



Universities Scotland Briefing on Scottish Government Draft Budget 2019-2020

Summary

- The draft budget for 2019/20 sees a planned cut of 1.79% to universities core teaching and research budgets.
- Looking at the pattern of university funding since 2014/15 we estimate that universities have seen a 12 per cent real terms decline in their resource funding through the Scottish Funding Council (SFC) since then, which equates to approximately £130 million less available to university teaching and research in 2019/20 than five years ago.
- There are other funding opportunities that the Scottish Government could deliver to universities if the budget proves intractable. Firstly, the consequential funding from the UK Government's increased investment in England in research and innovation (worth an estimated £18 million) could be passed onto Scottish universities early in 2019. Secondly, the Scottish Government could give an early and clear commitment to keep the level of resource it currently invests in undergraduate student places occupied by EU-domiciled students in the higher education sector after the UK leaves the EU (worth an estimated £90 million annually). We ask the Committee to give its support to both of these funding opportunities for higher education.

Analysis of the budget outcome for higher education

- The draft Scottish Government Budget for 2019-2020 delivers a 1.79% real-terms cut to the higher education sector's resource budget which covers teaching and research. This is in contrast to a 1.8% above inflation increase in the Scottish budget's resource expenditure, according to analysis by SPICe.¹
- The draft revenue settlement for 2019/20 is £1,025.3 million.²
- The latest planned cut adds to a pattern of real terms cuts to university funding since 2014/15. We believe the resource budget available to universities, through the SFC, has declined by 12% in real-terms since 2014-15, which has been compounded by cuts to the SAAS fee element of funding.³
- This means there is now £130 million less in real terms in the SFC resource budget to invest in universities teaching and supporting students, pioneering research or driving innovation in 2019/20 than there was in 2014-15.⁴
- We recognise that public finances are difficult and there are many competing demands on the Scottish budget. However, Scotland's universities need sustainable levels of funding to do what they do, and to ensure we do it well.
- Our ask of the 2019/20 Scottish budget was to see our teaching and Research grant increase by 2% in real terms. This would have cost £33.5 million. We estimate that it would cost £18m to keep university budgets flat in real terms in 2019/20.

Cost pressures facing higher education

¹ <https://digitalpublications.parliament.scot/ResearchBriefings/Report/2018/12/14/Scottish-Budget-2019-20>

² This figure includes a minor attribution of civil service costs of £X which will not be available for allocation to universities.

³ This measurement tracks HE funding allocated via the Scottish Funding Council.

⁴ In addition to which, the SAAS fee element of teaching funding has fallen every year in real terms, which we estimate equates to a further real terms cut since 2014-15 of around £20m, totalling a loss of £150m since 2014/15.



Like every other recipient of public investment, universities are facing steeply increasing costs.

- We estimate that employer contributions to the Universities Superannuation Scheme (USS) will cost £15 million every year.
- UCEA estimates the unfunded additional costs to employers of the Teachers' Pension Scheme (Scotland) to be £8 million.
- These are additional pressures on pay and other costs including utilities.

Funding opportunities

We would welcome a Scottish Budget outcome that reflects our case for real-terms growth in funding for higher education. We are also looking to the Scottish Government to realise other, very important, funding opportunities. We ask the Committee to give its full support to these two funding opportunities:

1. Separate to the budget as announced, there will be approximately £18 million of consequential funding available, generated by increased investment to universities in England under the Industrial Strategy by the UK Government. We ask for that consequential funding to be ring-fenced and allocated through the SFC's funding streams, to support universities to compete for and deliver additional business-led research and innovation projects.
2. Assuming the UK does leave the EU, it will be very important that the level of resource currently invested in undergraduate student places occupied by EU-domiciled students does not leave the higher education sector as we look beyond 2019/20. Currently the Scottish Government funds the higher education of EU undergraduates on the same basis as Scottish-domiciled students and has said it will do so for 2019/20 EU student entrants. Additionally, the Scottish Government's *Medium Term Financial Strategy*⁵ assumes funding for the current number of funded places up to 2022/23 but, assuming a negotiated exit, this could change from the start of the academic year in 2020 or 2021. This resource is currently worth circa £90 million to the Scottish higher education sector; a level of resource that would be devastating if it were to be removed from institutions. This sits within the Scottish Government's remit to decide and a commitment now, to retain this resource in the higher education sector, would provide very welcome planning certainty. This resource will be vital to for the stability of certain courses, institutions and for opportunities for Scottish domiciled learners including progress towards achievement of widening access targets without displacement of other well-qualified learners.

In the highly unwelcome event of a no-deal Brexit we will additionally need urgent exploration with the Scottish and UK Governments of how to mitigate the consequences of the loss of EU funding including research funding, funding for student mobility, and EU structural funding for infrastructure and skills development.

Capital funding available to universities

- The draft budget saw a reduction in university capital funding from £41.3 million last year to £37.5 million in 2019/20.
- This funding allocation is more than £200 million short of the cost of maintaining university estates every year.⁶
- Financial transactions are loans and must be paid back. They are a useful additional measure but are in no way a replacement for sustainable funding. Cuts to revenue funding simply make the

⁵ <https://www.gov.scot/publications/scotlands-fiscal-outlook-scottish-governments-five-year-financial-strategy/> page 56

⁶ As estimated in a consultancy report to the Scottish Funding Council



repayment of loans even more challenging. We have now reached a position where Government backed loans, not grants, are the main means of financial support made available to universities by the Scottish Government to support and manage their estates.

- Pressure on estates funding can increase the pressure on other university budgets for teaching and research.

