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Comhairle Maoineachaidh na h-Alba

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Indicative university funding allocations for AY 2023-24



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Table of Contents

Indicative university funding allocations for AY 2023-24	5
Purpose/background	5
Overview	5
Our approach to tertiary education and research funding	5
Scottish Budget 2023-24.....	7
Overall revenue funds available for AY 2023-24	7
Teaching funding	7
Main Teaching Grant	8
Teaching subject prices	8
Compensation for expensive strategically important subjects	9
Funded student places	9
Graduate Apprenticeship places	10
Additional funded places for widening access and articulation	10
Additional funded places for skills	10
Innovation Centre TPG places	10
Widening Access and Retention Fund	11
Small Specialist Institutions	11
Disabled Students Premium	11
Upskilling	11
Controlled subject intakes	11
Initial Teacher Education.....	11
Paramedic Education.....	12
Dentistry, Medicine and Nursing	12
Expansion of Early Years Education	12
Research and innovation funding.....	12
UIF uplift.....	12
Funding for counsellors	13

Access to free period products.....	13
Capital funding.....	13
Capital maintenance	13
Research capital	13
Digital poverty	14
Funding transfer to SAAS.....	14
Tables.....	14
Fair Work First	14
Further information.....	14

Indicative university funding allocations for AY 2023-24

Purpose/background

1. I am writing to announce Scottish Funding Council (SFC) decisions on the indicative funding allocations for universities for the forthcoming Academic Year (AY) 2023-24.
2. SFC provides indicative funding allocations to help universities plan for the forthcoming AY. The priorities outlined in our [2022-23 letter of guidance](#), alongside wider Scottish Government priorities, have guided us in determining these indicative allocations.
3. The indicative allocations set out in this announcement are based on the [Scottish Government's Financial Year \(FY\) 2023-24 Budget](#), which was approved by the Scottish Parliament on 21 February 2023.
4. We have engaged with several key sector groups in developing these indicative allocations. Following further consultation with the sector, we will publish final allocations by the end of May 2023.

Overview

5. SFC is maintaining a 'flat cash' resource budget for the university sector as a whole. In preparing our allocations to the sector, SFC has removed some funded places from a small number of institutions. These changes are in response to downward trends in students eligible for funding and institutional under-delivery forecasts for AY 2022-23. This has enabled us to raise the teaching subject prices by 0.4% and to strengthen our world-renowned small specialist institutions.
6. The Scottish Government's capital budget allocation, which includes research funding, has reduced by £7.3m.
7. The key points in this indicative funding announcement are:
 - Teaching funding for AY 2023-24 remains constant at £743.7m, in line with AY 2022-23.
 - Research and innovation funding has increased by £5.5m (1.8%).
 - Capital funding has decreased by £12.8m (-33.8%).

Our approach to tertiary education and research funding

8. The Scottish Government is currently consulting on its Purpose and Principles for post-school education, research and skills. This work will nest within the National Performance Framework and National Strategy for Economic Transformation, and take account of policies such as just transition, innovation and the wider reforms affecting

skills delivery, qualifications, and schools, and is due to be published in Spring 2023.

9. In considering these indicative allocations we will support several policy objectives:
 - To support the Scottish Government’s stated ambitions of tackling poverty, building a prosperous economy, and achieving net zero by 2045.
 - To secure coherent, quality tertiary education and skills provision that meets the needs of learners and employers, and contributes to economic and social objectives at regional, national and international levels.
 - To promote fair access to, and successful pathways through, tertiary education; and to support students to be successful and to participate in their education.
 - To sustain excellent discovery research, cross-disciplinary collaborations, and connected innovation that makes research useful and enhances entrepreneurial activity.
 - To invest in important strategic infrastructure – estates, digital, knowledge exchange – for sector-wide benefit.
 - To support the transition of the tertiary education, skills and research system towards greater financial sustainability and efficiency in the face of challenging pressures on public finances.

10. In terms of how we approach investment distribution we will:
 - Keep the interests of current and future students and researchers, and equalities, at the heart of our work.
 - Take a system-wide perspective.
 - Support local decision-making.
 - Secure quality and public value.
 - Be fair.
 - Balance the need for stability, responsiveness and change.
 - Be proportionate and targeted in our requirements and strive for transparency and efficiency.

11. In totality, we continue to distribute public funds through a hybrid system comprising:
- Formula-based core grants to institutions for learning and teaching in non-controlled subjects, and research and knowledge exchange.
 - Funding for controlled subjects where the Scottish Government sets overall numbers and budgets to be allocated across institutions.
 - Ring-fenced funds that Scottish Government has designated for specific purposes.
 - Strategic funds that support essential sector-wide infrastructure and programmes, nationally significant associated organisations or collections, and funding to support the transition to a financially sustainable system that continues to deliver for Scotland as a whole.
12. This publication deals with individual university allocations and is based on the [Scottish Government's Scottish Budget 2023-24](#), approved by the Scottish Parliament in February 2023.

