

Education and Culture Committee
Scrutiny of the 2013-14 Draft Budget

Universities Scotland

Universities Scotland strongly welcomes the explicit commitment in the draft budget to investment in 'a university sector that is internationally competitive and truly excellent in world terms'. The 3 year settlement gives universities the necessary stability within which to plan and deliver a 'something for something' deal which addresses priorities identified by the Scottish Government for universities' contribution to a prosperous and inclusive nation.

Universities Scotland has been very clear in its recognition that the 2011 Spending Review made a significant investment in universities for the three financial years up to and including 2014/15, particularly when set against the overall pressures on the Scottish budget in the same period. The planned university allocation in the draft budget for 2013/14 is essential to keep the funding gap between universities in Scotland and England closed, and to maintain the competitiveness, quality and inclusiveness of Scottish university education.

This brief looks to address the areas of specific interest to the Committee in relation to the budget allocations as well as detailing why the level of planned investment in the university sector is of crucial importance. The brief is split into three broad sections, with some background data provided in a supporting Annex:

1. Delivery. Universities offering a clear return on investment as part of "something for something".

Universities are working to deliver a clear return on the three-year investment. Every one of Scotland's 19 universities has agreed or is finalising an outcome agreement with the Scottish Funding Council (SFC) which relates to academic year (AY) 2012/13. Signed by the Principal, the outcome agreements cover several areas of university activity as specified in the Cabinet Secretary's 2011 letter of guidance to the SFC including: widening access, retention, commercialisation and knowledge exchange, patterns of provision, the entrepreneurialism and employability of graduates and staff and student equalities. Many of these activities overlap with the Committee's areas of interest as part of the budget scrutiny.

The challenge of youth unemployment

- **A priority issue for universities.** Graduate employability is a priority for every one of Scotland's 19 universities and employability is fully embedded within university strategies for learning and teaching.
- **Strong performance.** Despite the real employment challenges the economic climate poses to young people in particular, Scotland's universities continue to give people the best possible access to opportunities. The latest data on destinations of leavers from university (DLHE) from June 2012 showed continued recovery in the graduate jobs market with 88.5 per cent in positive destinations of work and/or further study. The average starting salary was £21,500 and, of those in permanent employment in the UK, 73.7 per cent were employed in graduate level occupations.

- **The view from Scottish business.** In June 2012 Universities Scotland's publication '360Degrees' qualitatively reaffirmed the DLHE's quantitative results with large Scottish employers such as RBS Ernst and Young and BP alongside creative SMEs such as Tayburn and Outplay Entertainment citing increased demand for the high-calibre of graduates Scotland's universities produce¹.
- **Continued improvement.** Early in 2012 Universities Scotland started a process of engagement with students, graduates and employers to investigate what more could be done to work together with business to continue to improve graduate employability. A final report is due out at the end of 2012.

Widening access

- **A shared commitment.** All of Scotland's universities are committed to widening access to university to those who have the ability and potential to benefit from higher education.
- **Delivery through outcome agreements.** Widening access has been a prominent aspect of the first year of outcome agreements. Following discussion with SFC, Universities have set out their aspirations for the coming academic year.
- **Activity underway.** Universities have an important part to play in ensuring fair access to higher education, and this is evident from the huge range of successful initiatives that are embedded in the mission and operations of institutions across Scotland, eg. the Schools for Higher Education Programme, Reach Scotland, Access to Creative Education in Scotland, the Sutton Trust Summer School and many more.
- **A partnership approach is needed.** Universities are playing an active part, including working with schools to raise the proportion of young people from the most deprived attaining the normal minimum entry requirements for university. This is an essential step to widen access. Only 10.5% of pupils from the 20% most deprived areas obtain the normal minimum entry requirements for university compared to 48% from the least deprived 20%. However, when students do achieve university entry-level qualifications, rates of progression from the most and least deprived backgrounds are comparable, (37-40% from SIMD20 areas compared to 30-33% for students from the most advantaged areas who achieve the grades).

Commercialisation of HE outputs

In the last 12 months universities have responded constructively to the Scottish Government's call for the 'harmonisation' of approaches and removal of barriers to commercialisation with business². Measures taken include:

- **Easy access IP.** Universities publish a range of intellectual property on a cost-free basis, (sometimes referred to as "easy access IP") through a single online portal at U.T.com. This enables companies to evaluate the commercial potential of the IP and put it to use quickly, with reduced risk to them.
- **Streamlining commercialisation contracts.** Universities took the unprecedented step of agreeing a single set of model contracts for the

¹ 2012, US: <http://www.universities-scotland.ac.uk/uploads/360Degrees.pdf>

² 2011 Ministerial Letter of Guidance, SFC:

http://www.sfc.ac.uk/web/FILES/About_the_Council/SFC_Letter_of_Guidance_21_September_2011.pdf

commercialisation of university research with the aim of greatly streamlining the process of engagement for business.

