



# SFC Guidance

## Outcome Agreement funding for universities 2017-18: additional guidance

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Summary: Additional detailed guidance on the final funding allocations for university Outcome Agreement in AY 2017-18

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## Outcome Agreement funding for universities for AY 2017-18: additional guidance

### Purpose

1. This section provides further detailed guidance on the Final Outcome Agreement Funding allocations for AY 2017-18, setting out additional details on the methodologies used in calculating universities' funding allocations.

### Main Teaching Grant - validation model

2. To calculate a university's Main Teaching Grant, SFC use a 'top-down' method where a university's main teaching grant for the previous year is increased or decreased by a set percentage in line with the available budget.
3. This 'top-down' allocation is then validated against what the main teaching grant would be were we to use a 'bottom-up' model of multiplying the number of funded student places in each of our price groups by the price which SFC pays for each FTE student place. This validation model of funding has been in place since AY 2012-13.

### Tolerance threshold

4. In checking the 'bottom-up' method against the 'top-down' calculation, SFC uses a 'tolerance threshold'. This means that if a university's 'bottom-up' calculation (funded places multiplied by price) is up to x% higher or lower than the 'top-down' funding allocation (i.e. previous year's funding adjusted based on the budget available), the allocation remains unchanged.
5. If the 'bottom-up' funded places calculation is more than x% higher or lower than the 'top-down' funding allocation, we will decrease or increase the university's allocation accordingly to bring it within the x% threshold.
6. The new SFC price groups were introduced in AY 2012-13 with a +/-5% tolerance threshold, which was subsequently reduced to +/- 4%. It has always been SFC's intention to steadily adjust the tolerance threshold and revert back to a 'price x place' funding model, which will serve to make the calculation of our teaching grant more straight-forward and transparent.
7. As part of this planned incremental move, we have set the tolerance threshold in the validation model for the calculation of the Main Teaching Grant for AY 2017-18 at +/-2%.
8. **It is our intention that a 'price x place' model will operate from AY 2018-19.** In addition we will review our current distribution of funded places within subject

price groups against universities' actual distribution of students eligible for funding. We will also check our distribution of subjects to price groups - based on Higher Education Statistics Agency (HESA) cost centres - against Transparent Approach to Costing (Teaching) (TRAC (T)) data. This work will be carried out and consulted on prior to the AY 2018-19 indicative funding allocations being announced.

### Core teaching

9. SFC uses the previous year's final core Main Teaching Grant as a starting point. The core Main Teaching Grant is then adjusted for any elements that are due to be recalculated (i.e. the funding for expensive strategically important subjects, and adjustments to funding received from the validation model) in order to give a core teaching grant which provides the basis for the calculation of this year's Main Teaching Grant. The core teaching grant for AY 2017-18 is shown in Table 1 of the final Outcome Agreement Funding Allocations for AY 2017-18 and column (2) of Table 2.

### Adjustment for price group validation

10. In order to validate the main teaching grant (see Table D1), the total for validating (as described above) is compared to the resources for teaching as calculated using a places  $\times$  price model. The total funded places for validating exclude any adjustments to controlled subjects - the places and funding are amended for this after the validation.
11. Each university's funded places for validating are split into six price groups and are then multiplied by the teaching price (i.e. a price without any adjustment made for any assumed fees that the university will receive) to calculate validated gross resources for teaching. The prices for 2017-18 for the six price groups are as follows:

|                 |        |       |       |       |       |       |
|-----------------|--------|-------|-------|-------|-------|-------|
| Price group     | 1      | 2     | 3     | 4     | 5     | 6     |
| Gross price (£) | 16,454 | 9,336 | 8,274 | 7,203 | 6,367 | 5,190 |

12. The validated gross resources for teaching are then compared to the total for validating plus an assumed tuition fee income (see below for guidance on the calculation of the assumed tuition fee income). For any university where the difference between the validated gross resources for teaching and the total for validating are out-with the tolerance threshold (currently +/-2%) an adjustment is made to their main teaching grant in order to bring them within that tolerance threshold (column (3) of Table 2 of the final Outcome Agreement Funding Allocations).

