



Scottish Funding Council  
Comhairle Maoineachaidh na h-Alba

## Indicative university funding allocations AY 2021-22

# SFC Announcement

Issue Date: 24 March 2021

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Summary: Announcement of indicative funding allocations for universities for Academic Year 2021-22.

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## Indicative university funding allocations for AY 2021-22

### Purpose

1. I am writing to announce Scottish Funding Council (SFC) decisions on the indicative funding allocations for universities for the forthcoming Academic Year (AY) 2021-22.
2. The current [guidance letter](#) of 19 March 2021 from the Minister for Further Education, Higher Education and Science outlines the Scottish Government's policy priorities for SFC. These indicative funding allocations take account of those priorities.
3. The indicative funding allocations set out in this announcement are based on the Scottish Government's draft [Scottish Budget 2021-22 announcement](#) on 28 January 2021 which was approved by the Scottish Parliament on 9 March 2021. SFC provides indicative allocations to help universities plan for the forthcoming AY. Final allocations will be published by the end of May.

### Policy drivers

4. In considering these indicative allocations we are aiming to achieve a number of policy objectives:
  - To provide additional funded places for Scottish students to support productive learning opportunities at a time of significant economic and social turmoil – in these emergency years, to sustain a pipeline of educated and skilled people who will be critical for our recovery, and to respond to increased demand from school leavers in the period 2020-22.
  - To protect and promote the Graduate Apprenticeship programme, and for the first time deliver this programme through SFC's funding lines, working closely with Skills Development Scotland (SDS) in this transitional year.
  - To recognise the financial uncertainty and sustainability challenges facing the university sector by securing a general uplift in teaching grants for all universities. Given our collective national endeavour, we will expect universities to increase, or at least maintain, student intakes, particularly for school leavers.
  - To secure wider socio-economic impacts through our widening access funding, our funding for small specialist institutions and our programmes for minority cohorts of students with particular needs.
  - To move towards a fairer and more transparent methodology by abolishing the complex validation and threshold model, as part of the reforms outlined in our phase one Review report.

- To protect the university research base, including through a specific increase in research funding, but also, indirectly, through the increase in teaching grants, given the level of cross-subsidisation within the higher education system.

### **Key points**

5. The key points in this indicative funding announcement are:
  - SFC's Revenue budget for AY 2021-22 has increased by 5.9% (£61.6 million) from AY 2020-21 [paragraphs 9-11].
  - Teaching funding has increased by 7.7% (£52.7 million) [paragraph 12].
  - Research and Innovation budgets have received an increase of 1.5% (£4.4 million) [paragraphs 52-53].
  - Funding for other programme funding has increased by 7.2% (£3.9 million) [paragraph 59].
  - Capital maintenance funding has been broadly maintained, in cash terms, at the same level as last year [paragraphs 60-61].

### **Scottish budget FY 2021-22**

6. The Scottish Government's approved Scottish Budget for 2021-22 set a Higher Education (HE) Resource (revenue) budget for Financial Year (FY) 2021-22 of £768.2 million plus an HE Capital budget of £346.7 million, of which £305.4 million is to be used to support research. Taken together this is a total increase of £29.4 million (2.8%) from FY 2020-21.
7. In addition, the Scottish Government has allocated a further £27.0 million following the publication of the UK Government's Budget on 3 March 2021 and the resultant Barnett consequentials. In total this provides an HE Resource (revenue) budget for FY 2021-22 of £795.2 million which, together with the HE Capital Budget earmarked for research, provides a total increase of £56.4 million from FY 2020-21.
8. The overall HE Capital budget (excluding the funding set aside for research above) is set at £41.3 million; an increase of £0.1 million (0.2%) from FY 2020-21, and the HE Financial Transactions budget has been set at £22.1 million; a reduction of £32.9 million (-59.8%).

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

9. In setting SFC's Academic Year (AY) budget for 2021-22, we span two Financial Years (FYs); 2021-22 and 2022-23. The revenue budgets for FY 2021-22 announced by the Scottish Government and the Capital budget earmarked for

research are converted into AY budgets by taking account of the proportion of the FY 2021-22 budgets that are already committed to the current AY 2020-21. It also involves a forecast of the next FY budget for 2022-23, which we have assumed will not increase (in cash terms) beyond the current FY 2021-22 level. We have also assumed that the Barnett consequentialia have been provided on a one-off basis.

