



# SFC Guidance

## Outcome agreement funding for universities for AY 2018-19: additional guidance

Issue date: 18 May 2018

Reference: SFC/AN/10/2018

Summary: Additional detailed guidance on the final funding allocations for university outcome agreements in AY 2018-19

FAO: Directors of Planning and Finance Directors at Scotland's universities

Further information: **Contact:** Duncan Condie  
**Job title:** Senior Funding Policy Officer  
**Department:** Finance  
**Tel:** 0131 313 6671  
**Email:** [dcondie@sfc.ac.uk](mailto:dcondie@sfc.ac.uk)



Scottish Funding Council  
Promoting further and higher education

Scottish Funding Council  
Apex 2  
97 Haymarket Terrace  
Edinburgh  
EH12 5HD  
T 0131 313 6500  
F 0131 313 6501  
[www.sfc.ac.uk](http://www.sfc.ac.uk)

## **Outcome agreement funding for universities for AY 2018-19: additional guidance**

### **Purpose**

1. This section provides further detailed guidance on the Final Outcome Agreement Funding allocations for AY 2018-19, setting out additional details on the methodologies used in calculating universities' funding allocations.

### **Review of the Main Teaching Grant**

2. In the final funding announcement for AY 2017-18 ([SFC/AN/09/2017](#)) we stated our intention to remove the tolerance threshold associated with the validation model, and during the course of AY 2017-18 SFC has consulted with a representative group of planners and finance directors on the feasibility of moving to a price × place model for AY 2018-19, and also on updating both the relativities between price groups and the mapping of cost centres to price groups.
3. As a result of the work undertaken with the representative group it was agreed that there should not be a move to a price × place model for AY 2018-19. Furthermore it was agreed that there would be no update of the relativities between price groups or the mapping of cost centres to price groups for AY 2018-19. SFC did undertake an exercise with universities to update their funded places, on a cost neutral basis, to better match the actual profile of their student population. We have used these updated funded places in the calculation of Main Teaching Grant for AY 2018-19.

### **Main Teaching Grant – validation model**

4. 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.
5. 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**

6. 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.

7. 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.
8. The new SFC price groups were introduced in AY 2012-13 with a +/-5% tolerance threshold, which was subsequently reduced to +/-4% and then +/-2% in AY 2017-18. The tolerance threshold has been retained at +/-2% for AY 2018-19.

### Validating Main Teaching Grant for AY 2018-19

9. SFC uses the previous year's final Main Teaching Grant as a starting point in the Main Teaching Grant calculation. The Main Teaching Grant is then adjusted for selected 2017-18 funding which has been recalculated or is not applicable in 2018-19 (i.e. the funding for expensive strategically important subjects, adjustments to funding received from the validation model, and transitional funding for changing the tolerance threshold in the price validation model), any changes to fees (reduction for assumed taught postgraduate tuition fee), and the general uplift to give a sub-total for validation which provides the basis for the calculation of this year's Main Teaching Grant. The final teaching grant allocation 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 of the final Outcome Agreement Funding Allocations for AY 2018-19.



### *Selected 2017-18 funding*

10. The selected 2017-18 funding which is backed out to reach the sub-total for validation are the compensation for expensive strategically important subjects, price validation adjustment for 2017-18, and transitional funding for changing the tolerance threshold in the price validation model ([final funding allocations for university outcome agreements in academic year 2017-18, Table 2, columns 3, 4 and 6](#)).

### ***Changes to taught postgraduate tuition fees***

11. 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, following a transitional year in AY 2017-18. For TPG provision in price group 6 the assumed fee of £5,500 is higher than the gross price of £5,323, consequently we have set the assumed fee for price group 6 at the level of the gross price. We are not changing the assumed fee for funded places that are considered TPG at undergraduate fee and the additional places for TPG skills and Innovation Centres are still funded at gross price, i.e. these places do not attract a tuition fee.
12. The adjustment for taught postgraduate fees is calculated as the difference between a university's assumed tuition fee income (see paragraphs 17 to 18 below) if either £5,500 or £3,400 is used for the 'Other Taught Postgraduate' fee.

