



# SFC Announcement

## Outcome agreement funding for universities – final allocations for 2019-20

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Summary: Announcement of final university outcome agreement funding allocations for academic year 2019-20.

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## **Outcome agreement funding for universities – final allocations for 2019-20**

1. I am writing to provide you with the Scottish Funding Council's (SFC) final decisions on outcome agreement funding for universities in Academic Year (AY) 2019-20.
2. SFC announced indicative university outcome agreement funding allocations for 2019-20 on 28 February 2019 ([SFC/AN/04/2019](#)). In the main, the final funding allocations set out in this announcement are broadly unchanged from that publication. However the changes that have taken place are set out in a later section (paragraph 15).
3. The final funding allocations set out in this announcement reflect the extent to which the targets and commitments in AY 2019-20 outcome agreements meet SFC's national aspirations, as identified in our [University Outcome Agreement Guidance 2019-20](#).
4. This approach supports the delivery of SFC's Strategic Plan and is consistent with the Minister for Further Education, Higher Education and Science's [Outcome Agreement Guidance Letter](#) of 14 November 2018 and the additional [Joint Strategic Guidance](#) provided to enterprise and skills agencies on 11 January 2019.
5. The final funding decisions set out in this announcement are based on the Scottish Government's draft [Scottish Budget 2019-2020](#), announced in December 2018, which was approved by the Scottish Parliament in February 2019.

### **Key points**

6. The key points in this final funding announcement for AY 2019-20 are:
  - SFC's baseline Revenue budget has decreased by circa £6 million from AY 2018-19 (see paragraph 13).
  - Total Teaching budget (excluding Disabled Students Premium) and Research budget have been broadly maintained at the same level, in cash terms (see paragraphs 30-32 and 62-68).
  - Funding for 'other programmes' (excluding the movement of the Disabled Students Premium) has decreased by c.£12.5 million (see paragraphs 69-70).
  - Capital funding for FY 2019-20, including Financial Transactions, has increased by c.£12 million from FY 2018-19 (see paragraphs 73-79).

## Scottish budget

7. The Cabinet Secretary for Finance and the Constitution announced the draft '[Scottish Budget 2019-2020](#)' on 12 December 2018 which maintains the Scottish Government's "...investment of over £1 billion in universities to develop our future talent and innovation". This Budget was approved by the Scottish Parliament on 21 February 2019.
8. In 2019-20, the Scottish Government will:

- "Guarantee that higher education will remain free of tuition fees for all eligible Scottish or EU-domiciled undergraduate students studying in Scotland.
- Ensure every eligible care-experienced student receives a full £8,100 non-repayable bursary to finance their studies.
- Ensure that the poorest HE students receive increased bursary support and increased access to bursaries through improvements to the HE bursary threshold."

9. The Scottish Budget in 2019-20 will:

- Provide "continued investment in further and higher education, with a focus on enabling equal access to learning and skills opportunities.
- Continue to invest in the quality of our teaching profession and support teacher recruitment through new routes into the profession.
- Continue to take forward actions through our Science, Technology, Engineering and Mathematics (STEM) education and training strategy to improve the supply of STEM and strengthen partnerships between schools, colleges, universities, science centres and employees.
- Invest in additional capacity in relevant courses in Scotland's colleges and universities and in apprenticeship programmes to expand the Early Learning and Childcare workforce.
- Support the internationalisation of our universities and colleges including access for Scottish students to take part in international exchanges and to attract talented students to study in Scotland.
- Continue to work with the public, private, and university and college sectors to drive forward our Innovation Action Plan – taking action to support innovation across businesses, sectors and places, using public sector spend to catalyse innovation, and make best use of the research, knowledge and talent of our universities and colleges to drive innovation and growth.

- Improve mental health services for young people and provide support in schools, colleges, universities.
- Provide access to free sanitary products in schools, colleges and universities and extend access to those on a low income who require them.”