## Assumed tuition fee income

13. The assumed tuition fee income is based on splitting each university's funded places into the following categories:
  - Taught Postgraduate at undergraduate fee level.
    - Built Environment.
    - PGDE.
    - In-service and other education.
  - Other Taught Postgraduate.
  - Undergraduate – Full-time degree.
  - Undergraduate – Others.
14. For the purpose of calculating the assumed tuition fee income to be used in the price group validation we have used an assumed TPG fee of £3,400. The impact on teaching funding of increasing the assumed TPG fee to £5,500 is calculated separately and is outlined below.
15. We then use the most recent HESA data for each institution to derive (where appropriate) a percentage split into full-time and part-time for each of the three categories for taught postgraduate at undergraduate fee level, and a percentage split of undergraduates into full-time degree students and other undergraduates. The assumed tuition fee is then calculated by applying the percentage of full-time/part-time, etc. to the appropriate funded places and multiplying that by the appropriate fee level (see Table D2).

## Transitional funding for change in tolerance threshold for price validation

16. We have allocated transitional funding, at a cost of £0.9 million, to limit any reduction in funding from changing the validation tolerance threshold from +/- 4% to +/-2% to no more than -0.8% of the Main Teaching Grant for 2016-17. This is calculated on the basis of comparing the difference between the adjustment in funding obtained from using a validation tolerance threshold of +/-2% and that obtained from using a tolerance of +/-4% with the teaching grant for 2016-17 (column (2) of Table A1).

## Changes in taught postgraduate tuition fees

17. The Scottish Government announced in December 2016 that from AY 2017-18 eligible TPG students will be able to access a loan of £10,000, with up to £5,500 being for the purpose of tuition fees, and £4,500 for living costs. As the prices for SFC price groups are set at the gross level (including an assumed tuition fee) we have adjusted the Main Teaching Grant to reflect the assumed TPG tuition fee increasing from the AY 2016-17 level of £3,400 to match the fee element of the TPG loan at £5,500. We are not changing the assumed fee for funded places that are considered TPG at undergraduate fee or for the additional TPG

Skills and Innovation Centre places that are funded at the gross price.

18. SFC currently fund universities based on a historic split of funded places that was set following the review of teaching funding in AY 2012-13. This split is used for funding purposes only and does not track actual activity within the sector. One of the key outputs from the then review was that SFC would control the total funded places at an institution but universities would have freedom to offer teaching provision in the price groups (1 to 6) and at the level (undergraduate or TPG) which best reflected their strategic planning (with the exception of the controlled subjects of Initial Teacher Education, Medicine, Dentistry and Pre-registration Nursing and Midwifery). The intention was to periodically review the split of places used in our teaching funding model but we have refrained from doing this, in order to give universities increased certainty over their funding, at a time when university budgets have been under pressure.
19. In light of the above we recognised that if we were to calculate the assumed tuition fees that each institution would receive based on their historic number of TPG places then the result could be significantly different from that suggested by their actual activity. In order to address this imbalance we based the assumed number of TPG students at each university on the minimum of either the historic number of TPG places or the actual proportion of TPG students within a university's total non-controlled students eligible for funding within the last three years.
20. Table D3 sets out our calculation of the changes in funding resulting from the increased taught postgraduate tuition fees. This table separates the funded places used in the validation into the following categories:
  - Controlled.
    - Taught postgraduate at undergraduate fee level.
    - Undergraduate.
  - Non-controlled.
    - Taught postgraduate at undergraduate fee level.
    - Taught postgraduate places funded by SFC at the gross price.
    - Other taught postgraduate places funded at price group six.
    - Other taught postgraduate places funded at price groups one to five.
    - Undergraduate.
21. 'The non-controlled places are split by level of study using both the historic split of places by level of study (columns 5 to 10) and a split based on the minimum proportions of TPG enrolments over the academic sessions 2014-15 to 2016-17 (columns 15 to 20). Estimated tuition fee income, based on an assumed fee of £5,500 for TPG places, is derived for both of these splits of funded places by

level of study. The tuition fee income for non-controlled undergraduates is based on assumed splits of places between full-time degree students and other undergraduates as shown in columns 11 and 12 of Table D2. In addition the tuition fee income associated with funded places for taught postgraduate provision at undergraduate fee level is split between full-time and part-time provision as shown in columns 13 to 18 of Table D2.

22. The new assumed TPG fee of £5,500 is higher than the price for price group 6 of £5,190. This means that in making adjustments to Main Teaching Grant because of the higher TPG fee rate SFC has to avoid reducing funding by more than would be allocated in Main Teaching Grant. Therefore in deriving the adjustments to the Main Teaching Grant SFC does not use the additional assumed tuition fee income in excess of the price for price group 6, i.e. £310 per FTE, for the funded places in group 6 associated with TPG provision.
23. If the lower of the two estimates of tuition fee income based on the higher TPG fee of £5,500 is higher than the estimated tuition fee income used in the validation of teaching funding (see column (3) of Table D1) then the teaching grant is adjusted by removing the extra estimated tuition fee income, as shown in column (5) of Table 2.

