

# Going for Growth

A summary of  
Universities Scotland's submission  
to the 2017 spending review

Universities  
Scotland



**Universities are ambitious to grow the contribution they make to Scotland.**

**To do this they need to operate sustainably in respect to the core grants for teaching & research.**

**They are our top priorities going into the next budget.**

<b>1. The contribution Scotland's higher education makes to Scotland</b>	<b>2</b>
<b>2. Our ambitions</b>	<b>4</b>
<b>3. Our asks</b>	<b>6</b>

**Universities face a highly uncertain environment going into the next spending review. We face major challenges which are accentuated by the unpredictable outcome of Brexit negotiations. We also see major opportunities for universities and for Scotland as UK Government austerity starts to ease. Already, the UK Government has committed itself to ambitious additional investments in research and innovation: we want to bring the benefit of that to Scotland. We are determined to be positive. The environment we face makes every opportunity available to universities more important. We will work hard to take opportunities and make them deliver for our students, our staff and for Scotland.**

- We are ambitious for economic growth, through innovation in all its forms, supporting internationalisation, company formation and inward investment;
- We are ambitious for individuals across Scotland, equipping them with knowledge and attributes to develop and succeed in a fast-changing and 'disrupted' economy;
- We are ambitious for our public services, contributing through our graduates; the advancement of practice; and in their innovation and reform; and
- We are ambitious for our communities, and playing our part in making Scotland a great place to live and work.

Universities are creating opportunities ourselves. We are taking the initiative for a more collaborative approach on widening access and for streamlined engagement between universities and business. Other opportunities require action from Government and other partners. For instance, we seek the Scottish Government's support to make the most of opportunities from the Industrial Strategy and Global Challenge Fund.

Universities are a major player in driving Scotland's inclusive economic growth. We deliver locally, nationally and internationally. At a national level we deliver £7.1 billion of gross value added to the economy. Internationally, higher education contributes £1.5 billion towards Scotland's export total and at a more local level, higher education is central to regions. For example, in Dundee, one in every eight jobs links back to higher education.

We are ambitious to grow our contribution. We set out proposals for this in **section 2**. To do this we need to operate sustainably in respect to our core grants. Our top twin spending priorities are:

- **the unit of teaching resource available to every Scottish and EU domiciled student; and**
- **the Research Excellence Grant (REG) and the associated Barnett consequentials to support our full contribution under the Industrial Strategy.**

In 2018/19 we are asking for these grants to remain flat in real terms. Looking to 2019/20, we would like to see the beginning of a movement towards sustainable and competitive levels of funding, i.e. a 2% real terms increase.

Beyond the unit of teaching resource and REG, we have set out a number of other policy and funding decisions that would support the sector to exploit fully the opportunities available to them. They will deliver for higher education and our communities of staff and students. They will also deliver to the Government's priorities of **inclusive growth, investment, innovation and international**.

# 1. The contribution Scotland's higher education sector makes to:

## Inclusive growth



- **Strides forward in access amongst entrants.** There was a 13% increase in the number of placed applicants from SIMD20 areas in Scottish universities compared to 2016. Placed applicants from SIMD20 areas now account for 14.4% of students starting university.
- **More students with HNs are given full credit for their qualification.** A total of 3,999 students were given full credit in 2014/15. This is within touching distance of the 4,100 target for 2016/17.
- **Students from SIMD20 areas are closing the retention gap.** The retention 'gap' between SIMD20 students to the overall rate now stands at only 3.2 percentage points, down from 4.7% in 2011/12.
- **New and collaborative approaches to widening access.** Universities are responding to CoWA recommendations by bring greater transparency and consistency to admissions, targeting subjects that have low-levels of articulation and collaborating more on bridging programmes.
- **The best record in the UK for graduate destinations.** Graduates from Scotland's universities are more likely to be in employment, study or both 6 months after graduation than anywhere else in the UK at 91%.
- **Achieved gender equality at the highest levels of our governance.** Women now represent 39% of all independent board positions where appointed by universities.
- **Delivering a major part of Scotland's cultural scene & all for free.** Over 1.5 million people attended free exhibitions, museums, public lectures and arts performances put on by universities across Scotland in the last year.

