



**Brief for the Education and Skills Committee meeting on  
Wednesday 21 December 2016**

<p><b>The resource budget for 2017/18 represents a 1.3% cash cut</b></p>	<p>The resource budget of £1,013.9 million for 2017-18 represents a 1.3% cash cut (a 2.7% real terms).</p> <p>Whilst this adds pressure to the unsustainability of university funding, we are hopeful that core teaching and research budgets can still be protected, in cash terms, within this settlement. That is the sector's priority. To this end it is helpful that the budget states on page 47:</p> <p><i>"We will protect the core teaching grant, research grant and funding available to support widening access in the higher education sector."</i></p> <p>The protection of teaching and research budgets is likely to be determined by the Scottish Funding Council in due course. Its indicative grant letter is due out early in the new year. The Scottish Government's announcement of new arrangements for Taught Postgraduate support (20 December) may offer savings of between £5m and £10m on the SFC budget. We await SFC's proposals for how and when savings will be achieved.</p> <p>It is worth noting that in 2017/18 the SAAS fee for the four cohorts of additional places for access and articulation added since 2013-17 will also come out of the SFC budget at a cost of £24m per annum, putting additional pressure on this budget.</p>
<p><b>The uplift in the HE capital budget is largely for pre-existing commitments</b></p>	<p>The HE capital budget sees a significant increase from the original level of the 2016-17 budget, shown at an increase of 77%, however the 2017-18 budget of £45.5m is below the £50m level of HE capital funding in 2015-16 following the in-year uplift the HE sector received in the Programme for Government, conditional on it being match-funded by HEIs.</p> <p>HE capital funding is comprised of several elements; a capital maintenance grant, the research infrastructure fund (linked to dual-support and matched by the UK Government to a maximum of £16m) and one-off capital projects. There are significant, one-off Ministerial capital commitments in 2017/18 including the necessary restoration of the Glasgow School of Art's Mackintosh building and upgrades to the JISC backbone (ICT infrastructure in the HE sector). With these, and assuming the capital maintenance grant remains at an historic low of £11m (it first fell to £11m in the 2015/16 budget) we are not clear how there is enough capital funding available to allow SFC to meet all known commitments. We estimated that the HE capital budget would need to be £52m in 2017-18 to achieve this.</p>

<p><b>Key budget figures</b></p>	<p>The draft budget last week set out a budget for the Scottish Funding Council (SFC) Higher Education resource and capital as follows:</p> <table border="1" data-bbox="507 203 1385 387"> <thead> <tr> <th></th> <th><b>2016-17 Budget £m</b></th> <th><b>2017-18 Draft Budget £m</b></th> <th><b>change in cash terms (%)</b></th> </tr> </thead> <tbody> <tr> <td>HE resource (SFC)</td> <td>1,027.2*</td> <td>1,013.9</td> <td>-1.3%</td> </tr> <tr> <td>HE capital (SFC)</td> <td>25.7**</td> <td>45.5**</td> <td>+77%</td> </tr> </tbody> </table> <p>*As per draft budget December 2015  ** Not including £10m ‘financial transactions’ which are not a cash grant to universities.</p> <p>The final 2016-17 SFC HE resource budget cited in the Scottish Government budget document (£1,081m) includes adjustments at the Autumn Budget Revision to take into account a number of funding transfers from across government, most notably £54m to deliver nursing tuition places. Similar transfers reflected in Autumn Revisions have occurred in previous years, (15-16: £54m, 14-15: £50m, 13-14: £57m). The appropriate ‘like for like’ budget comparison for 2016-17 is therefore to use the draft budget figure (pre-Autumn budget revision) of £1,027m.</p>		<b>2016-17 Budget £m</b>	<b>2017-18 Draft Budget £m</b>	<b>change in cash terms (%)</b>	HE resource (SFC)	1,027.2*	1,013.9	-1.3%	HE capital (SFC)	25.7**	45.5**	+77%
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<p><b>Universities Scotland response to the budget</b></p>	<p>Professor Andrea Nolan, Principal of Edinburgh Napier University and Convener of Universities Scotland:</p> <p><i>“We recognise that the Scottish Government has tried to offer protection of higher education in this budget. However, this settlement does not enable recovery towards sustainable funding of universities’ core teaching and research activities. We urgently need to discuss with Government how we might chart a three-year path towards a sustainable funding settlement. Year-by-year budgets have added to the uncertainty and unsustainability facing universities as they have to make multi-year commitments to students and research projects.</i></p> <p><i>“Earlier this year the Auditor General warned that universities were not sustainably funded. Our priority was to get a settlement that started a climb back towards sustainability. That has not happened. Within this settlement, our priority now is to ensure that core teaching and research budgets are protected from further erosion in cash terms. The budget’s indication of this as a priority is helpful. We need urgent confirmation from the Funding Council on what this budget will actually mean for those grants.</i></p> <p><i>“It is likely to be some weeks before it clear what this settlement means for each individual university but it will be important to ensure there are no unforeseen surprises and no big losers across the sector.</i></p> <p><i>“The announcement on capital is almost entirely made up of pre-existing commitments which regrettably means there will be almost no new resources from Government to meet the backlog of maintenance in university teaching and research facilities. A top priority will be to establish whether this settlement actually provides enough to allow universities to draw-down funds that are available from the UK Government on a match-funded basis.”</i></p>												

	<p><i>“We will look to the passage of the budget bill to see if further funds can be found to invest in high-quality education for Scottish students.”</i></p>
<p><b>‘Slow erosion’ is damaging the sector</b></p>	<p>Our Director Alastair Sim highlighted at Public Audit and Post-legislative Scrutiny Committee on 1 December that the sector faces a slow erosion in funding which is having an impact on Scottish HEIs’ world-class reputation.</p> <p>Prior to the budget statement for 2017/18 overall university budgets had decreased 12 per cent in real terms between 2010 and 2016.</p> <p>Audit Scotland’s July report into HE funding highlighted there were <i>“underlying risks”</i> in university funding and that the sector faced <i>“a number of significant challenges”</i> (p5-6). When giving evidence to Holyrood’s Public Audit Committee in October, the Auditor General said:</p> <p><i>“It is essential that the Government ensures that its approach to funding higher education is sustainable in the medium to long term if its policy priorities are to be delivered.”</i></p> <p><i>“On higher education, we are concerned that the ambitious policy commitments around widening access and the funding of student support will butt up against some of the cost pressures that universities already face.”</i></p> <p><i>“the sector is internationally renowned and generally very successful, but it faces real pressures in relation to the funding available to it, the costs of continuing to deliver what it does and the Government’s policy priorities.”</i></p> <p>The sustainability challenge facing HE can be seen in the approach to budgets. 2015-16 for example saw the Scottish Government original announce £1,062.5m funding for HE resource. This was subsequently cut to £1,041m in a supplementary letter of guidance and in that year, and in 2016-17, the SFC overspent on its budget significantly. Now, in 2017-18 that resource budget is proposed at £1,013.9m.</p>

**ENDS**

**For further information please contact:**

Duncan McKay, Senior Public Affairs Officer

T: 0131 2250714 M: 07445 747222 [duncan@universities-scotland.ac.uk](mailto:duncan@universities-scotland.ac.uk)