### Compensation for expensive strategically important subjects

24. Universities should only charge RUK students a maximum fee of £9,250 for new students and £9,000 for continuing students. For students who were previously funded at SFC price groups 1 to 3 we provide compensation in recognition of the difference between the fees received from RUK students and the SFC price groups. In calculating the compensation that we provide we take into account the fact that courses previously funded at price groups 2 and 3 are largely four year courses in Scotland in comparison to three year courses in the RUK. As a result we provide the difference between the SFC price and RUK fees as set out in the table below:

| Price group | New or continuing | SFC price (£) | Calculation                 | Compensation per FTE (£) |
|-------------|-------------------|---------------|-----------------------------|--------------------------|
| 1           | New               | 16,454        | 16,454 – 9,250              | 7,204                    |
| 1           | Continuing        | 16,454        | 16,454 – 9,000              | 7,454                    |
| 2           | New               | 9,336         | $9,336 - ((9,250 * 3) / 4)$ | 2,399                    |
| 2           | Continuing        | 9,336         | $9,336 - ((9,000 * 3) / 4)$ | 2,586                    |
| 3           | New               | 8,274         | $8,274 - ((9,250 * 3) / 4)$ | 1,337                    |
| 3           | Continuing        | 8,274         | $8,274 - ((9,000 * 3) / 4)$ | 1,524                    |

25. The compensation is calculated as the total of the:

- The FTE number of funded places associated with RUK students removed from price group 3, excluding those for pre-clinical medicine and dentistry, between AYs 2012-13 and 2017-18 multiplied by £1,336.50 / £1,524.
- The FTE number of funded places associated with RUK students removed from price group 2 between AYs 2012-13 and 2017-18 multiplied by £2,398.50 / £2,586.
- The FTE number of funded places associated with RUK students removed from price group 1 between AYs 2012-13 and 2017-18 multiplied by £7,204 / £7,454.

## **Changes to funded places for AY 2017-18**

### ***Widening Access***

26. We have allocated an additional 68 FTE places for the purposes of Widening Access. A summary of the total additional Widening Access places awarded since AY 2013-14 is available at column (10) of Table 3.

### **Articulation**

27. We have allocated an additional 106 FTE places for the purposes of Articulation. A summary of the total additional Articulation places awarded since AY 2013-14 is available at column (11) of Table 3.

### ***Other additional places and changes to non-controlled funded places***

28. We have allocated the following additional places shown in column (5) of Table 3 of the final Outcome Agreement Funding Allocations:
- 3.0 FTE places to the Royal Conservatoire of Scotland for Taught Postgraduate Skills.
29. We have also made the following changes to non-controlled funded places (columns (6) and (7) of Table 3 of the final Outcome Agreement Funding Allocations):
- Innovation Centres - 15 FTE places (price group 4) from University of Edinburgh to University of Strathclyde to take account of the movement of the administrative hub for the Digital Health Institute.
  - 100 FTE places from the University of the Highlands (price group 4) and Islands to the University of Stirling (price group 3). This is part of the agreement to transfer provision of nursing education in Inverness from the University of Stirling to the University of the Highlands and Islands.

- Pre-registration Nursing and Midwifery Education (Honours) provision moved from non-controlled to controlled and is detailed in the table below:

| <b>Institution</b>                   | <b>FTE places</b> |
|--------------------------------------|-------------------|
| Abertay Dundee, University of        | 20                |
| Edinburgh, University of             | 19                |
| Glasgow Caledonian University        | 36                |
| Glasgow, University of               | 31                |
| Queen Margaret University, Edinburgh | 36                |
| Robert Gordon University             | 0                 |
| <b>Total</b>                         | <b>142</b>        |

### Changes to controlled funded places

30. We have published intake letters, including funded places, for the controlled subjects of Medicine, Dentistry, Pre-registration Nursing & Midwifery, and Initial Teacher Education. The methodology used for calculating the funded places for each of these controlled subjects is outlined in the individual sections below. The published intake letters are available here:

- [Medicine](#).
- [Dentistry](#).
- [Pre-registration Nursing and Midwifery](#).
- [Initial Teacher Education](#).