### ***General uplift***

13. The general uplift is calculated by multiplying the final AY 2017-18 Main Teaching Grant allocations (less selected 2017-18 funding and changes to TPG fees (see paragraph 9 above) by 3.244%.

### **Adjustment for price group validation**

14. 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 × price model. The total funded places for validating exclude any changes to the funded places, for example updates to the places for the controlled subjects or additional places allocated for strategic priorities.
15. Each university's updated profile of 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 tuition fees that the university will receive) to calculate validated gross resources for teaching. The prices for 2018-19 for the six price groups are as follows:

Price group	1	2	3	4	5	6
Gross price (£)	16,875	9,575	8,486	7,387	6,530	5,323

16. 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 to bring them within that tolerance threshold (column (8) of Table 2 of the final Outcome Agreement Funding allocations).

### **Assumed tuition fee income**

17. 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.
  
18. We then use the most recent HESA and Early Statistics 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).

### **Compensation for expensive strategically important subjects**

19. Universities should only charge rest of UK (rUK) students a maximum fee of £9,250 for new students (starting their studies in AY 2017-18 or AY 2018-19) and £9,000 for continuing students (started their studies prior to AY 2017-18). 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 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.

20. 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	16,875	16,875-9,250	7,625.00
1	Continuing	16,875	16,875-9,000	7,875.00
2	New	9,575	9,575-((9,250 * 3) / 4)	2,637.50
2	Continuing	9,575	9,575-((9,000 * 3) / 4)	2,825.00
3	New	8,486	8,486-((9,250 * 3) / 4)	1,548.50
3	Continuing	8,486	8,486-((9,000 * 3) / 4)	1,736.00

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

- Full-time Equivalent (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 £1,548.50/£1,736.
- FTE number of funded places associated with rUK students removed from price group 2 between AYs 2012-13 and 2017-18 multiplied by £2,637.50/£2,825.
- FTE number of funded places associated with rUK students removed from price group 1 between AYs 2012-13 and 2017-18 multiplied by £7,625/£7,875.

### Changes to funded places for AY 2018-19

#### *Articulation*

22. We have allocated an additional 33 FTE places for the purposes of articulation. A summary of the total additional articulation places awarded since AY 2013-14 is available at column (10) of Table 3.

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

23. We have also made the following changes to non-controlled funded places (columns (4) to (6) of Table 3 of the final Outcome Agreement Funding allocations):
- 100 FTE places from the University of the Highlands and Islands (price group 4) 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.

- Changes to the funded places for Innovation Centres are set out below:

University	Innovation Centre	Price Group	Change in funded places
Edinburgh Napier	Construction	5	+5 FTE
Edinburgh	Data Lab	4	+25 FTE
Glasgow	CENSIS	2	-15 FTE
Heriot Watt	Oil and Gas	2	-30 FTE
Strathclyde	Digital Health	4	+5 FTE

### Changes to controlled funded places

24. We have published intake letters for the controlled subjects of Medicine, Dentistry, Pre-registration Nursing & Midwifery, and Initial Teacher Education. The published intake letters are available here:

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

25. Funded places for the controlled subjects are set out in Table A2b (SFC funded) and A2c (Scottish Government funded) with the overall changes in SFC funded places for each university from AY 2017-18 set out in Table 3, column 7.

26. The methodology used for calculating the funded places for each of the controlled subjects is outlined in the individual sections below.

### Scottish Government funded controlled places – Medicine

27. 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 proposed funded places for both Pre-clinical and Clinical medicine.

28. The intake targets for Medicine relate to Scottish domiciled, EU, and rUK students. To calculate the proposed 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.

29. Proposed 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 × 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 × year 1 to year 2 retention × 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.