Scottish Budget 2023-24

13. The Scottish Government's 2023-24 Budget set a university resource (revenue) budget for Financial Year (FY) 2023-24 of £809.2m; an increase of £20.0m (2.5%) from the FY 2022-23 budget which has been identified for strategic investment to support the transition to a financially sustainable system.
14. The University capital budget, including research funding, has been set at £340.7m, which represents a decrease of £7.3m (2.1%) from FY 2022-23. Within that budget, £315.6m is to support research and innovation. This includes £11.0m for Innovation Centres funded from our Strategic & Infrastructure Investment Fund (previously referred to as 'non-core funding').
15. The Financial Transactions budget has been set at £15.0m, which is a decrease of £7.1m (-32.1%) from FY 2022-23.

Overall revenue funds available for AY 2023-24

16. This announcement focuses on individual institutional allocations. For consistency of table numbering with previous years, Table 1 is not shown in this indicative funding announcement.

Teaching funding

17. Total teaching funding allocated to universities for AY 2023-24, has been set at £740.4m. This excludes the Fee Anomalies Grant and funding set aside to strengthen our world-leading small specialist institutions. This is shown in Table 4 and includes the Main Teaching Grant, the Small Specialist Institutions Grant, the Widening Access and

Retention Fund, funding for Upskilling, and the Disabled Students Premium.

Main Teaching Grant

18. Main Teaching Grant for AY 2023-24 has been set at £699.5m. This excludes funding set aside to strengthen our world-leading small specialist institutions. Indicative allocations for individual universities are shown in Table 2.
19. We have removed funded places from a small number of institutions in response to downward trends in students eligible for funding and under-delivery reported in the AY 2022-23 Early Statistics. In doing so we have continued to protect opportunities for Scottish students - see section below on funded student places. This approach has enabled us to provide a 0.4% increase to teaching subject prices and to set aside up to £1.5m to consider further the investment required by our world-leading small specialist institutions to sustain their international reputation, continued ability to attract talent and their national impact.

Teaching subject prices

20. As indicated above, teaching subject prices for AY 2023-24 have increased by 0.4% and are shown in the table below.

Subject Price Group	1	2	3	4	5	6
AY 2022-23 price (gross)	£17,673	£10,028	£8,887	£7,737	£6,840	£5,574
AY 2023-24 price (gross)	£17,741	£10,067	£8,921	£7,767	£6,866	£5,595

21. Our gross subject prices for AY 2023-24 include the following assumed level of tuition fees for 'home fee' students, which are unchanged from AY 2022-23:
 - Full-time First Degree: £1,820
 - Other Undergraduate: £1,285
 - Taught Postgraduate: £5,500
22. In November 2022, the Student Awards Agency Scotland (SAAS) announced that the maximum tuition fee loan rate for postgraduate students would increase from £5,500 to £7,000 from AY 2023-24. This announcement was made after many universities had set tuition fee rates for AY 2023-24. Therefore, for AY 2023-24 teaching funding allocations, SFC will make no change to its postgraduate tuition fee rate assumption. We will match the new SAAS fee loan rate in our tuition fee assumptions from AY 2024-25.

Compensation for expensive strategically important subjects

23. Compensation for expensive, strategically important subjects in AY 2023-24 amounts to £18.9m; an increase of £0.2m from AY 2022-23. This funding continues to reflect the difference between the teaching funding SFC allocates for higher subject price groups, and the annual tuition fee level that Scottish universities can charge students from the rest of the UK (rUK). (For the purpose of this calculation, it is assumed that all rUK students will be charged a fee of £9,250 and our modelling assumes that universities will receive three sets of £9,250 fees for a four-year degree in teaching subject price groups 2 and 3). This indicative funding is shown in Table 2.
24. As part of our Review of Coherent Provision and Sustainability, SFC remains committed to reviewing this compensation 'premium' to ensure its continued relevance.