31. As a result of the funded places announced in the above letters the SFC funded places for controlled subjects have changed as shown in the table below. The overall changes to the controlled funded places are shown in column (8) of table 3 of the final Outcome Agreement funding allocations.

| Changes to SFC funded controlled places for AY 2017-18 |  |                       |                   |                        |                    |                                     |                                  |  |                                       |  |  |              |
|--|--|-----------------------|-------------------|------------------------|--------------------|-------------------------------------|----------------------------------|--|---------------------------------------|--|--|--------------|
| Institution  | Pre-registration nursing and midwifery education | Pre-clinical medicine | Clinical medicine | Pre-clinical dentistry | Clinical dentistry | Initial teacher education BEd Music | Initial teacher education BEd PE | Initial teacher education BEd Technology | Initial teacher education BEd Primary | Initial teacher education PGDE Primary | Initial teacher education PGDE Secondary | Total        |
| (1)  | FTE (2)  | FTE (3)               | FTE (4)           | FTE (5)                | FTE (6)            | FTE (7)                             | FTE (8)                          | FTE (9)                                  | FTE (10)                              | FTE (11)                               | FTE (12)                                 | FTE (13)     |
| Aberdeen, University of                                | -  | 2.9                   | 16.4              | -                      | -                  | 15.3                                | -                                | -  | 10.7                                  | 0.4                                    | -17.2                                    | 28.5         |
| Abertay Dundee, University of                          | 20.0   | -                     | -                 | -                      | -                  | -                                   | -                                | -  | -                                     | -                                      | -  | 20.0         |
| Dundee, University of                                  | -  | 16.2                  | -28.0             | 1.2                    | -22.8              | -                                   | -                                | -  | -6.3                                  | 1.0                                    | 21.3                                     | -17.4        |
| Edinburgh Napier University                            | -  | -                     | -                 | -                      | -                  | -                                   | -                                | -  | -                                     | -                                      | -  | -            |
| Edinburgh, University of                               | 19.0   | -5.4                  | 5.5               | -                      | -                  | -                                   | 1.7                              | -  | -25.5                                 | -                                      | -29.0                                    | -33.7        |
| Glasgow Caledonian University                          | 36.0   | -                     | -                 | -                      | -                  | -                                   | -                                | -  | -                                     | -                                      | -  | 36.0         |
| Glasgow School of Art                                  | -  | -                     | -                 | -                      | -                  | -                                   | -                                | -  | -                                     | -                                      | -  | -            |
| Glasgow, University of                                 | 31.0   | -0.9                  | 9.7               | -0.2                   | -20.1              | -                                   | -                                | 4.7                                      | 7.4                                   | 0.8                                    | 4.8                                      | 37.2         |
| Heriot-Watt University                                 | -  | -                     | -                 | -                      | -                  | -                                   | -                                | -  | -                                     | -                                      | -  | -            |
| Highlands and Islands, University of the               | -  | -                     | -                 | -                      | -                  | -                                   | -                                | -  | -                                     | -                                      | -  | -            |
| Open University in Scotland                            | -  | -                     | -                 | -                      | -                  | -                                   | -                                | -  | -                                     | -                                      | -  | -            |
| Queen Margaret University, Edinburgh                   | 36.0   | -                     | -                 | -                      | -                  | -                                   | -                                | -  | -                                     | -                                      | -  | 36.0         |
| Robert Gordon University                               | -  | -                     | -                 | -                      | -                  | -                                   | -                                | -  | -                                     | -                                      | -  | -            |
| Royal Conservatoire of Scotland                        | -  | -                     | -                 | -                      | -                  | 4.0                                 | -                                | -  | -                                     | -                                      | -  | 4.0          |
| SRUC   | -  | -                     | -                 | -                      | -                  | -                                   | -                                | -  | -                                     | -                                      | -  | -            |
| St Andrews, University of                              | -  | -3.0                  | -                 | -                      | -                  | -                                   | -                                | -  | -                                     | -                                      | -  | -3.0         |
| Stirling, University of                                | -  | -                     | -                 | -                      | -                  | -                                   | -                                | -  | -14.6                                 | -                                      | -  | -14.6        |
| Strathclyde, University of                             | -  | -                     | -                 | -                      | -                  | -                                   | -                                | -  | -2.3                                  | -2.5                                   | 19.6                                     | 14.8         |
| West of Scotland, University of the                    | -  | -                     | -                 | -                      | -                  | -                                   | -                                | -  | -3.8                                  | 0.1                                    | 4.4                                      | 0.7          |
| <b>Total</b>   | <b>142.0</b>                                     | <b>9.8</b>            | <b>3.6</b>        | <b>1.0</b>             | <b>-42.9</b>       | <b>19.3</b>                         | <b>1.7</b>                       | <b>4.7</b>                               | <b>-34.4</b>                          | <b>-0.2</b>                            | <b>3.9</b>                               | <b>108.5</b> |

## Transitional funding for changes in taught postgraduate tuition fees

32. There is uncertainty about the pattern of student demand following the changes to TPG funding and this means institutions might not receive the assumed additional tuition fee income that was used to inform the reductions in teaching grant. We have, therefore, allocated transitional funding for 2017-18 to off-set the reductions made as a result of the changes to the TPG fee arrangements.