10. The SFC budget “invests in Scotland’s colleges and universities, to develop well-educated, highly skilled people and drive inclusive economic growth through skills, research and innovation. In 2019-20 the Scottish Government will work with SFC to:

- Play a leading role in improving Scotland’s skills base by aligning our investment and activities with public sector partners and ensuring 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 our Economic Action Plan.
- Enable learners to move through education into fair work through continuous improvement in learner outcomes; and progressing the ambitions of our Developing the Young Workforce and Learner Journey programmes.
- Deliver key commitments in the STEM Education and Training Strategy to ensure further and higher education provision meets the needs of employers in Scotland.
- Maximise the impact of our investment in research, innovation and internationalisation to support a thriving, outward-looking Scotland.
- Champion diversity at all levels, from course choices to the make-up of senior staff and boards.
- Support all learners to achieve their full potential in education by continuing to make progress towards equal access to higher education by 2030; fund improvements to further education bursary support; support the sector to tackle gender-based violence through Equally Safe; and support students’ mental health and wellbeing, including providing additional counsellors across the sector.
- Deploy Financial Transactions to support further universities’ estate projects.”

11. The Budget paper contains a note on the potential impact of ‘Brexit’ outcomes – “If Brexit can be avoided, those resources currently invested in contingency planning and mitigation can be reinvested into our public services and economy. However, if we face a no deal or cliff-edge Brexit I will have to return to Parliament to reassess our spending priorities”. As set out in our Conditions of Funding ([Annex C](#)), if the Scottish Government revises its grant

funding to SFC, we reserve the right to make in-year adjustments to funding. In this case, SFC would renegotiate the terms of its outcome agreements with universities.

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

12. The HE Resource (revenue) budget for Financial Year (FY) 2019-20 was announced by the Scottish Government as £1,025.3 million; this included a technical adjustment of £0.4 million giving SFC actual funding of £1,024.9 million - the same as for FY 2018-19. There is an £11.8 million increase in the overall Capital budget (including Financial Transactions); from £81.2 million to £93.0 million.
13. In setting SFC's Academic Year (AY) budget for 2019-20, we span two Financial Years (FYs): 2019-20 and 2020-21. SFC does not have any information on the Scottish Government's plans for FYs beyond 2019-20, and as such has planned on the basis of 'flat cash' for FY 2020-21. On that basis we have set a University Revenue budget for AY 2019-20 of £1,023.0 million as shown in [Table 1](#). This represents a cash decrease of £5.8 million (0.6%) compared with AY 2018-19. Due to the way SFC has to convert FY budgets into AY budgets, the HE Revenue budget for AY 2018-19 included an additional, one-off increase of c.£6 million. (For AY 2019-20, this increase is not available.)
14. SFC's total Teaching funding budget has been increased by £3.0 million to £664.0 million, as shown in [Table 1](#). This is a change from the indicative funding announcement in February and is primarily due to the budget for the Disabled Students Premium moving from 'other (non-core) programme' funding to Teaching funding. SFC's total Research and Innovation funding is broadly unchanged in cash terms at £284.7 million as shown in [Table 6](#); an increase of £0.1 million.

### **Changes from indicative funding announcement**

15. As summarised above, there are some small changes to core Teaching, Research and Innovation funding allocations from the indicative outcome agreement funding announcement in February ([SFC/AN/04/2019](#)). These changes are set out below and include the routine changes associated with controlled subject funded places (see paragraphs 17-29).

### ***Mainstreaming funded places***

16. Funded places associated with a non-core grant for 'Optimum Music Provision' at the Royal Conservatoire of Scotland (RCS) have been moved into our Main Teaching Grant model following a review of the grant outcomes. A total of 28 FTE places have been moved and the associated funding amounts to

£0.2 million. In addition, the Small Specialist Institution (SSI) grant has increased by £0.1 million in recognition of the additional costs of Conservatoire teaching associated with these places. This has been balanced with a corresponding reduction in the 'other programmes' budget.

### **Controlled subjects**

17. Due to the timing of the indicative announcement, we use the previous year (AY 2018-19) funded student places to calculate the indicative funding allocations for the controlled subjects. Final funded places have now been updated following the issuing of the intake target letters (links below) and we have shared our funded places modelling with the universities. The resultant changes in funding and places for AY 2019-20 can be seen in [Table 2](#) and [Table 3](#) respectively.
18. Overall, total Main Teaching Grant for AY 2019-20 has reduced by £0.2 million from the indicative announcement, to £627.2 million. However, there has been a significant increase in the number of Scottish Government ring-fenced places for AY 2019-20, with funding totalling £86.3 million. The increase of c.900 FTE places equates to an increase of £6.4 million from AY 2018-19. Most universities will therefore see an increase in their overall teaching grant.
19. Controlled SFC funded student places for AY 2019-20 are shown in [Annex B](#). Additional student places funded by the Scottish Government are also shown in [Annex B](#). 'Consolidation' (over-recruitment) student numbers for controlled subjects are shown in [Table 5](#).
20. AY 2019-20 intake targets for the controlled subjects have already been published and can be found on SFC's website:
  - [Medicine](#)
  - [Dentistry](#)
  - [Pre-registration Nursing & Midwifery Education](#)
  - [Initial Teacher Education](#)