Funded student places

25. As noted above, we have reduced non-controlled funded places for some institutions in response to downward trends in the number of students eligible for funding and under-delivery reported in the AY 2022-23 Early Statistics Return. Any reductions made are in proportion to the distribution of funded places across subject price groups and are applied to undergraduate and postgraduate places, in line with the reported under-delivery in the AY 2022-23 Early Statistics. In total, this reduces the number of non-controlled funded places by 1,000 FTEs in the sector. We have taken a measured approach, including the use of European Union (EU) places, to ensure that opportunities for Scottish students are maintained.
26. When EU students became ineligible for funding following the UK's exit from the EU, there was no corresponding reduction in the number of funded places in respect of those students. As previously funded EU students moved through the system and began to graduate, additional places became available for Scottish-domiciled students. The number of funded places now removed for AY 2023-24 is less than the notional change in the number of funded places previously associated with EU students between AYs 2022-23 and 2023-24.
27. In addition, any reduction made to an individual institution is significantly less than its reported level of under-delivery. It is also important to note that the allocation of funded places covers all years of study. Where the under-delivery relates to a reduced undergraduate intake for AY 2022-23, this smaller population will continue to work through as they progress into later years of study. Therefore the level of reductions applied will not affect intakes for Scottish undergraduate students in AY 2023-24. We expect that some institutions will need to plan for an increased intake to meet their reduced funded place target.
28. Indicative funded student places are set out in Table 3, with further detail provided in Table 10.

29. The change to funded places is a first step towards a more dynamic and forward-looking system. During 2023, we will work with the sector to develop a system that provides an indicative direction of travel for funded places over more than one year. Adjustments based on performance will focus more on the future direction of travel rather than relying so heavily on the retrospective recovery of funds due to under-delivery.

Graduate Apprenticeship places

30. Graduate Apprenticeships (GAs) remain a Ministerial priority for AY 2023-24 and the sector is expected to deliver 1,378 GA places. In AY 2022-23 SFC created a separate allocation of funded places for GAs through the redistribution of 'core' (non-controlled) funded student places. For AY 2023-24 we have not identified separate funded places for GAs and discussions are on-going with GA providers on volumes and frameworks for AY 2023-24. If there are changes to funded places, this will involve a redistribution between GA providers only and will be reflected in the final funding announcement.

Additional funded places for widening access and articulation

31. Streamlining the learner journey by encouraging articulation between colleges and universities remains a priority for SFC and the Scottish Government. SFC's additional articulation places (Associate Student) scheme continues to support this priority area, and there are no changes to the scheme for AY 2023-24.
32. Universities (and colleges) should continue with current arrangements to meet Ministerial priorities to expand articulation and ensure support continues for disadvantaged learners to progress to degree level study. SFC expects at least 75% of additional articulation/associate student funding for those years in which activity is delivered in colleges, to be transferred from universities to colleges. This will be monitored through the Outcome Agreement process.

Additional funded places for skills

33. In AY 2019-20 we repurposed the funding associated with the additional taught postgraduate Skills places, for an Upskilling Fund to support new, shorter, more flexible provision to enable institutions to respond to the needs of learners and business. The Upskilling Fund plays a key role in providing skills interventions that can be flexed to address the very significant employability and skills needs we know employers and employees will have over the coming period (see paragraph 39 below).

Innovation Centre TPG places

34. SFC continues to provide additional funded student places (205 FTEs) 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 funded places for AY 2023-24.

Widening Access and Retention Fund

35. The Widening Access and Retention Fund (WARF) for AY 2023-24 remains at £15.6m, which is unchanged from AY 2022-23. Indicative WARF allocations for individual universities are shown in Table 4.
36. We remain committed to working with the sector to devise a fair and inclusive approach to WARF – taking account of related funding – to ensure this fund is leveraged to best support student outcomes.

Small Specialist Institutions

37. The Small Specialist Institution (SSI) Grant for AY 2023-24 is £10.6m, which is unchanged from AY 2022-23. Indicative SSI Grant allocations for individual universities are shown in Table 4.

Disabled Students Premium

38. The Disabled Students Premium (DSP) for AY 2023-24 is £2.9m, which is unchanged from AY 2022-23. Indicative DSP allocations for individual universities are shown in Table 4.

Upskilling

39. Upskilling funding for AY 2023-24 is £7.0m, which is unchanged from AY 2022-23. Indicative Upskilling funding allocations for individual universities are shown in Table 4.

Controlled subject intakes

40. Upon the receipt of guidance letters from the Scottish Government, SFC publishes intake targets for the controlled subjects of Initial Teacher Education, Dentistry, Medicine, Paramedic Education, and Pre-registration Nursing and Midwifery Education. Associated funded student places will be confirmed in the final funding announcement at the end of May.

Initial Teacher Education

41. SFC published its [AY 2023-24 intake target letter for Initial Teacher Education \(ITE\)](#) on 14 March 2023. This letter confirmed a recommended total ITE intake of 4,070 places, which is a reduction of 200 places (-4.7%) from AY 2022-23.

Paramedic Education

42. SFC published [intake targets for Paramedic Education covering the period 2023-24 to 2025-25](#) on 21 March 2023. This letter confirmed a recommended total intake for AY 2023-24 of 335 places, which is the same as the intake target for AY 2022-23.