## Innovation



- **Improving upon our offer.** We've taken 10 actions to make it easier than ever for business to innovate with us & an additional six to grow our community of staff and student entrepreneurs. The positive impact is already starting to show.
- **Growing the business birth rate.** A 16% increase in the number of new spin-outs created by Scottish universities compared to the year before.
- **Growing a culture of enterprise.** The drive to grow a culture of entrepreneurship in our universities has seen the number of student start-ups coming from our universities increase by 28 per cent in two years, beating our target of 25% growth a year ahead of schedule.
- **Graduates are at the heart of creating new companies in the disrupted economy.** In 2017 90% of the Top 100 UK game-changing entrepreneurs are graduates.
- **A growing partner in innovation with SMEs.** We have increased the number of research contracts between universities and SMEs by 8% over the last year.
- **A growing partner of choice, full-stop.** 45 per cent of 300 innovative companies surveyed by Scottish Enterprise were working with universities.
- **Easier than ever to innovate using university facilities.** There is now a single platform through which businesses can get quick access to over 1,200 varied bits of kit to help them innovate, prototype and test.
- **100% satisfaction with academic support given using follow-on innovation vouchers.**



## Investment

- **Bringing investment into Scotland** Universities lever in direct external investment, with over £1.5 billion of research funding and contracts from outside Scotland. Most recent HESA data on research income shows Scotland wins 14.7% of the total UK Research Council project funds.
- **Positioning Scotland to compete globally for R&D.** The market for foreign direct investment is highly competitive and is increasingly focused on research and development as the Global Scotland Trade and Investment Strategy found. 21 inward investment R&D projects were secured in Scotland in 2016.
- **A significant job creator.** Higher education is a key sector of the economy with an annual economic impact of over £7.1 billion GVA from universities' activities alone. We directly employ over 43,700 people in high quality jobs. 69% of those jobs are located in the most deprived decile of local authorities in Scotland.
- **Making a big return on investment.** Investment in higher education capital delivers a return of £5 for every £1 invested.
- **An investment in talent that returns.** 96% of Scottish employers say graduates start with a good attitude and motivation.
- **Paying the living wage to staff.** All 18 universities are living wage employers for their staff with five institutions choosing to become Living Wage accredited employers.
- **Levels of HE collaborative procurement exceeds other sectors.** A third of relevant spending in HE now happens through a collaborative procurement process saving £30 million a year for reinvestment.



## International

- **Growing our exports.** The value of international exports from higher education into Scotland increased from £1.3 billion to £1.57 billion in 2015.
- **Creating more opportunities for our students to have the experience of study abroad.** Global citizenship contributes to our graduates' success. A 33% increase in the number of students in Scottish universities taking-up Erasmus+ opportunities for outward mobility between the 2015 & 2016 calls alone. Nearly one in ten Scots now take up the chance of study abroad; a higher proportion of students than in England and Wales.
- **Sharing the message that Scotland welcomes the world.** We worked with partners to launch the campaign #Scotlandwelcomestheworld to differentiate Scotland and Scottish HE in a post-Brexit world. Our message of welcome has created 82 million press and social media impressions around the world.
- **Many of our international alumni are Global Scots, creating significant soft power for Scotland.** After the U.S. the UK leads the world in gaining soft power from the quality of its universities and ability to attract international students.
- **World leading international student satisfaction.** UK universities rank first in the world, with 91% of international students across all levels of study reporting that they are satisfied with their experience.

## 2. Our ambitions

Universities share the Scottish Government's ambition, set out in the economic strategy, to create a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.

### We are ambitious for:

- economic growth, through innovation in all its forms, supporting internationalisation, company formation and inward investment;
- individuals across Scotland, equipping them with knowledge and attributes to develop and succeed in a fast-changing and 'disrupted' economy;
- our public services, contributing through our graduates, ; the advancement of practice; and innovation and reform; and
- our communities, and playing our part in making Scotland a great place to live and work.

