November 2014

### **Further information**

38. We will provide further information on funding for AY 2015-16, including technical guidance, when we finalise Outcome Agreement funding for AY 2015-16 in April.
39. Please contact Martin Smith, Deputy Director, Funding Policy for further information, tel: 0131 313 6528, email: [msmith@sfc.ac.uk](mailto:msmith@sfc.ac.uk) or Kelly Parry, Funding Policy Officer, tel: 0131 313 6547, email: [kparry@sfc.ac.uk](mailto:kparry@sfc.ac.uk).

A handwritten signature in dark ink that reads "Laurence Howells". The signature is written in a cursive, slightly slanted style.

**Laurence Howells**  
Chief Executive