### **Medicine**

21. SFC published its AY 2019-20 [intake target letter for Medicine](#) on 8 March 2019. This letter confirmed that the overall medical intake target for AY 2019-20 was 1,013 students; an increase of 60 from AY 2018-19. This increase relates to the Scottish Government's commitment to the National Health and Social Care Workforce Plan and has been split evenly between the universities of Aberdeen and Glasgow.

22. The overall intake for AY 2019-20 supports the continuing widening access programme (50 students) and the Scottish Graduate Entry Medicine (ScotGEM) course which was introduced in AY 2018-19.
23. In response to workforce planning demands and Ministerial guidance, SFC (for the first time) will be setting a minimum intake target for students in AY 2019-20 who are Scottish-domiciled and / or from the rest of the European Union (EU), for each university, from within the overall intake target outlined above. The Scottish Government is looking for a phased increase in the recruitment of Scottish-domiciled / rest of EU students (rEU) over the next three years and has requested that, by AY 2021-22, there should be an additional 100 Scottish-domiciled / rEU students, with a similar reduction in the recruitment of students from the rest of the UK (rUK).
24. As a result of the above changes, pre-clinical funded places have increased to 1,377 FTEs, an increase of 113 FTEs, and clinical funded places have increased to 1,702.4 FTEs, an increase of 87 FTEs. (These figures include ScotGEM). AY 2019-20 funded places are shown in Table A2d. Scottish Government ring-fenced places have increased to accommodate the additional Scottish-domiciled / rEU places, however SFC funding associated with the student places in AY 2019-20 remains largely unchanged from AY 2018-19.

### ***Dentistry***

25. SFC published its AY 2019-20 [intake target letter for Dentistry](#) on 21 January 2019. This letter confirmed that undergraduate dental intakes have been maintained at 155 students, the same as for AY 2018-19. Accordingly, funded student places for Dentistry in AY 2019-20 remain largely unchanged from AY 2018-19. Pre-clinical places total 87.6 FTEs (an increase of 0.9 FTEs) and clinical places total 410.2 FTEs (an increase of 6.8 FTEs).

### ***Pre-registration Nursing and Midwifery Education***

26. SFC published its AY 2019-20 [intake target letter for Pre-registration Nursing and Midwifery](#) on 10 December 2018. This letter confirmed a total Nursing and Midwifery intake of 4,006 students; an increase of 282 from AY 2018-19.
27. Funded student places for Pre-registration Nursing & Midwifery in AY 2019-20 total 9,682 FTEs, as shown in Table A2d. This represents an increase of 411 FTEs from AY 2018-19. These places are largely supported by a transfer of funding from the Scottish Government. The minority of places funded by SFC remain unchanged from AY 2018-19.

### **Initial Teacher Education**

28. SFC published its AY 2019-20 [intake target letter for Initial Teacher Education \(ITE\)](#) on 29 March 2018. This letter confirmed a total ITE intake of 4,180 students; an increase of 50 from AY 2018-19.
29. Funded student places for ITE in AY 2019-20 total 6,426.8 FTEs, as shown in Table A2d; an increase of 114.1 FTEs from AY 2018-19.

### **Teaching funding / Main Teaching Grant**

30. SFC's Main Teaching Grant for AY 2019-20 has been adjusted to reflect the redeployment of the additional Taught Postgraduate (TPG) places for Skills and has been set at £627.2 million, as shown in [Table 2](#). The indicative funding publication announced that a further £5.8 million previously associated with the TPG Skills places was being reallocated for 'upskilling / skills shortages'. Following review, this has been increased to £6.1 million, as set out in paragraphs 49-55. Final allocations are shown in [Table 4](#).
31. Total Teaching funding allocated to universities for AY 2019-20 has been set at £661.0 million, as shown in [Table 1](#). This is an increase of £3.1 million from the indicative funding announcement. This includes Main Teaching Grant, funding for Small Specialist Institutions, the Widening Access and Retention Fund and funding for upskilling / skills shortages (previously additional TPG Skills places). As already highlighted in paragraph 14, this also now includes the Disabled Students Premium (£2.8 million) which is the primary reason for the increase. Final allocations are shown in [Table 4](#).
32. Having retained the funding previously associated with the TPG Skills places (which has been repurposed for AY 2019-20), our overall Teaching funding budget for AY 2019-20 is £664.0 million, as shown in [Table 1](#); an increase of £3.0 million from AY 2018-19 (which is explained above).

