

Annex D

Outcome agreement funding - conditions of grant

1. Grant funding is provided to allow universities / regional strategic bodies to deliver their outcome agreements under the terms of section 5 of the Further and Higher Education (Scotland) Act 2005.
2. Governing bodies and their designated officers must comply with the terms of the Financial Memorandum (FM) between the SFC and universities: [www.sfc.ac.uk/web/FILES/Guidance_Governance/Financial_Memorandum_with_higher_education_institutions - 1 December 2014.pdf](http://www.sfc.ac.uk/web/FILES/Guidance_Governance/Financial_Memorandum_with_higher_education_institutions_-_1_December_2014.pdf).
3. Universities must have regard to public sector pay policy set by Scottish Ministers.
4. Universities / regional strategic bodies are required to comply with any principles of governance which appear to SFC to constitute good practice in relation to such bodies. Regional strategic bodies receiving grant funding from SFC are required, when making payments to any institution assigned to it, to impose this condition on the institution.
5. All funded provision must be of satisfactory quality, in line with SFC guidance.
6. If the Scottish Government revises its grant funding to the SFC, we reserve the right to make in-year adjustments to universities. In this case, SFC would renegotiate the terms of its outcome agreement with the university.
7. The funding outlined in this letter is subject to the agreement of your outcome agreement for AY 2016-17.

Tuition fees

8. Where applicable, universities must charge student tuition fees at the levels set by Scottish Ministers under either the Student Fees (Specification) (Scotland) Order 2006 or the Student Fees (Specification) (Scotland) Order 2011, whichever is applicable. Regional strategic bodies receiving grants from SFC are required, when making payments to any institution assigned to it, to impose this condition on the institution. However:
 - The tuition fee levels set by Scottish Ministers under the Student Fees (Specification) (Scotland) Order 2006 do not apply to students who do not have a relevant connection with the United Kingdom and Islands or are not excepted students within the meaning of the Education (Fees and Awards) (Scotland) Regulations 2007; and

- The tuition fee levels set by Scottish Ministers under the Student Fees (Specification) (Scotland) Order 2011 do not apply to students who do not have a relevant connection with Scotland or are not excepted students within the meaning of the Education (Fees) (Scotland) Regulations 2011, but any tuition fees charged to students from the rest of the United Kingdom (RUK) must not exceed £9,000 per year.

Funded places and under-enrolment policy

9. Universities should fill the target number of funded student places that SFC provides. We may recover funding if universities under-enrol, subject to the tolerance thresholds set out in paragraphs 10 to 15 below.

Non-controlled subjects

10. The tolerance threshold for under-enrolment against funded student places in non-controlled areas will normally be 2%, subject to the terms of the outcome agreement. This threshold applies to total funded places (for Scots, EU and continuing RUK students) within non-controlled price groups.

Controlled subjects

11. The tolerance threshold for under-enrolment against funded student places in controlled areas is 3%. This threshold applies to funded student places (for Scots, EU and continuing RUK students) at a course level for controlled subjects.

Consolidation (over-recruitment) policy

12. Universities should not exceed their student numbers for consolidation, for non-controlled and controlled subjects, by more than the tolerances set out below. The purpose of this condition of grant is to ensure that universities conform to the Scottish Government's consolidation policy by limiting the numbers of full-time (and sandwich) undergraduate students eligible for funding across all years.

Penalty for breaching consolidation (over-recruitment) policy

Non-controlled subjects

13. In AY 2016-17, the penalty for breach of consolidation for non-controlled subjects will be withdrawal of part of the Main Teaching Grant equivalent to the estimated tuition fee income generated by the student numbers in excess of a 10% threshold. As the control will cover Scots and EU students only, the level of this income will be the SAAS fee.

Controlled subjects

14. Universities will be liable for a penalty if they exceed their indicative number by 10% or 10 FTE places (whichever is larger).
15. The penalty will be withdrawal of part of the Main Teaching Grant equivalent to the student numbers in excess of the threshold, multiplied by the teaching price for the relevant subject group.

Additional funded places

16. We will continue to monitor the use of additional funded student places awarded since AY 2013-14 to ensure that these places are being fully utilised. Where additional funded places have been unfilled, we will consider re-allocating unfilled places for AY 2017-18 and / or we may recover funding if universities under-enrol.

Research funding

17. Universities must use Research Excellence Grant (REG) funding for research purposes only; targeting their REG allocations predominantly on world-leading and internationally excellent research.
18. Research Postgraduate Grant (RPG) funding should be used to address Scottish Government priorities relating to university-industry collaboration and the exploitation of research, and entrepreneurial and employability skills of graduates.

Strategic funding

19. Strategic grant funding must only be used for the purpose(s) for which it is provided.

Capital funding

20. Capital infrastructure funding must be used for estates build / maintenance and / or debt servicing associated with capital developments. All expenditure should be aligned to a university's estate strategy.

BIS / SFC Research Capital funding

21. Research Capital funding from the UK Department of Business, Innovation and Skills (BIS) and any match-funding from SFC should be used to enable universities to focus on maintaining excellent departments with the critical mass to compete globally and the expertise to work closely with business, charities and public services. Again, all expenditure should be aligned to a university's estate strategy.

Small Specialist Institution grant

22. In order to continue receiving Small Specialist Institution (SSI) grant funding, SSIs must retain small specialist status as well as continuing to meet any separate individual conditions which apply to any of the component parts of the SSI grant.

Failure to adhere to these conditions

23. If a university does not deliver its outcome agreement and the targets set out within it, or does not meet the other conditions of grant set out in this document, SFC will consider the clawback of grant or reductions in future funding.