30. The Pre-clinical Medicine funded places are the sum of year 1 funded places and year 2 funded places (for University of St Andrews this is years 1, 2 and 3).
31. The Clinical Medicine funded places are the sum of the funded places for years 3, 4, and 5.
32. Once SFC has calculated the proposed funded places the modelling is shared with each university, along with colleagues in Scottish Government Health Workforce and Strategic Change Directorate. Universities are asked to comment on their proposed allocation of funded places and if they feel that they do not accurately reflect the number of students who should be funded then contextual information should be provided to SFC to support this. SFC will then discuss any contextual information which has been provided with Scottish Government colleagues before coming to a final decision on the number of funded places to be allocated to each university.

### **Scottish Government funded controlled places – Dentistry**

33. 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 proposed funded places for both Pre-clinical and Clinical dentistry.
34. The intake targets for Dentistry relate to Scottish domiciled, EU, and rUK students. To calculate the proposed 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 proposed number of funded places for year 1 of the course.

35. Proposed 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 × 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 × year 1 to year 2 retention × 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 proposed Pre-clinical Dentistry funded places equal the year 1 funded places.
37. The proposed Clinical Dentistry funded places are the sum of the funded places for years 2, 3, 4, and 5.
38. Once SFC has calculated the proposed funded places the modelling is shared with each university, along with Chief Dental Officer and Dentistry Division colleagues. Universities are asked to comment on their proposed allocation of funded places and if they feel that they do not accurately reflect the number of students who should be funded then contextual information should be provided to SFC to support this. SFC will then discuss any contextual information which has been provided with the Chief Dental Officer before coming to a final decision on the number of funded places to be allocated to each university.

### **Scottish Government funded controlled places – Initial Teacher Education**

39. The Scottish Government Learning Directorate carries out an annual workforce planning exercise to determine how many students are required to train as teachers 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.
40. 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 Initial Teacher Education (ITE) routes:
    - Undergraduate Primary.
    - Undergraduate Secondary (Music, PE and Technology).
    - PGDE Primary.
    - PGDE Secondary.
    - Other newly developed routes, including Combined Degrees in Education.
  41. 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 or where specific new routes have been developed.
  42. To deliver the required teachers in different secondary subjects, we allocate some places through the undergraduate route (as detailed above) and, from 2016-17, a number of new routes into secondary teaching were introduced. However, the majority are delivered through the PGDE route. The Scottish Government sets a national intake target for each subject. Universities are then allocated individual targets for each subject and asked to meet this subject target through a combination of PGDE and the new routes.
  43. We use the recommended intakes for ITE courses to calculate a proposed allocation of funded places for each university for each ITE course. In deriving the proposed 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.
  44. For multi-year ITE courses, 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). The retention rates are calculated separately for each university.
  45. Once SFC has calculated the proposed funded places the modelling is shared

with each university. Universities are asked to comment on their proposed allocation of funded places and if they feel that they do not accurately reflect the number of students who should be funded then contextual information should be provided to SFC to support this. If required, SFC may discuss any contextual information which has been provided with Scottish Government Learning Directorate colleagues before coming to a final decision on the number of funded places to be allocated to each university.

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

46. 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 proposed funded places for both three year and Honours Nursing and Midwifery Pre-registration Education.
47. 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 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”.
48. 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 proportion of the intake who were rUK in the previous years. We are looking at 1 year of rest of UK data to recognise that the ending of the reciprocal arrangement from AY 2017-18 may affect the decision of rUK students to study in Scotland. This calculation gives the number of funded places for year 1 of the course.
49. 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 three year 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 of students eligible for funding 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.

50. The proposed allocation of funded places for three year nursing provision equals the sum of the funded places for years 1, 2 and 3.

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

51. 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.
52. SFC is therefore allocating additional funded places in AY 2018-19 for an additional intake of 388 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 2018-19 we have allocated 194 FTE places for the AY 2018-19 intake along with 135 FTE for students continuing from the AY 2017-18 intake. We are also allocating an additional 198 places for full-time Higher National Certificate (HNC) students (198 FTEs) which will be delivered by the University of the Highlands & Islands (UHI).