Dentistry, Medicine and Nursing

43. AY 2023-24 intakes for Dentistry, Medicine and Pre-registration Nursing & Midwifery have yet to be published.

Expansion of Early Years Education

44. In support of the Scottish Government's plans to increase entitlement to free childcare, SFC will allocate funded places in AY 2023-24 for continuing Childhood Practice students totalling 67 FTEs. A breakdown of the places and associated funding will be provided in the final funding announcement in May.
45. This allocation is subject to confirmation from the Scottish Government, who will continue to meet the costs of this activity through an additional ring-fenced grant.

Research and innovation funding

46. The Scottish Government announced a 2023-24 capital budget for research and innovation of £304.6m; a £5.5m (1.8%) increase from 2022-23.
47. The £5.5m uplift in research funding for 2023-24 has been used to increase the University Innovation Fund (UIF). We have maintained the existing platform grant (£250k per institution) and allocated the uplift in line with the current UIF model.
48. The overall budgets for the Research Excellence Grant (REG) and the Research Postgraduate Grant (RPG) remain at the same level as 2022-23. The REG limitations which ensured that no institution received a reduction of more than 10% in 2022-23 have been removed for 2023-24. Indicative research and innovations funding allocations for individual institutions are shown in tables 5 and 6.

UIF uplift

49. The University Innovation Fund (UIF) is SFC's primary mechanism for supporting Knowledge Exchange and Innovation (KE&I) activities in universities. To allocate this uplift we have maintained the platform grant for each institution at £250,000 and distributed the additional funding through the outcome element of UIF.
50. We will require institutions to report to us on how they will use that extra resource to support key priorities in AY 2023-24, including the National Strategy for Economic Transformation (NSET) and the Scottish Government's forthcoming Innovation Strategy.

Funding for counsellors

51. As part of its Programme for Government response 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 to AY 2022-23. SFC has allocated funding for AY 2022-23 up to March 2023 and is awaiting a budget from the Scottish Government to confirm the full year's funding (i.e. from April 2023 to July 2023). The Scottish Government is currently developing a Student Mental Health Plan that will set out government expectations in this area.

Access to free period products

52. The Scottish Government has advised that a further year's funding for the provision of free period products will be provided. Specific guidance, along with a breakdown of individual university funding allocations, will be published separately prior to the start of the new AY.

Capital funding

53. The Scottish Government's FY 2023-24 budget provides a university capital budget (excluding research and innovation funding) of £25.1m; a reduction of £12.8m (-33.8%) from FY 2022-23. An indicative breakdown of this budget is shown below.

Capital budgets	FY 2023-24 (£m)
Capital Maintenance grant	3.8
Edinburgh Medical School	4.5
HE Research Capital Grant – SFC match (<i>TBC</i>)	16.8
Total University Capital	25.1

Capital maintenance

54. The Scottish Government's budget results in a significant reduction to the university capital maintenance budget (from £16.8m to £3.8m). This reduced budget has been allocated in proportion to universities' share of Main Teaching Grant, in line with previous years. Indicative funding allocations for individual universities are shown in Table 8.

Research capital

55. We will confirm research capital grant funding, including the Higher Education Research Capital (HERC) funding provided by the UK Department of Science, Innovation & Technology, in the final funding announcement in May.

Digital poverty

56. The college capital budget includes £5.0m to support digital poverty, to be apportioned between colleges, universities and the community learning and development sectors, similar to FY 2022-23. The split of this funding for FY 2023-24 is being finalised with the Scottish Government.

Funding transfer to SAAS

57. SFC anticipates a transfer of funding to SAAS totaling £22.8m, which is unchanged from 2022-23.

Tables

58. We have attached the following indicative tables for AY 2023-24:

- Table 2 – Main Teaching Grant
- Table 3 – Funded student places
- Table 4 – Teaching grants
- Table 5 – Research Excellence Grant
- Table 6 – Research and Innovation Grants
- Table 7 – Teaching, Research and Innovation funding compared to AY 2022-23
- Table 8 – Capital Maintenance funding (FY 2023-24)
- Table 9 – Consolidation numbers
- Table 10 – Funded places to price groups

Fair Work First

59. The Scottish Government expects that all public bodies, and those in receipt of public funds, should be exemplars of [Fair Work](#) and that they should be able to demonstrate practices of Fair Work. As recipients of public funds, universities must be committed to Fair Work practices for staff (including any agency or sub-contractor workers) engaged in the delivery of activity associated with public funds.

Further information

60. If you require any additional information, please contact Richard Maconachie, Director of Finance, email: рмаconachie@sfc.ac.uk or Gordon Craig, Deputy Director, Tertiary Education Funding, email: grcraig@sfc.ac.uk, in the first instance.



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