10. Last year, in setting AY 2020-21 budgets, SFC had assumed 'flat-cash' settlements for FY 2021-22. The actual increased settlements for FY 2021-22 announced by the Scottish Government therefore further increase SFC's AY 2021-22 budgets, on a non-recurrent basis.
11. On that basis, SFC has set a university revenue budget for AY 2021-22 of £1,112.4 million, which represents an increase of £61.6 million (5.9%) compared with AY 2020-21.
12. Overall Teaching funding has been set at £737.0 million; an increase of £52.7 million (7.7%) from AY 2020-21. Research and Innovation funding has been set at £294.4 million; an increase of £4.4 million (1.5%). AY 2021-22 budget allocations are shown in Table 1.

### **Teaching funding**

13. Total teaching funding allocated to universities for AY 2021-22 (excluding funding for Fee Anomalies and APUC) has been set at £734.0 million; an increase of £52.7 million (7.7%) from AY 2020-21. This is shown in Table 4 and includes the Main Teaching Grant, the Widening Access and Retention Fund, funding for Small Specialist Institutions, the Disabled Students Premium and Upskilling funding. This also includes funding for pensions (see paragraphs 39-44).

### **Main Teaching Grant**

14. Main Teaching Grant for AY 2021-22 has been set at £693.3 million; an increase of £51.5 million (8.0%) from AY 2020-21. Individual university allocations are shown in Table 2.

### **Teaching Subject Prices**

15. Teaching subject prices have increased by 1.5% from AY 2020-21 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>
2020-21 price (gross)	£17,155	£9,734	£8,627	£7,510	£6,639	£5,411
<b>2021-22 price (gross)</b>	<b>£17,412</b>	<b>£9,880</b>	<b>£8,756</b>	<b>£7,623</b>	<b>£6,739</b>	<b>£5,492</b>

16. Our gross subject prices for AY 2021-22 include the following assumed level of tuition fees for 'home fee' students, which are unchanged from AY 2020-21:
- Full-time First Degree: £1,820
  - Other Undergraduate: £1,285
  - Taught Postgraduate: £5,500
17. As a result of the changes to the subject prices above, there is an uplift to the core teaching grant of 2.0%.

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

18. SFC calculates universities' Main Teaching Grant based on the previous year's teaching funding – adjusted for any changes in policy – validated against a 'price × place' model, which also takes into account the assumed student tuition fees that universities will receive from Student Awards Agency Scotland (SAAS) and other sources for our funded places.
19. Since the validation model was introduced in AY 2012-13, it has always been our intention to revert to a simpler, more transparent, and fairer approach, by transitioning back to a more straightforward price × volume model. SFC outlined this in our Review phase one report as an area for reform. Given the budget settlement we are taking the opportunity to remove the validation model.
20. To ensure that no university loses funding as a result of this measure, we have allocated additional funded student places to each university whose funding would have reduced, based on their existing profile of non-controlled funded places. In total we have allocated 1,528.4 Full-Time Equivalent (FTE) funded places to offset the total reduction in Main Teaching Grant, for those universities who would lose out. The total cost of removing the validation model alongside the award of additional places for AY 2021-22 is £8.0 million.



### ***Funded places for additional school leavers***

21. In AY 2020-21 SFC allocated 1,297 FTE funded student places and £7.2 million for additional school leavers recruited by universities as a consequence of the SQA grades awarded in 2020 (announced in the [allocation of additional SQA places in AY 2020-21](#) published on 5 March 2021). SFC will continue to fund those additional places in AY 2021-22 and in addition will fund a further 2,500 FTE additional funded places for students starting their studies in AY 2021-22. The additional 2,500 funded student places will be allocated in proportion to universities' existing profile of funded places and will amount to £13.9 million in additional funding.
22. SFC is in discussions with Scottish Government colleagues regarding additional funded places for the Health controlled subjects in AY 2021-22. All additional students eligible for funding in Medicine will be funded, and we are awaiting confirmation on the additional students who will be funded for Pre-registration Nursing & Midwifery and Paramedic Education.