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

53. The Scottish Government has advised SFC that it will continue to fund a student intake for two pre-medical entry courses in AY 2018-19. 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 has written separately to both universities to confirm the specific conditions of grant associated with these places.

### **Small Specialist Institutions**

54. 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.

55. The Royal Conservatoire of Scotland is 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 2018-19 RCS receive a premium of £6,149 per place associated with provision at undergraduate level. 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.
56. For 2018-19, the SSI grant totals £9.8 million (see Table 4).

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

57. 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 2018-19, the Widening Access and Retention Fund (WARF) amounts to £15.0 million in total (see Table 4).
58. 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.
59. 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 Innovation

60. 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.
61. We have set aside a budget for research and innovation (including Research Excellent Grant, Research Postgraduate Grant, and University Innovation Fund) of £284.6 million in AY 2018-19.

## Research Excellence Grant (REG)

62. 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 (REF2014), 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.
63. REG is made up of three separate component grants.

REG = REGa + REGb + REGc where:

- REGa: supports quality and is allocated on volume, quality and a subject weighting. It is calculated at each of the 36 units of assessment for each institution and then summed. Further detail on this calculation is provided below. SFC is allocating £169.8 million to REGa in AY 2018-19.
- REGb: is allocated in proportion to the amount of non-charity research income each institution receives – i.e. if they secured 10% of Scotland's non-charity research income they will be allocated 10% of this grant. SFC is allocating £40.7 million to REGb in AY 2018-19. SFC uses data relating to AY 2012-13 to AY 2015-16 to calculate REGb.

- REGc: 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 competitively won charity research income they will be allocated 10% of this grant. SFC is allocating £25.5 million to REGc in 2018-19. SFC uses data relating to AY 2012-13 to AY 2015-16 to calculate REGc.

64. The overall budget for the Research Excellence Grant (REG) for AY 2018-19 has been set at £236.0 million.

**REGa**

65. REGa is allocated based on volume, quality and unit of assessment (subject weightings).

66. Volume is measured as the FTE number of Category A Research Active Staff submitted for assessment to the REF for each unit of assessment, at each university. Category A Research Active Staff were defined in REF2014 as “academic staff with a contract of employment of 0.2 FTE or greater and on the payroll of the submitting HEI on the census date (31 October 2013), and whose primary employment function is to undertake either ‘research only’ or ‘teaching and research’.”

67. Quality is based on the quality of research submissions to REF2014 at 4\* (world leading) through to 1\* (recognised nationally). SFC derives a Weighted Average Quality rating for each unit of assessment at each university according to the weightings set out in the table below. The percentage of submissions at each quality level is multiplied by the relevant weighting and then divided by 100 to produce a Weighted Average Quality measure.

Quality Rating	Description	Weighting
Unclassified		0
1*	Recognised Nationally	0
2*	Recognised Internationally	0
3*	Internationally Excellent	1
4*	World Leading	3

68. The subject weightings for the unit of assessment are set out in table B1.

69. A Departmental Rating is produced for each unit of assessment at each university as follows:

- Subject weighting multiplied by Volume (FTE number of Category A Staff) multiplied by Weighted Quality.

70. The funding attributed to REGa is split between core £163.9 million, and additional Science, Technology, Engineering, Maths and Medicine (STEMM) £5.9 million. The core REG allocation is calculated by apportioning the total core funding to each unit of assessment at each university in proportion to their share of the total Departmental Rating for all universities. The additional STEMM funding is allocated in a similar manner but by only looking at the units of assessment for STEMM subjects.

### ***REGb and REGc***

71. The introduction of the new Finance Reporting Standards (FRS) 102 means that from AY 2015-16 there has been a change in the way universities can choose to report research income. This is considered likely to result in greater year-on-year fluctuations in reported income. To calculate REG allocations for AY 2018-19, SFC would normally use income data relating to AY 2013-14 to AY 2015-16 to calculate REG(B) and REG(C). FRS 102 therefore impacts on institutional REG funding allocations for AY 2018-19.
72. Following on from the publication of the indicative funding announcement in February, we have consulted with universities through a sub-group of finance directors and Universities Scotland on the ways in which fluctuations on reported income could be mitigated; and also the way in which income that would previously have been reported over several years should be taken account of in the model without unbalancing the allocations. Following these discussions we have amended the model such that:
- We now take into account the most recent 4 years of research income (Higher Education Statistics Agency (HESA) data on charity and non-charity research income).
  - Deferred capital grant balances, which prior to FRS 102 would have been treated as income but have been taken directly to reserves, will be attributed over a 10 year period.