- **Single online point of access.** Universities redeveloped and re-launched the website www.universitytechnology.com, known as UT.com as part of a concentrated effort to make a single point of access to a wide range of Scottish university-generated intellectual property available to business and industry. This now provides a single portal for access to intellectual property generated by all Scottish universities.
- **Single knowledge exchange organisation.** Universities have worked closely with the SFC and Scotland's enterprise bodies in late 2011/early 2012 to explore how further collaboration might be achievable within the concept of a 'single knowledge exchange organisation for Scotland' (SKEO). Universities, SFC and industry have developed proposals which are now out to consultation which will build on existing success and represent a step-change in the configuration of universities' knowledge exchange services to meet the needs of the key sectors of the economy.
- **High levels of engagement.** The most recent SFC knowledge exchange data shows that Scotland's universities worked to commercialise research with 23,000 organisations in the academic year 2010-11. Of these, 9,000 were Scottish companies and 2,500 Scottish SMEs which matches the enterprise bodies' estimation of the total population of Scottish SMEs that can benefit from university-based innovation³. HESA data shows that in 2010-11 the Scottish HE sector also created 184 spin-out companies, primarily graduate start-ups.

Concentration of Research Excellence Grant (REG) on areas of best quality research

The SFC has concentrated the REG allocations to support the research infrastructure for AY 2012/13, removing funding for research rated as 2* in the 2008 Research Assessment Exercise and concentrating the resource on research rated as: 4* "world-leading" and 3* "internationally excellent". This supports the best research at every institution. Universities Scotland remains committed to the principle that every university should be funded to undertake research. Every student deserves to learn at an institution which is advancing the frontiers of knowledge. This is a distinctive strength of the Scottish sector and the REG should be seen alongside other Scottish public investments in research as an instrument to sustain this position.

Simplification of the student support system

- Universities Scotland welcomed Government announcements over summer 2012 that part-time Scottish-domiciled undergraduate students, with an income of less than £25,000, will now receive full support for their tuition fees. Part time students represent 18 per cent of undergraduate students at university.

³ SFC Knowledge Exchange Metrics for 2010/11. This data should soon be available on the SFC's website. 2,500 Scottish SMEs is Scottish Enterprise's estimation of the number of potentially high-growth companies in any one year that might benefit from innovation with universities. Universities and organisations such as Interface work across the business base to ensure that there is a pipeline of such companies alongside their work with other SMEs that might be assisted through different engagements with universities such as advice, undergraduate placements etc.

- Universities Scotland was also very pleased to welcome the announcement on an annual minimum income of £7,250 for students with a family income of less than £17,000.

2. Staying competitive in a UK and global context

- One of the primary aims of the 2011 spending review settlement, if delivered as planned in all three years, was to ensure that Scotland's universities would remain on a competitive footing with the sector in England. This is an essential benchmark for Scotland's universities' ability to remain nationally and internationally excellent and competitive. Without this level of investment, in each of the three years, Scotland's universities would face a serious funding gap and erosion of our quality and competitive position.
- Public investment is a crucial element in closing the gap with the majority of it closed by the Scottish Government's planned spending allocations, of which FY 2013/14 is a vital part. The budget for 2012-13 reversed the significant double-digit cuts to teaching funding in universities seen in 2011-12 (See table 1 in annex A), allowing a restoration of the unit of teaching resource when translated into academic year, thereby protecting quality. The budget for the financial year 2013-14, offering a 3.9% cash terms increase will therefore be welcome in ensuring the competitiveness of the sector. It provides a margin of funding to enable further progress in meeting Scottish Government priorities for universities' contribution, through targeted investment in line with outcome agreements.

International competitiveness: universities in a truly global market

- The sector has worked hard to achieve international recognition for the excellence of its teaching and research. Scotland has five institutions in the Times Higher top 200 – as many as France. Of the research put forward by Scottish institutions for assessment in RAE2008, 86% was judged to be internationally excellent, and 15% of that was deemed to be world leading. Every Scottish university had significant elements of world-leading research
- We recognise that maintaining this quality and excellence in both fields comes at a significant cost to the public purse. The maintenance of Research Excellence Grant in real terms is essential. This level of public investment to maintain excellence enables universities to lever in around £1.8bn of funding and earnings from sources other than funding body grants. In turn, this ensures that universities are reliant on Scottish Government funding through the SFC for less than 38 per cent of their total funding.
- The excellence of the sector is the foundation for the estimated £500m per annum of export earnings for Scotland through the recruitment of international students from outwith the European Union, including around £300M of expenditure in the Scottish economy.