### ***Graduate Apprenticeships***

23. From AY 2021-22 SFC will take over the responsibility for the funding of Graduate Apprenticeships (GAs) in Scotland's universities. 1,393 FTE funded student places will be allocated in total; distributed amongst universities based generally on their past provision of GAs, adjusted on the basis of their capacity to deliver this commitment. Universities will receive £7.0 million of associated funding for this activity.

### ***Minimum increase in funded places***

24. Given the pressures that universities currently face in meeting the demand for student places in AY 2021-22, we have allocated an additional 407.3 FTE funded places in order that the number of non-controlled funded places at every university will increase by a minimum of 4%. These additional places have been allocated in proportion to universities' existing profile of non-controlled funded places. As a result of this increase universities will receive an additional £2.3 million.

### ***European Union student places***

25. In July 2020, Scottish Ministers confirmed that as a result of Brexit, HE students coming from the European Union (EU) to attend Scottish universities will no longer qualify for tuition fee support beyond AY 2020-21 and 'home fee' status for EU students will end from AY 2021-22 onwards. The free tuition fee arrangement for Republic of Ireland (RoI) students will also end from AY 2021-22. These students will no longer be eligible for SFC funding and instead should be treated in the same way as rest of UK (rUK) students in terms

of tuition fee charging, i.e. eligible for the rUK tuition fee rate from AY 2021-22 and can access a tuition fee loan from SAAS.

26. We have not adjusted funded student places at universities for AY 2021-22 to take account of this change. Any funded places 'freed-up' by this change can be used to increase the number of places for eligible students resident in Scotland.

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

27. Compensation for expensive strategically important subjects in AY 2021-22 amounts to £18.4 million (an increase of £0.8 million) and 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 students from the rest of the UK (rUK). For the purpose of this calculation it is now assumed that all rUK students will be charged a fee of £9,250 (SFC's modelling assumes that universities will receive three £9,250 fees for a 4 year degree in subject price groups 2 and 3). This is shown in Table 2.

### ***Embedding non-core funding***

28. SFC has embedded the 8 funded student places for the successful BA Performance in British Sign Language and English programme within the Royal Conservatoire of Scotland's (RCS) Main Teaching Grant from AY 2021-22. The programme was previously funded by an annual allocation of non-core funding of £0.2 million.
29. For AY 2021-22 the places and funding for the BA programme have been added to RCS' Main Teaching Grant, with the balance being added to their Small Specialist Institution Grant. The course's continued operation will be monitored through the outcome agreement process and annual data returns.

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

30. 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 and taught postgraduate skills places. There are no further allocations of additional places proposed for AY 2021-22.
31. SFC 'mainstreamed' the additional Widening Access places with 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 continue to meet the relevant Commission on Widening Access (CoWA) targets. Through our outcome agreement process, we have set and agreed institutional targets to ensure that those targets can be achieved.

32. Following a review, we announced 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. This was carried on to AY 2020-21 and remains the case for AY 2021-22.
33. Universities (and colleges) are therefore asked to continue with the current arrangements for AY 2021-22 and to meet the priorities set out by the Scottish Government 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.
34. 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.

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

35. SFC allocated an additional 1,195 FTE undergraduate (UG) and 832 FTE taught postgraduate (TPG) places for Skills between AY 2013-14 and AY 2017-18. There are no changes to the UG Skills places scheme for AY 2021-22, subject to satisfactory industry collaboration measures being agreed in outcome agreements.
36. From AY 2019-20 we removed the TPG Skills places – apart from a small number that were associated with students on part-time courses in 2018-19 whose studies were due to continue, which we would continue to support until the courses were complete. The associated funding was repurposed for an Upskilling fund to support new, shorter, more flexible courses aimed at upskilling people already in work and/or addressing skills shortages.
37. For AY 2021-22 we have removed the final places associated with part-time TPG Skills courses that have now been completed. A total of £7.0 million is therefore available for Upskilling in AY 2021-22 (see paragraph 43 below).