## Scottish Government funded controlled places - Medicine

33. SFC receives annual guidance from the Director of Health Workforce in Scottish Government on the target student intakes for that year. SFC uses those intake targets, along with information on previous actual intakes, the proportion of RUK students in the actual intakes and year-to-year progression rates derived from the most recent Early Statistics returns to calculate the funded places for both Pre-clinical and Clinical medicine.
34. The intake targets for Medicine relate to Scottish domiciled, EU, and RUK students. In order to calculate the funded places it is necessary to make an assumption about the number of Scottish domiciled/EU students in the intake. This is done by calculating an RUK proportion based on the average proportion of the intake who have been RUK for the previous three years. This calculation gives the number of funded places for year 1 of the course.
35. Funded places for the other years of the course are derived using the minimum of the target intake/actual intake/year 1 of the programme for each of the previous four years and then applying assumed year-to-year retention rates (based on three-year averages), i.e.
  - **Funded places for year 2** = Minimum of the target intake/actual intake/year 1 of programme for academic session AY-1 x year 1 to year 2 retention.
  - **Funded places for year 3** = Minimum of the target intake/actual intake/year 1 of programme for academic session AY-2 x year 1 to year 2 retention x Year 2 to year 3 retention....and similarly for years 4 and 5.

*AY is the Academic Year for which the allocations of funded places are being derived, AY-1 is the previous academic year and so on.*

36. The Pre-clinical Medicine funded places are the sum of year 1 funded places and year 2 funded places (for the University of St Andrews this is years 1, 2 and 3).
37. The Clinical Medicine funded places are the sum of the funded places for years 3, 4, and 5.

### Scottish Government funded controlled places - Dentistry

38. SFC receives annual guidance from the Chief Dental Officer on the target student intakes for that year. SFC uses those intake targets, along with information on previous actual intakes, the proportion of RUK students in the actual intakes and year-to-year progression rates derived from the most recent Early Statistics returns to calculate the funded places for both Pre-clinical and Clinical dentistry.
39. The intake targets for Dentistry relate to Scottish domiciled, EU, and RUK students. In order to calculate the funded places it is necessary make an assumption about the number of Scottish domiciled/EU students in the intake. This is done by calculating an RUK proportion based on the average proportion of the intake who have been RUK for the previous three years. This calculation gives the number of funded places for year 1 of the course.
40. Funded places for the other years of the course are derived using the minimum of the target intake/actual intake/year 1 of the programme for each of the previous four years and then applying assumed year-to-year retention rates (based on three-year averages), i.e.
  - **Funded places for year 2** = Minimum of the target intake/actual intake/year 1 of programme for academic session AY-1 x year 1 to year 2 retention.
  - **Funded places for year 3** = Minimum of the target intake/actual intake/year 1 of programme for academic session AY-2 x year 1 to year 2 retention x Year 2 to year 3 retention.

...and similarly for years 4 and 5.

*AY is the Academic Year for which the allocations of funded places are being derived, AY-1 is the previous academic year and so on.*

41. The Pre-clinical Dentistry funded places equal the year 1 funded places.
42. The Clinical Dentistry funded places are the sum of the funded places for years 2, 3, 4, and 5.