### **Teaching Subject Prices**

33. Gross teaching subject prices remain unchanged from AY 2018-19 and are shown in the table below:

<i>Subject Price group</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
2019-20 prices (gross)	£16,875	£9,575	£8,486	£7,387	£6,530	£5,323

34. Our subject prices for AY 2019-20 include the following assumed level of tuition fees for eligible Scottish-domiciled / EU students:
- Full-time first degree: £1,820.
  - Other undergraduate: £1,285.
  - Taught Postgraduate: £5,500.

### ***Teaching funding validation model – tolerance thresholds***

35. In AY 2019-20, the tolerance threshold within SFC's teaching funding validation model will remain at +/-2%.
36. SFC calculates universities' Main Teaching Grant based on the previous year's teaching funding – adjusted for any changes in policy – validated against a 'price x place' model, which also takes into account the assumed student tuition fees that universities will receive from [Student Awards Agency for Scotland](#) (SAAS) and other sources for our funded places.
37. The HE Funding Model Review Group (a sector working group established in 2017) met in March 2018 and discussed a number of different options for 2019-20 and beyond (taking into account Brexit amongst other considerations). As part of that discussion, an option of removing the negative tolerance was proposed and discussed. Following these discussions, SFC recommended that for AY 2019-20, subject to the Scottish Government budget settlement, we should seek to implement a system of 'no negative tolerance', i.e. the tolerance band would only be removed from some universities so that no one would receive less funding than they would through a price x place (0% tolerance) model.
38. Given the final budget settlement for FY 2019-20 announced by the Scottish Government, it would not be affordable for the 'no negative tolerance' system to be introduced and therefore the tolerance threshold will remain at +/-2% for AY 2019-20.

### **Other teaching grants**

#### ***Widening Access and Retention Fund***

39. The Widening Access and Retention Fund (WARF) has been maintained (in cash terms) at the level of AY 2018-19; £15.0 million. This is shown in [Table 4](#).
40. SFC intends to consult with the sector on a planned review of the WARF. This review and consultation is necessary to implement and deliver on the [Commission on Widening Access](#) (CoWA) recommendations.

### ***Small Specialist Institutions***

41. The Small Specialist Institution (SSI) Grant has been adjusted to reflect the mainstreaming of non-core places (paragraph 16) and now totals £9.9 million for AY 2019-20; an increase of £0.1 million from AY 2018-19 (and an increase of £0.2 million from the indicative AY 2019-20 announcement). This is also shown in [Table 4](#).

### ***Fee Anomalies***

42. The Fee Anomalies Grant has been set at £1.8 million; a reduction of £0.1 million from AY 2018-19. This is a demand-led budget and we believe that this will be sufficient to meet the demand for AY 2019-20.

### **Compensation for Expensive Strategically Important Subjects**

43. Compensation for expensive strategically important subjects in AY 2019-20 amounts to £16.8 million; which is a £0.1 million reduction from the indicative announcement and reflects the changes to controlled subjects previously highlighted. This Compensation funding continues to reflect the difference between the Teaching funding SFC allocates for higher subject price groups and the annual tuition fee level that Scottish universities can charge rUK students (£9,250 from AY 2017-18). This is shown in [Table 2](#) and represents a reduction of £0.3 million from AY 2018-19.