#### ***Innovation Centre TPG places***

38. 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 2021-22.

## **Widening Access and Retention Fund**

39. The Widening Access and Retention Fund (WARF) has been increased by £0.3 million (2.0%) to £15.6 million. Individual WARF allocations are shown in Table 4.
40. SFC consulted with the sector in 2019 on a planned review of WARF to implement and deliver on the CoWA recommendations. The review of WARF has now been incorporated into SFC's broader review of coherent provision and sustainability.

## **Small Specialist Institutions**

41. The Small Specialist Institution (SSI) Grant has been increased by £0.4 million (4.3%) to £10.6 million. Individual SSI allocations are shown in Table 4 and have been adjusted, as necessary, to reflect a baseline increase of 2.0% plus the further removal of TPG Skills places in AY 2021-22, additional funded places, and the balance of the funding associated with the BA Performance in British Sign Language and English funded places (see paragraphs 28-29).

## **Disabled Students Premium**

42. The Disabled Students Premium (DSP) has been increased by £0.1 million (1.9%) to £2.9 million. Individual DSP allocations are shown in Table 4.

## **Upskilling**

43. Funding for upskilling has increased by £0.4 million (5.7%) to £7.0 million. This reflects a further transfer of funding associated with the previous TPG Skills places (see paragraphs 36-37 above) and an uplift of 2.0% that has been applied to all teaching grants. Individual Upskilling Grant allocations are shown in Table 4.

## **Pensions contribution**

44. The teaching funding associated with the increasing costs of universities' Scottish Teachers' Superannuation Scheme has been uplifted by £0.1 million (2.0%) to £4.8 million.

## **Controlled subject intakes/funded places**

45. Following the receipt of guidance letters from the Scottish Government, SFC will publish AY 2021-22 intake targets for the controlled subjects of Initial Teacher Education, Pre-registration Nursing and Midwifery Education, Medicine, Dentistry and Paramedic Education. Associated funded student places will be confirmed in the final funding announcement in May.

### ***Initial Teacher Education***

46. SFC [published](#) its AY 2021-22 intake target letter for Initial Teacher Education (ITE) on 16 February 2021. This letter confirmed a recommended total ITE intake of 4,070 which is unchanged from AY 2020-21.

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

47. In support of the Scottish Government's plans to increase entitlement to free childcare, SFC will continue to allocate funded places in AY 2021-22 for continuing Childhood Practice students.
48. The numbers of places for AY 2021-22 have yet to be finalised with the Scottish Government but will be confirmed in the final allocations in May. We expect the Scottish Government will continue to meet the costs of this activity through additional ring-fenced funding.

### **Funding for Counsellors**

49. As part of its Programme for Government in responding to mental ill-health, the Scottish Government committed to providing funding for more than 80 additional counsellors in HE and FE over a four year period from AY 2019-20.
50. SFC expects a further year's funding for counsellors in universities to be announced in due course and will work with the Scottish Government to confirm funding for 2021-22.

### **Access to free sanitary provision**

51. SFC expects a further year's funding for the provision of free sanitary products in universities to be announced in due course and will work with the Scottish Government to confirm funding for 2021-22.

### **Research and Innovation Funding**

52. The Scottish Government budget announced a £4.5 million increase in the capital budget for 2021-22, £4.4 million of which is for research and innovation. We have provided an uplift of £1.4 million to the University Innovation Fund for AY 2021-22, an increase of 10.2%. The remaining £3.0 million uplift has been divided between the Research Excellence Grant and Research Postgraduate Grant proportionally.
53. Overall, research and innovation grant allocations for AY 2021-22 have received an uplift of 1.5%. University allocations are set out in Table 6 and are described in more detail below.

### **Research Excellence Grant**

54. Research Excellence Grant (REG) funding for AY 2021-22 has been set at £242.9 million; an increase of £2.6 million (1.1%) from AY 2020-21. Individual university allocations are shown in Table 5.