## Scottish Government funded controlled places - Initial Teacher Education

43. The Scottish Government carries out an annual workforce planning exercise to determine how many students are required to train as teachers in order to meet the national need for teachers across Scotland. The workforce planning exercise takes account of the following information:
  - Data on current numbers of pupils and teachers.
  - Projections of future pupil and teacher numbers based on demographic data.
  - The subject profile offered at schools.
  - Regional variations in need for trained teachers.
  - Advice from Local Authorities and the Association of Directors of Education in Scotland (ADES) on staff vacancy levels in schools and demand for trained teachers.
44. The Scottish Government bases its advice to us on the teacher workforce planning exercise. The advice details the changes we need to make to the intake of students of teacher education at a national level, as well as allocations that we should make for specific purposes, such as new courses or any alternative routes into teacher education which universities develop. On the basis of this advice, we allocate a student intake target to each of the following Teacher Education courses:
  - BEd Primary.
  - BEd Secondary (Music, PE and Technology).
  - PGDE Primary.
  - PGDE Secondary.
45. SFC sets the intake targets for Combined Degrees in Education. Intake targets are set for Combined Degrees to assist institutions' education departments with their planning of this provision.
46. We usually allocate most of a national intake target amongst universities using their historic shares of intake targets, although sometimes additional allocations are made to specific universities or regions if this is recommended by the Scottish Government. In order to deliver the required teachers in different secondary subjects, we allocate some places through the BEd route (as detailed above) but the majority are delivered through the PGDE route. For PGDE Secondary, the Scottish Government sets a national intake target for each subject and universities are asked to work together to meet the target for each subject. Universities are not set individual targets for each Secondary subject.
47. We use the recommended intakes for Initial Teacher Education (ITE) courses to calculate an allocation of funded places for each university for each ITE course.

In deriving the allocations of funded places an assumed number of RUK students is removed from the intake target. This is because the intake target covers RUK students but the teaching of these students is not supported by SFC funding.

### **Scottish Government funded controlled places - Nursing & Midwifery pre-registration education**

48. SFC receives annual guidance from the Chief Nursing Officer on the target student intakes for that year. SFC uses those intake targets and information on actual intakes and year-to-year progression rates derived from the most recent Early Statistics returns to calculate the funded places for both Ordinary and Honours Nursing and Midwifery Pre-registration Education.
49. In January 2017 the Associate Chief Nursing Officer wrote to inform SFC that following a decision from Scottish Ministers the reciprocal arrangements with other UK administrations, which allows students from those areas to access financial support for their Nursing and Midwifery Pre-registration Education studies, will come to an end from AY 2017-18. This decision will only apply to new rest of UK (rUK) students. Existing students who began their Nursing and Midwifery Pre-registration Education prior to AY 2017-18, and are already receiving support under the reciprocal arrangements, will continue to be supported. This change in policy is in response to “the decision of the UK Government to remove the health bursary and move to a loans based support package for nursing, midwifery and AHP students from academic year 2017/18”.
50. As a result of the above SFC must make an assumption over the number of Scottish domiciled/EU students within the intake target. This is done by calculating an rUK proportion based on the average proportion of the intake who have been rUK for the previous three years. This calculation gives the number of funded places for year 1 of the course.
51. It is then necessary to calculate the numbers of funded places for years 2 and 3 of the course. This is done by taking the minimum of the target/actual intakes for each of the previous two years for Ordinary courses and for each of the previous three years for Honours courses, and then applying assumed year-to-year retention rates (based on three-year averages), i.e.
  - **Funded places for year 2** = Minimum of the target intake/actual intake for academic session AY-1 × Year 1 to year 2 retention.
  - **Funded places for year 3** = Minimum of the target intake/actual intake for academic session AY-2 × Year 1 to year 2 retention × Year 2 to year 3 retention.

...and similarly for year 4.

*AY is the Academic Year for which the allocations of funded places are being derived, AY-1 is the previous academic year and so on.*

52. The allocation of funded places for Ordinary nursing provision equals the sum of the funded places for years 1, 2 and 3.
53. SFC started to control Honours Nursing and Midwifery Pre-registration Education in 2014-15. The changing of this provision from controlled to non-controlled was phased-in. 2017-18 is the first year that all of this provision will be controlled.
54. We recognise that the ending of the reciprocal arrangement for new intakes may influence the decision of rUK students over whether they wish to study in Scotland; we will review actual rUK intakes following the submission of institutions' early statistics return. If a university's actual rUK intake is significantly different from our assumption, based on the three year average, we will adjust their funded places to reflect this.

#### **Scottish Government funded places - Expansion of early years education**

55. The Scottish Government's plans to almost double the entitlement to free childcare by 2020 will require a substantial increase in the childcare workforce. The Government is therefore aiming to train additional students at 'manager' level.
56. SFC is, therefore, allocating additional funded places in AY 2017-18 for an additional 270 part-time/work-based BA Childhood Practice students across seven universities. We have modelled these places on the basis of 0.5 FTE per student per year for 4 years. In AY 2017-18 we have allocated 135 FTE places. We are also allocating an additional 71 places for full-time Higher National Certificate (HNC) students (71 FTEs) which will be delivered by the University of the Highlands & Islands (UHI).