### **Additional funded places for Access and Articulation**

44. In AY 2013-14 SFC introduced three new investment schemes providing universities with additional funded places to widen access, increase articulation and support key sectors of the economy with additional undergraduate (UG) and TPG Skills places.
45. Additional funded places have been allocated each year up until AY 2018-19 and these are now mainstreamed. There are no further allocations of additional places for these investment schemes for AY 2019-20.
46. SFC 'mainstreamed' the additional Widening Access places as part of universities' core funded places from AY 2018-19. In return for the mainstreaming of these places, SFC expects the sector as a whole and each university to meet the relevant CoWA targets. Through our outcome agreement process, we have set and agreed institutional targets to enable those targets to be achieved.
47. Following a review, SFC announced last year that there would no change to the additional Articulation places ('Associate Student' scheme) for AY 2018-19 and AY 2019-20, subject to satisfactory outcome agreement targets with the

universities that receive these places. Universities (and colleges) are therefore asked to continue with the current arrangements for AY 2019-20 and to meet the priorities set out by the Minister to expand articulation, ensuring they continue to support disadvantaged learners to progress to degree level study. This will be monitored by way of targets set through the outcome agreement process.

48. SFC continues to expect 75% of additional Articulation funding for Associate Students to be transferred from universities to colleges, for those years in which activity is delivered in colleges. We will continue to monitor the transfer and impact of this funding through the outcome agreement process.

### **Additional funded places for Skills**

49. SFC has allocated an additional 1,195 FTE UG places and 832 FTE TPG places for Skills between AY 2013-14 and AY 2017-18. There are no changes to the UG Skills places scheme for AY 2019-20, subject to satisfactory outcome agreement industry collaboration measures being agreed.
50. Last year's review of the TPG Skills places found that the filling of these places was varied across the sector. SFC maintained the allocation of TPG places for AY 2018-19 but committed to consider changes for AY 2019-20, subject to further review and discussions with universities on the use of these funded places (and their impact on industry engagement).
51. The following was then stated in the foreword of SFC's latest [Outcome Agreement Guidance](#), published in October 2018:

- "Institutions will note that the Strategic Board's Strategic Plan sets a series of ambitious actions for the enterprise and skills agencies, and for SFC in particular. Clearly, we want to respond positively to the Strategic Board's thinking; to that end, we shall be considering with our Council the funding associated with new starts on our earmarked taught postgraduate skills scheme.... "

52. For AY 2019-20 therefore, we have removed these places – apart from a small number (66.3 FTEs) that are associated with students on part-time courses in 2018-19 whose studies are due to continue in 2019-20, which we will continue to support until the courses are complete. The indicative funding publication announced that the associated funding (£5.8 million) had been repurposed to support new types of course aimed at upskilling people already in work and / or addressing skills shortages / gaps.

53. SFC has had useful discussions with the sector on the ways that this can be done and has held meetings with Universities Scotland and sector representatives to begin to map out the short, flexible programmes that we are looking for and that universities can deliver. We expect that universities will deliver a mix of existing and new courses and acknowledge that, in this first year of operation, some funding will be used by universities to support the development of such new courses. Once we have concluded our discussion with the sector we will write to universities with guidance on the use of this funding in 2019-20.
54. As we are repurposing the funding that was previously used for specific TPG Skills places and because the distribution of that funding leaves some universities with the potential to provide upskilling courses with relatively small allocations, we have made some adjustments to a small number of universities to ensure that every institution has a meaningful allocation; resulting in an increase of £0.3 million. Specifically, the allocations for the Open University in Scotland (OUS), Scotland's Rural College (SRUC) and the University of the Highlands & Islands (UHI) have each increased by £0.1 million since the indicative funding announcement. We have also increased the allocation for the RCS by £64k. (This funding had previously been removed from its SSI grant when the TPG Skills places had been removed).
55. Final allocations, based on a revised total budget of £6.1 million, are shown in [Table 4](#).

### **Innovation Centre TPG places**

56. SFC continues to provide additional funded student places for Masters-level courses to be delivered under the Innovation Centre (IC) programme. These places put particular emphasis on the development of provision to help address the skills needs of the IC's relevant industry. This involves close industry engagement, often in the form of a student placement at an IC's industrial partner. There are no changes to these additional places for AY 2019-20.

### **Expansion of Early Years Education**

57. In support of the Scottish Government's plans to increase entitlement to free childcare, we have continued to allocate additional funded places in AY 2019-20 for additional part-time / work-based BA Childhood Practice students. We have also continued to allocate additional places for full-time Higher National Certificate (HNC) students at the UHI. The Scottish Government will continue to meet the costs of this activity through an additional ring-fenced grant.