### ***Global Challenges Research Fund***

55. The UK Government's Department of Business, Energy and Industrial Strategy (BEIS) will not provide funding to SFC for the Global Challenges Research Fund (GCRF) in 2021-22. SFC is currently in discussion with key stakeholders as a result of this announcement. To mitigate the effects of the reduction to the GCRF budget, universities in receipt of GCRF from SFC for 2020-21 may use any remaining funds from their allocation, for its originally allocated purpose, up to the end of December 2021. Reporting deadlines have been adjusted accordingly.

### **Research Postgraduate Grant**

56. Research Postgraduate Grant funding for AY 2021-22 has been set at £36.3 million; an increase of £0.4 million (1.1%) from AY 2020-21. Individual university allocations are shown in Table 6.

### **University Innovation Fund**

57. University Innovation funding for AY 2021-22 has been set at £15.1 million; an increase of £1.4 million (10.2%) from AY 2020-21. Individual university allocations are shown in Table 6.

### **Other programme funding**

58. A portion of SFC's annual funding for universities is earmarked for other national services (including JISC, Quality Assurance Agency for Higher Education (QAA), and Advanced Procurement for Universities and Colleges (APUC), and strategic programmes which will allow SFC to meet all current awarded commitments. They will allow us to focus on intervention projects that support transformational change aligned to Scottish Government and SFC priorities (e.g. widening access), and projects where we can facilitate collaboration and leveraging of funds from other partners (e.g. Innovation Centres).
59. The budget for this funding in AY 2021-22 has been set at £58.2 million; a £3.9 million (7.2%) increase from the published AY 2020-21 budget of £54.3 million. Of this additional funding, a minimum of £1.8 million has been set aside for projects relating to research and innovation.

## Capital

60. The Scottish Government's FY 2021-22 budget provides an HE Capital budget of £41.3 million; an increase of £0.1 million (0.2%). The budget also provides Financial Transactions funding of £22.1 million, a decrease of £32.9 million (-59.8%) which, together with £16.8 million Higher Education Research Capital (HERC) Grant funding from BEIS (to be confirmed) which will be matched by SFC, provides an overall amount of capital funding expected to be available to universities in FY 2021-22 of £80.2 million, as shown below:

<b>Capital budgets</b>	<b>£ million</b>
Capital Maintenance Grant	16.8
Edinburgh Medical School	4.2
SRUC backlog maintenance	3.5
Research Capital Grant - SFC match (TBC)	16.8
<b>Total HE Capital</b>	<b>41.3</b>
Financial Transactions	22.1
Research Capital Grant – from BEIS (TBC)	16.8
<b>Total Capital funding for universities</b>	<b>80.2</b>

### **Capital Maintenance Grant**

61. The budget for Capital Maintenance Grant has been set at £16.8 million; which is unchanged from FY 2020-21. This grant is allocated pro-rata to a university's share of its Main Teaching Grant. Individual university allocations are shown in Table 8.

### **Research Capital Grant**

62. We have yet to receive confirmation on HERC grant funding from BEIS for FY 2021-22. Assuming the same level as FY 2020-21, research capital grant funding totalling £33.5 million (£16.8 million HERC from BEIS, matched with a further £16.8 million from SFC) will be allocated in FY 2021-22. We aim to confirm this position in the final funding announcement in May.

### **Financial Transactions**

63. SFC has £22.1 million of Financial Transactions (FT) funding available in FY 2021-22. However we estimate that a circa £34 million programme will be available in 2021-22, utilising an estimated c.£12 million of repayments. All FT funding will be directed towards climate emergency projects and further information on this programme will be announced in May.

## **Funding transfer to Student Awards Agency Scotland (SAAS)**

64. SFC anticipates a transfer of funding to SAAS totalling £22.8 million, an increase of £0.5 million to reflect increased demand for SAAS funding.

### **Tables**

65. We have attached the following indicative tables for AY 2021-22:

- Table 1 – University sector – overall budget
- Table 2 – Main Teaching Grant
- Table 3 – Funded student places
- Table 4 – Summary of grants for Teaching
- Table 5 – Research Excellence Grant
- Table 6 – Summary of grants for Research and Innovation
- Table 7 – Summary of grants for Teaching, Research and Innovation (compared with AY 2020-21)
- Table 8 – Capital Maintenance Grant (FY 2021-22)

### **Further information**

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