## **Scottish Government funded places – Pre-medical entry programme**

57. The Scottish Government has advised SFC that it has agreed to fund a student intake for two pre-medical entry courses in AY 2017-18. 20 additional funded places have been allocated to both the University of Aberdeen and the University of Glasgow for pre-medical entry courses for students from a disadvantaged background. SFC have written separately to both universities to confirm the specific conditions of grant associated with these places.

## **Small Specialist Institutions**

58. SFC allocates a Small Specialist Institution (SSI) grant to our three SSIs - Glasgow School of Art (GSA), the Royal Conservatoire of Scotland (RCS) and SRUC - in recognition of the specialist nature of their provision and the specific challenges faced by these institutions. In AY 2012-13 we simplified the strategic funding arrangements for each of the SSIs providing a single grant which is adjusted each year to take account of the specific nature and circumstances of each institution.
59. The Royal Conservatoire of Scotland are also awarded an element of the SSI grant relating to the number of funded student places that they receive, in recognition of the unique nature of teaching within a conservatoire. For each additional FTE associated with their conservatoire provision that they have been allocated for AY 2017-18 RCS receive a premium of £5,996 per place associated with provision at undergraduate level and a premium of £5,801 per place for taught postgraduate provision. The SSI grant associated with core funded places is not recalculated in line with changes in main teaching grant but adjusted in line with the main SSI grant.
60. For 2017-18, the SSI grant totals £9.5 million (see Table 4).

## **Widening Access and Retention Fund**

61. In AY 2014-15 we carried out a review of 'Regional Coherence' funding to ensure our approach was embedded into the Outcome Agreement process. The review concluded that there should be increased emphasis on the purpose of the fund and that it be renamed the 'Widening Access and Retention Fund' to reflect this. For AY 2017-18, the Widening Access and Retention Fund (WARF) amounts to £14.7 million in total (see Table 4).
62. This fund is allocated to eight universities (see Table 4), all of which are expected to continue to demonstrate and maintain a significant commitment to the support, retention and successful outcomes of students from the most disadvantaged and deprived backgrounds. We also expect these universities to deliver and support higher proportions of widening access students, particularly

in relation to those from the 20% most deprived areas, than those who are not in receipt of these funds and it is on this basis that these universities are receiving additional funds to support an inclusive approach for cohorts of these students.

63. We ask those universities in receipt of WARF to do the following:
- Universities which are not currently maintaining a sector average retention rate for all students, SIMD 20 and SIMD 40, will be asked to outline an improvement plan as part of their Outcome Agreement and they can use these funds to assist them with that.
  - Universities which *are* maintaining high retention levels for all students, SIMD 20 and SIMD 40, should use these funds to commit to maintaining and, where possible, growing these retention levels.
  - Sustain and grow their SIMD 20 intake and retention rates with particular regard to low participation areas.
  - Make steps towards sustaining and growing their care experienced intake and retention rates.
  - Target male retention rates for improvement.

### **Research and Knowledge Exchange**

64. Research in our universities helps drive innovation, and contributes to productivity. It helps in tackling the local and global challenges that we face, such as the move to a low carbon economy, managing an aging population and mitigating the impact of diseases. Higher education research in Scotland is internationally recognised, renowned for its excellence and respected for its innovative and collaborative nature.
65. Knowledge Exchange (KE) refers to the exchange of ideas, research results, technology and skills between universities and other research organisations and businesses, the public sector and the wider community. KE activities range from public lectures, the establishment of new spin-out companies and project collaboration between universities and business or other organisations.
66. We have set aside a budget for research and knowledge exchange (including Research Excellent Grant, Research Postgraduate Grant, and University Innovation Fund) of £278.6 million in AY 2017-18.

## Research Excellence Grant

67. The principles of the REG are:

- Support excellence in the research base in Scottish universities ensuring it is developed and enhanced to ensure Scotland remains globally competitive and attractive to the best researchers.
- Recognise and reward the effective translation of research 'impact' as measured by the Research Excellence Framework, including effective business support by universities.
- Uphold the principles of the dual support system, including contributions to the full economic costs from Research Council, charity, European and other research income (including private, public and the third sector (charities, voluntary and social enterprise)) to retain confidence in the Scottish university research base.
- Address our responsibilities to support the personal, professional and career development of researchers.