3. Impact of the budget on student numbers

- The Spending Review settlement has provided recovery from the unsustainable cut in teaching funding which was necessary for 2011-12 and has enabled modest sustainable planned and actual growth in student numbers, with particular investments in 300 extra STEM places, and

additional funded places for the University of the Highlands and Islands and the Crichton campus in Dumfries.

- The near-final picture for acceptances to courses beginning in 2012-13 is one of a growth in acceptances of applicants to Scottish institutions. An assessment by UCAS⁴ of acceptances of courses with a 2012-13 entry year shows that acceptances of places at Scottish institutions by Scottish, RUK and EU domiciled students totals 36,696, up 2% on the same point in the cycle last year. Comparative data for recruitment to institutions in England shows a 15% reduction in acceptances from UK and EU domiciled students.

UK and EU acceptances to Scottish UCAS institutions for entry years 2011-12 and 2012-13 by country of domicile of accepted applicant

Applicant's Country of Domicile	Entry Year (total acceptances)		%age change
	2011-12	2012-13	
Scotland	27,229	27,554	1%
England/Wales/NI	4,623	4,858	5%
EU	4,147	4,284	3%
All	35,999	36,696	2%

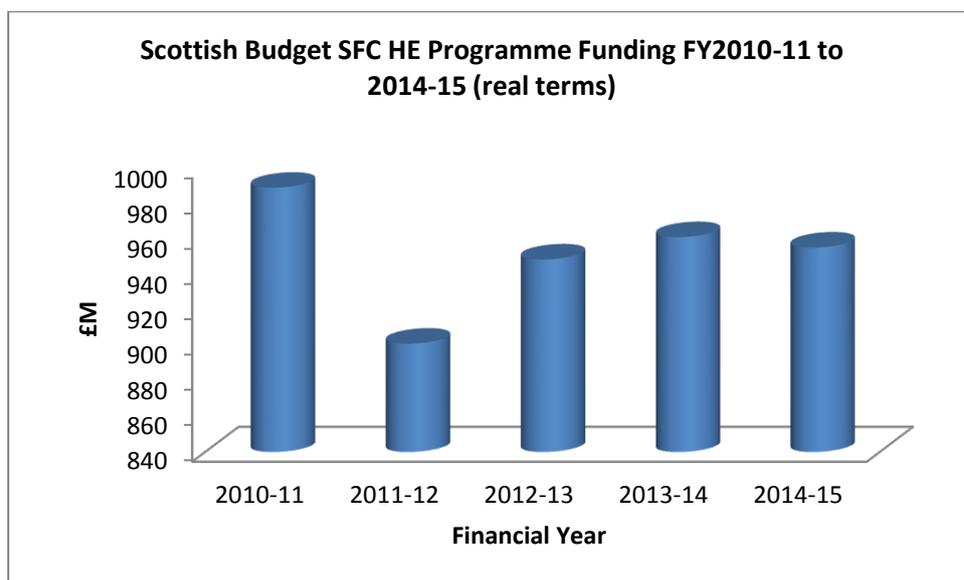
Source: UCAS September 2012

- The sector has welcomed the guidance issued by the Scottish Government on the assessment of dual nationality applicants for entry in 2013-14.

⁴ UCAS Analysis and Research, 14 September 2012 see http://www.ucas.ac.uk/documents/mediareleases/ucas_entry_year_acceptances_day28_2012.pdf

Annex

Funding



Commercialisation and Knowledge Exchange

SFC KE Metrics academic year 2010-11: Income and total organisations worked with for categories of commercialisation and KE work

	Scotland		Other UK		Non UK	
	Income £m	Total organisations	Income £m	Total organisations	Income £m	Total organisations
External research grants & contracts	76.5	1148	64.5	1326	39.8	956
CPD	20.7	5292	9.4	1901	8.7	1903
Licensing	1.8	123	1.4	112	4.3	101
Consultancy	30.5	1878	23.2	1379	11.7	940

Higher Education Business Community Interaction Survey (HEBCI) 2010-11:
Number of new spin-off companies

Type	Number
Spin-off with some HEI ownership	39
Formal spin-offs, not HEI owned	4
Staff start-ups	17
Graduate start-ups	124
Total	184