58. The number of funded places for AY 2019-20 is 564 FTEs (487 BA Childhood Practice FTEs and 77 HNC Childhood Practice FTEs). A breakdown of places is shown in Table A2c.

### **Mental Health**

59. The Scottish Government's Programme for Government outlines a radical reform of the way we respond to mental ill-health. As part of that, the Government has committed to "providing more than 80 additional counsellors in Further and Higher Education over the next four years." Additional ring-fenced funds will be transferred to SFC from the Scottish Government for this purpose.
60. SFC has been working with Scottish Government officials and the university sector to determine the distribution of funding for the university sector and to establish a baseline for monitoring purposes. Funding allocations for AY 2019-20 will be announced in a separate publication in the summer.

### **Free sanitary provision**

61. We will provide a further year's funding for the provision of free sanitary products in universities. Further details will be announced in a separate publication.

### **Research and Innovation Funding**

62. Total Research and Innovation funding allocations for AY 2019-20 are set out in [Table 6](#), and are described below. They are largely unchanged from the indicative funding announcement in February.

### **Research Excellence Grant**

63. Research Excellence Grant (REG) funding has been maintained, in cash terms, at the same level that was announced in last year's final funding allocations in May 2018; that is £236.0 million and is unchanged from the indicative funding announcement.
64. Excellence remains the cornerstone of SFC's research funding policy and therefore we have retained a modest adjustment to the REG formula in order to further recognise the highest quality research. Specifically, we have adjusted the ratio of quality response in the REG (A) component from 3:1 to 3.31:1 when responding to 4\* and 3\* research assessment in the Research Excellence Framework (REF) respectively.
65. This maintains the revised weightings introduced with the additional REG funding that was announced as part of last year's 'Additional funding for

research and innovation’ ([SFC/AN/12/2018](#)) at the end of July 2018 through ‘Barnett consequentials’. Individual university allocations are shown in [Table 6](#).

### **Global Challenges Research Fund**

66. We await confirmation from the UK Department of Business, Energy and Industrial Strategy (DBEIS) that it will allocate £11.8 million to SFC under the Global Challenges Research Fund for AY 2019-20. These funds, once confirmed, will be allocated to universities based on their proportionate share of REG (A) and (B).

### **Research Postgraduate Grant**

67. Research Postgraduate Grant funding has been set at £35.3 million for AY 2019-20. This is an increase of £0.1 million from the indicative funding announcement and the AY 2018-19 budget. The small increase relates to a revision to the research postgraduate student numbers used to derive the allocation for one university. Final allocations for AY 2019-20 are shown in [Table 6](#).

### **University Innovation Fund**

68. The University Innovation Fund has been maintained, in cash terms, at AY 2018-19 levels, as per the final outcome agreement funding announcement in May 2018; that is £13.5 million. Final allocations for AY 2019-20 are also shown in [Table 6](#) and are unchanged from the indicative funding announcement.

### **Other non-core funds**

69. A portion of SFC’s annual funding for universities is earmarked for other investments outwith the core grants set out above. These funds are used to support the programme categories set out below:
- Additional strategic places.
  - Employability and skills.
  - Access.
  - Knowledge Exchange.
  - Diversity and Specialism.
  - Research.
  - Effective institutions.
  - Leverage.
  - Innovation Centres.
70. The total budget for these ‘other programmes’ in AY 2018-19 (including Innovation Centres) totalled £60.9 million. This total included the Disabled

Student Premium of £2.8 million. To ensure that SFC sets a balanced budget for AY 2019-20 (and maintains overall teaching grant at the same level in cash terms as AY 2018-19), the budget has been reduced by £15.3 million to £45.5 million. Excluding the Disabled Student Premium, which has been moved to Teaching funding, the budget reduction is £12.5 million. We will confirm the distribution of this funding shortly.

### **Funding transfer to SAAS**

71. SFC will transfer funding to the Student Awards Agency for Scotland (SAAS) totalling £28.7 million. This is an increase of £6.4 million from AY 2018-19 to fund the Scottish Government’s student support commitments.