68. REG is made up of three separate component grants; each a fixed proportion or amount.

REG = REGa + REGb + REGc where:

- REGa: supports quality and is allocated on volume, quality and a weighting (previously the cost factor). It is calculated at each of the 36 units of assessment for each institution and then summed. SFC is allocating £166.8 million to REGa in AY 2017-18.
- REGb: is a contribution towards meeting the full economic costs (fEC) for RCUK and other competitively funded research and is allocated in proportion to the amount of non-charity research income each institution receives – i.e. if they secured 10% of Scotland's research income they will be allocated 10% of this grant. SFC is allocating £40 million to REGb in AY 2017-18. SFC uses data relating to AY 2012-13 to AY 2014-15 to calculate REGb.
- REGc: is a contribution towards meeting fEC for charity funded research and is allocated in proportion to the amount of competitively-won charity research income each institution receives – i.e. if they secured 10% of Scotland's charity research income they will be allocated 10% of this grant. SFC is allocating £25 million to REGc in 2017-18. SFC uses data relating to AY 2012-13 to AY 2014-15 to calculate REGc.

69. As detailed in the OA funding letter for universities for 2017-18 on 5 May 2017, the budget for the Research Excellence Grant (REG) was maintained at £231.8 million.
70. The calculation of REGa remains unchanged from AY 2016-17, whereas REGb and REGc have been updated in line with the latest three year Higher Education Statistics Agency (HESA) data on charity and non-charity research income.
71. AY 2017-18 will be the first year of the new REG model being fully implemented. University REG allocations for AY 2017-18 are shown in Table 6.
72. More information on the details of the [revised REG funding model](#) is on the SFC website.

### **Research Postgraduate Grant**

73. The Research Postgraduate Grant (RPG) is provided to universities to invest in the environment for high quality research training and development, and enhance the contribution of postgraduate research students to the research base in Scotland. The investment by SFC in the RPG is an explicit recognition of the significant role played by research students in the continued development of Scotland's high-quality research base.
74. The RPG is allocated formulaically to universities in proportion to enrolments of research postgraduate students eligible for funding weighted by subject costs as follows:  $RPG = \text{Research student eligible for funding enrolments} \times \text{cost weight}$ .
75. As detailed in the OA funding letter for universities for 2017-18 on 5 May 2017 we maintained the RPG budget at £34.6 million. The distribution of funding has been updated in line with research postgraduate student numbers for AY 2014-15 and AY 2015-16, derived from the HESA student numbers.
76. More information on the [Research Postgraduate Grant](#) is on the SFC website.

### **University Innovation Fund**

77. The budget for the University Innovation Fund (UIF) has been maintained at £12.2 million for AY 2017-18. The University Innovation Fund (UIF) was introduced in AY 2016-17 to replace the Knowledge Exchange Grant and Knowledge Transfer Grant. The UIF supports the reform and simplification of the innovation support landscape in the university sector, in line with Scottish Government priorities.
78. The UIF is made up of two strands; a baseline allocation ('Platform Grant') of £250,000 to each university with the remainder distributed as a variable

element ('Outcomes Grant'). The Outcome Grant is currently modelled on universities' capacity for knowledge exchange and remains unchanged from the AY 2016-17 allocations, conditional on universities pro-actively engaging with the UIF approach through the Outcome Agreement process. University UIF allocations for AY 2017-18 are shown in Table 6.

## **Capital**

79. As set out in the final Outcome Agreement Funding Allocations for AY 2017-18, SFC has a total capital budget of £47.3 million in Financial Year (FY) 2017-18, of which £15.3 million has been allocated for Capital Maintenance and £16.8 million for DBEIS Research Capital funding (which will be matched by £16.8 million from DBEIS).

## **Capital Maintenance**

80. The Capital Maintenance grant of £15.3 million is split in proportion to a university's share of the Main Teaching Grant (as per column 9 of Table 2 of the final Outcome Agreement Funding Allocations).

## **SFC Research Capital and DBEIS Research Capital**

81. Research capital allocations are based on institutions' five-year average Research Council income. The allocation is restricted to those universities who would receive more than £100,000 on the first run of the model. As noted above, SFC agreed with universities receiving research capital grant to transfer funding from Capital Maintenance to Research Capital; in proportion to their initial research capital allocation and with all universities increasing their allocations by a similar percentage.
82. The SFC research capital budget (after any adjustments) is £16.8 million and this will be matched by £16.8 million from DBEIS.

## **Further information**

83. Please contact Duncan Condie, Senior Funding Policy Officer for further information, tel: 0131 313 6671, email: [dcondie@sfc.ac.uk](mailto:dcondie@sfc.ac.uk).