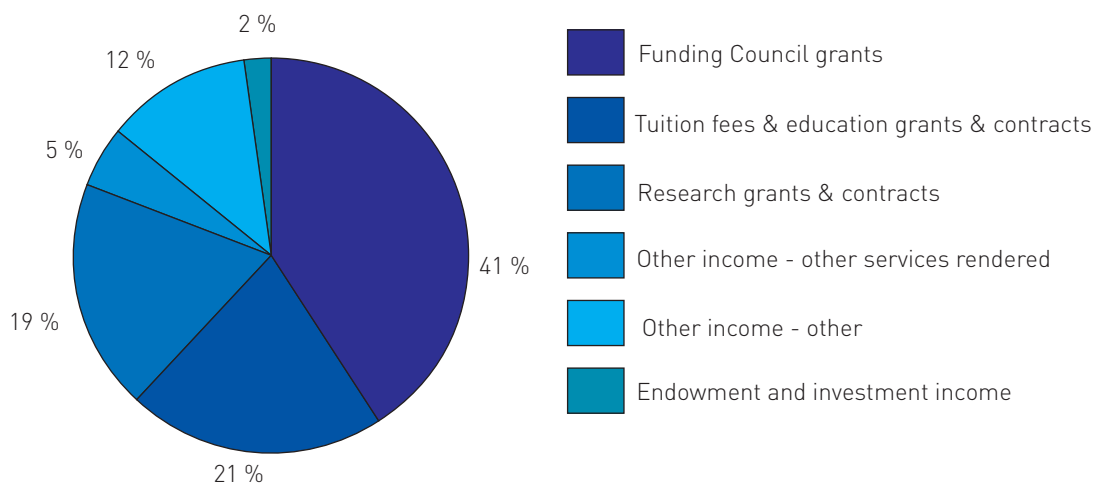


Income

In 2005/06 the total income of Scotland's then 21 higher education institutions amounted to £2.1 billion. Higher education institutions (HEIs) receive funding from a variety of sources, both public and private. Over the last 20 years institutions in Scotland have been increasingly successful in diversifying the sources from which they generate income. As recently as the late 1970s institutions relied on core public funding for over 80 per cent of all income and even as recently as ten years ago Scotland's universities were dependent on public funding for 61 per cent of all funding. However in 2005/06 core government funding (distributed by SFC) counted for 42 per cent of all income. If you include tuition fees from public sector sources, core public funding could be said to account for 51 per cent of higher education funding in Scotland. The rest, 49 percent, comes from research grants and contracts, competitively won contracts from public sources, other services rendered, other fees and endowments.

Higher education institutions' income by source in 2005/06



Source: HESA Resources 2005/06

Trends in funding over the last ten years

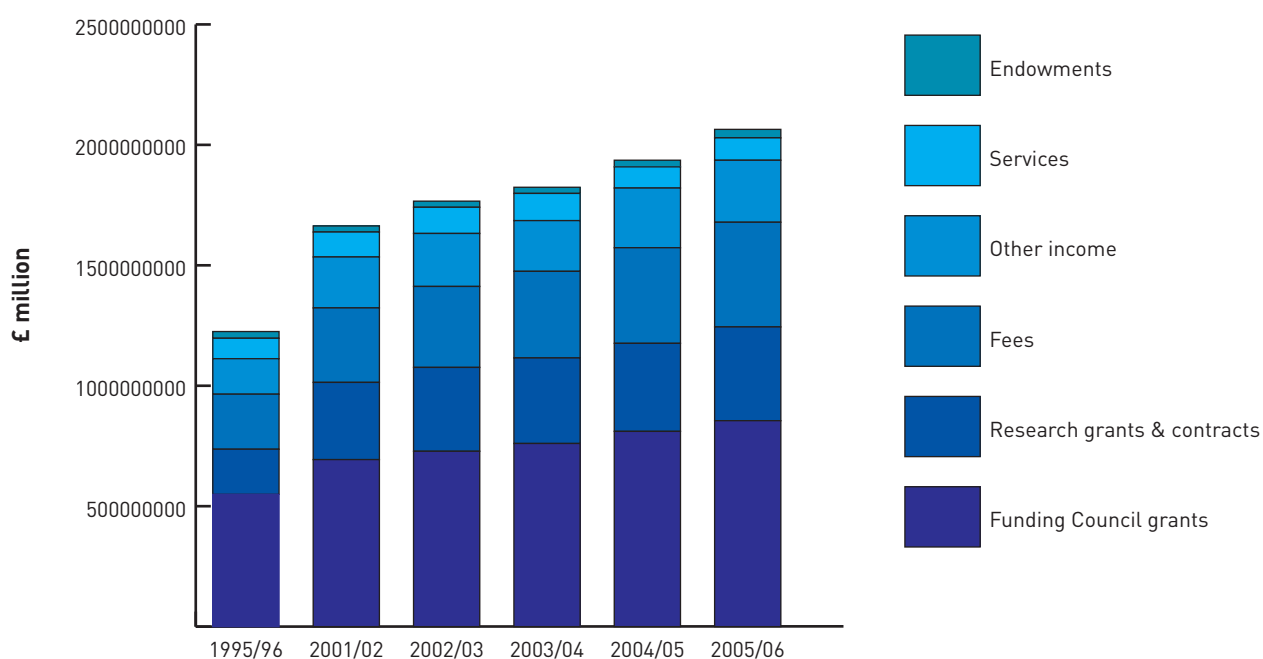
The table below shows Scottish higher education institutions' income by source. Although levels of core public funding in higher education have increased in recent years increases in private funding have been much higher. The amount of income raised from competitively won research grants and contracts increased by nearly 108 per cent in the same period and the amount of income generated through fees has increased by over 90 per cent. This demonstrates the quality of Scotland's higher education institutions as these income streams are competitively fought for by all UK universities and internationally. The diversification in funding sources and Scotland's strong performance in increasing its private income has been vital to the sector as levels of public funding have not kept pace with development. Core public funding has increased at a slower rate than nearly all other major sources of funding over the last ten years. If this trend continues higher education institutions will be under greater pressure to continue to diversify their income.