### **Capital**

72. The Scottish Government’s FY 2019-20 budget provides an HE Capital budget of £37.5 million. The budget also provides Financial Transactions funding of £55.5 million which, together with £16.8 million Research Capital Grant funding from the Department for Business, Energy & Industrial Strategy (DBEIS) (which, when confirmed, will be matched by SFC) provides an overall amount of capital funding available to universities in FY 2019-20 of £109.8 million as shown below:

<b><i>Capital budgets</i></b>	<i>£ million</i>
Capital Grant	16.7
Edinburgh Medical School	4.0
Research Capital Grant - SFC match (TBC)	16.8
<b>Total HE Capital</b>	<b>37.5</b>
Financial Transactions	55.5
Research Capital Grant – from DBEIS (TBC)	16.8
<b>Total Capital funding for universities</b>	<b>109.8</b>

### **Capital Grant**

73. The budget for Capital Grant has been set at £16.7 million; a reduction of £1.5 million from FY 2018-19 to accommodate funding for the Edinburgh Medical School (which was previously funded through other programme funds). This grant is allocated pro-rata to a university’s share of its Main Teaching Grant.
74. Since last year we have considered a number of alternative distribution models. This work has included the ongoing development of a robust evidence base of the sector’s year-on-year life-cycle maintenance needs, which reflects the diversity across the Scottish university estate of the costs associated with maintaining teaching and research facilities. We are continuing to enhance that

evidence base during the course of FY 2019-20 to include information on the sector's backlog maintenance needs. Based on that work, for FY 2019-20 we have decided to continue to distribute this grant in proportion to Main Teaching Grant, as we consider this model provides a reasonable and transparent proxy for need that is consistent with our evidence base.

75. Individual university allocations for FY 2019-20 are shown in [Table 8](#). These have been adjusted to reflect the changes in each university's pro-rata share of teaching grant since the indicative funding announcement.

### ***Research Capital Grant (DBEIS)***

76. We await confirmation from DBEIS that it will allocate Research Capital Grant funding of £16.8 million to SFC for FY 2019-20. Subject to confirmation, SFC will match that allocation and provide a further £16.8 million; resulting in a total Research Capital Grant budget of £33.5 million for FY 2019-20.

### **Financial Transactions**

77. SFC has £55.5 million of Financial Transactions (FT) funding available in FY 2019-20. Building on last year, the two broad themes that FT loan finance can be utilised for are:

- Spend to save projects (notably energy efficiency and space efficiency projects).
- Strategic development of estates (including projects designed to improve student experience and equipment / facilities in support of research and knowledge exchange).

78. SFC will continue to work with the sector to maximise the impact of all its capital funding, including FT funding, and to ensure that our funding levers investment from other sources wherever possible.

79. Where projects emerge which are more focused around industry-led innovation, we will continue to explore the potential for those projects to be funded through the Scottish Government Building Scotland Fund, which is a precursor to the Scottish National Investment Bank.

### **Tables**

80. We have attached the following annexes / tables for AY 2019-20:

- [Annex A – Funding allocations to universities.](#)
- [Annex B – Funded places and student number targets for universities.](#)
- [Annex C – Conditions of grant.](#)
- [Annex D – Profile of monthly payments for main grants.](#)

- [Table 1 – University sector – final overall budget.](#)
- [Table 2 – Breakdown of Teaching grant.](#)
- [Table 3 – Funded student places.](#)
- [Table 4 – Summary of grants for Teaching.](#)
- [Table 5 – Consolidation numbers.](#)
- [Table 6 – Summary of grants for Research and Innovation.](#)
- [Table 7 – Summary of grants for Teaching, Research and Innovation.](#)
- [Table 8 – Capital grant \(FY 2019-20\).](#)

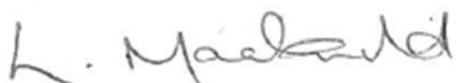
81. Additional ‘technical’ guidance on the final funding allocations, along with additional tables, is available on [SFC’s website](#).

### **Acceptance of funding**

82. This letter announces the final funding that is associated with university outcome agreements for AY 2019-20. Funding is dependent on the agreement of satisfactory outcome agreements. By signing their respective outcome agreement, universities are agreeing to the activity / funding allocations set out in this announcement and the associated terms and conditions of grant.

### **Further information**

83. For more information, please contact Lorna MacDonald, Director of Finance, tel: 0131 313 6690, email: [lornamacdonald@sfc.ac.uk](mailto:lornamacdonald@sfc.ac.uk) or Martin Smith, Chief Funding & Information Officer, tel: 0131 313 6528, email: [msmith@sfc.ac.uk](mailto:msmith@sfc.ac.uk).



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