### **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 in proportion to institutions' weighted FTE number of research postgraduate students eligible for funding. HESA data is used to split a research postgraduate student's FTE over the REF unit(s) of

assessment associated with the student's supervisor(s). The units of assessment are weighted using the subject weightings used to inform allocations of part A of the Research Excellence Grant, see table B1.

75. If the student is not associated with units of assessment then subject weights are applied to the student's subject(s) of course aim. The subject weights for part A of the Research Excellence Grant are applied to the subject areas as follows:
- Weight of 1.6: Clinical and Veterinary Practice; Engineering and Technology; Science; Computing and Information Science.
  - Weight of 1.2: Creative Arts and Hospitality; Other Health and Welfare; Built Environment; Mathematics, Statistics and OR.
  - Weight of 1.0: Education; Humanities, Languages and Business; Social Sciences.
76. The RPG budget has been set at £35.2 million, and the distribution of funding has been updated in line with research postgraduate student numbers for AY 2015-16 and AY 2016-17, derived from the HESA student numbers.

### **University Innovation Fund**

77. The budget for the University Innovation Fund (UIF) has been increased to £13.5 million for AY 2018-19. 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, proportionately, unchanged from the AY 2016-17 allocations, conditional on universities proactively engaging with the UIF approach through the Outcome Agreement process. University UIF allocations for AY 2018-19 are shown in Table 6.

### **Capital**

79. The Scottish Government's budget bill for FY 2018-19 provided an HE Capital budget of £41.2 million. This supports a Capital / Maintenance Grant of £18.2 million and SFC's £16.8 million match funding for research capital grant from the UK Department for Business, Energy & Industrial Strategy (DBEIS). This also helps SFC to fulfil commitments to SRUC (highest priority backlog maintenance) and GSA (loan support), and allow a small amount of estates

development funding. This breakdown is set out below:

<b>Capital budget</b>	<b>£ million</b>
Capital/Maintenance grant	18.2
SRUC	1.8
GSA loan support	3.8
Estates development funding	0.6
Research Capital Grant – SFC match	16.8
<b>Total HE Capital</b>	<b>41.2</b>
Research Capital Grant – from DBEIS	16.8
Financial Transactions	40.0
<b>Total capital funding for universities</b>	<b>98.0</b>

80. The budget also provided Financial Transactions funding of £40 million which, together with the £16.8 million research capital grant from DBEIS, provides an overall capital funding budget for universities in FY 2018-19 of £98.0 million.
81. Following a recently completed review, SFC now has 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 plan to enhance that evidence base during the course of FY 2018-19 to include information on the sector’s backlog maintenance needs.

### **Capital/Maintenance Grant**

82. The sector Capital/Maintenance Grant for FY 2018-19 has been set at £18.2 million as shown in Table 8. Universities will be required (as a condition of grant) to demonstrate how these funds contribute towards Scottish Government wider strategic priorities.
83. This grant is allocated pro-rata to a university’s share of its Main Teaching Grant. SFC committed to review this distribution model to determine whether there was a better proxy for institutional need that could be operated. We have looked at a number of alternative options but, as an interim arrangement, have decided to retain the current distribution model for FY 2018-19 (as shown in Table 8).
84. We will continue to consider alternative distribution models in more detail prior to potential implementation in 2019-20. Following discussion between SFC and the university sector, and building on the evidence base SFC now has, we are exploring whether there are better proxies for institutional need or ways of allocating against strategic priorities.

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

85. 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.
86. 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**

87. 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).