Trends in funding sources for the Scottish higher education sector

Source	£(000)						% increase over 10 years
	1995/96	2001/02	2002/03	2003/04	2004/05	2005/06	
Funding Council grants	549,167	693,453	728,064	760,383	810,687	854,985	55.7
Research grants and contracts	187,387	320,521	348,097	355,136	365,425	389,110	107.7
Fees	228,430	309,199	336,093	359,514	396,830	434,585	90.2
Other income (other)	147,371	211,439	219,997	210,543	247,891	257,346	74.6
Services	84,831	103,566	108,731	112,885	87,880	92,974	9.6
Endowments	27,894	25,283	25,372	25,568	27,631	35,226	26.3
Total	1,225,080	1,663,461	1,766,354	1,824,029	1,936,344	2,064,336	68.5

Source: HESA Resources

Proportion of higher education funding from different sources



Source: HESA Resources

Higher education as an employer

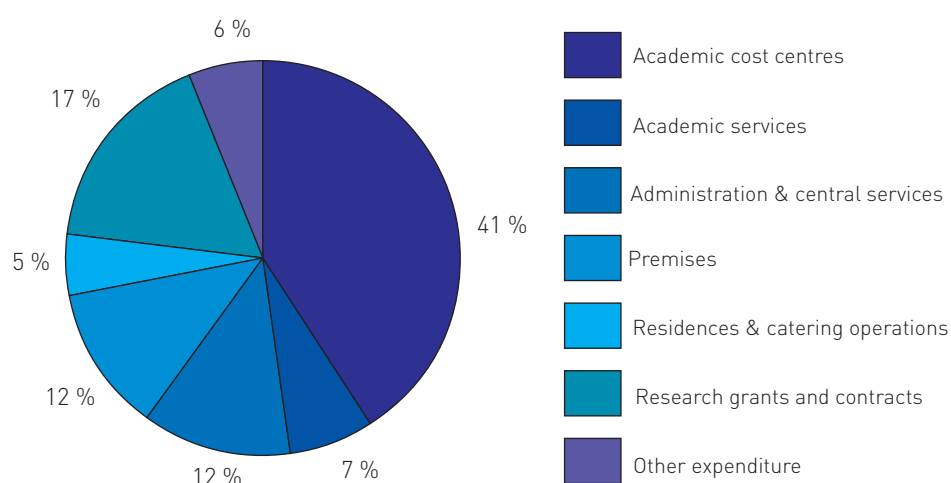
Scotland's higher education sector directly employed 37,865 staff in 2005/06 of which 72 per cent are employed full time. The largest proportion of staff is academic professionals which includes the professors, lecturers and researchers that drive the learning, teaching and research within Scottish institutions. There are nearly 16,000 academic professionals employed in the Scottish sector, which accounts for 42 per cent of total staff. Non-academic staff help run all other elements of higher education including student services, human resources, the estates and finance functions, libraries and laboratories.

In 2004/05 it was estimated that a further 31,554 jobs were generated indirectly as a result of Scottish higher education expenditure. Most of the benefits of university expenditure stays in Scotland and it's thought that as many as 27,000 of these indirect jobs would have been generated within Scotland. This means that one in every 33 jobs in Scotland is linked to higher education.

Expenditure

Scotland's 20 higher education institutions spent just over £2 billion in 2005/06. By far the biggest expense for universities is staff. Staff costs represented £1.2 billion in 2005/06 which was 60 per cent of the Scottish sector's total expenditure. As the graph below shows the greatest expenditure for all universities in Scotland (including staff) is the cost of running the academic departments which accounts for about 41 per cent of the total spend. The costs involved in research grants and contracts are also a major expenditure at 17 per cent of the total.

Higher education institutions' expenditure in 2005/06



Source: HESA Resources 2005/06

The higher education sector as a business

A revenue of £2.1 billion makes the higher education sector a significant Scottish industry; bigger than Scotland's post and telecommunications industry. Higher education is also a major player amongst Scotland's service sector exports. In 2004 HEIs generated at least £381 million of export earnings which makes it larger than land, water and air transport or real estate in Scotland.

The sector's impact on the Scottish economy is vast. The multiplier for Scottish higher education institutions in relation to the Scottish economy is 2.3 in 2004/05; an increase from 1.6 in 2001/02. In other words for every £1 million of output generated by a Scottish university a further £1.3 million is generated in industries located in Scotland.

Further information on the role that higher education plays in contributing to Scotland's economy can be found in a recent Universities Scotland publication: 'Prosperity Scotland: How higher education creates Scottish wealth' (2006) or you can visit Universities Scotland's flash-animated website Prosperity Scotland for the key messages.