As Scotland faces numerous challenges over the coming years the continued success of its university sector will be needed to deliver shared strategic goals and most importantly inclusive economic growth.

### What we want to achieve by 2020:

#### Access

We are committed to the ambitions set out in the Blueprint for Fairness. We have action in hand to reform policy and practice on admissions, bridging programmes and articulation from college to enable wider access to university, and successful completion of degrees, by learners from challenged backgrounds.

#### Skills for a disruptive economy

We want to equip more of our population with the skills and attributes to succeed in the changing and globalised economy, including closing the gap between the demand for study and the places that we can offer.

As part of this, we want to see expansion in opportunities for degree-level apprenticeships co-provided by universities and industry. We want opportunities to up-skill and succeed in being accessible to all, regardless of gender, age or background.

#### Transforming communities

Through our own interactions with communities, and through our participation in City Deals and other initiatives, we are ambitious to support the creation of inclusive and prosperous towns and cities, driving economic growth; cultural vibrancy; and community capacity.

#### Research excellence

We want Scotland to be the leading part of the UK for research excellence, succeeding in leveraging increasing proportions of research investment into Scotland from sources including UKRI, industry and charities.

### Innovation and economic growth

The UK Industrial Strategy includes a commitment to an additional £4.7 billion of investment in research and development by 2020–21. This means that in 2020 an additional £2 billion of resource will be available to support industry focused research and development with universities at the heart of those opportunities. If Scotland was to secure a similar proportion of this funding as it does for competitive Research Council funding, then this would equate to £300 million of extra resource for business-focused innovation and R&D to boost Scotland’s economy.

With more referrals from public agencies, we are ambitious to grow the number of Scottish companies that we work with, developing innovative products and processes.

### Business birth rate

We want to grow our contribution to the business birth rate, building on our *Making it Happen* target of a 25% increase in the number of student start-ups by 2019. We want to deepen our local partnerships with Business Gateway and others to support companies in our communities.

### Inward investment

We want to play our part in keeping Scotland at the top of the list for inward investment in the UK outwith London. Continuing success would deliver over 100 investment projects and 5,000 jobs each year.

### Investment

We are ambitious to deliver major capital investment of over £800 million every year with a GVA of over 5:1 for every £1 invested; driving local economic activity; and offering opportunities for further co-location of public agencies and services.

### Internationalisation and exporting

We are ambitious to contribute to growing Scottish international exports above £30 billion, both through our own export activity and in working with Scottish companies and creating global links.

Our capacity to achieve these ambitions will depend on our working within a supportive policy environment including sustainable funding.



**Access**



**Innovation**



**Investment**



**Internationalisation**

### 3. Our ask of the Scottish Government

Universities would greatly welcome a two-year revenue and a three-year capital budget. If circumstances allow, even a slightly longer planning horizon would be helpful given universities make multi-year commitments to students and to research projects.

Our submission to Government works on this basis, making a revenue ask for the period 2018/19 – 2019/20 and a capital ask for 2018/2021.

Our top twin priorities are:

- **the unit of teaching resource available to every Scottish and EU domiciled student; and**
- **the Research Excellence Grant (REG) and the associated Barnett consequentials to support our full contribution under the Industrial Strategy.**

#### 1. Invest in teaching: sustainable funding.

The teaching grant funds the place of every Scottish and EU undergraduate at university, whatever their background. With sufficient investment, it will support access, retention and skills development and entrepreneurship within our student and graduate population. The unit of teaching resource per student is currently funded at c.90% of cost after successive real-terms cuts.

In 2018/19 we look for real terms protection of the amount invested per student. This would cost £10.8 million in 2018/19. This would be the first year in five that the unit of teaching resource has seen a real zero settlement. In 2019/20 we would like to see investment per student increase by inflation, plus 2%. This is estimated to cost £25.7 million.

#### 2. Research: sustainable funding.

Recognising the challenging financial environment, the Scottish Government should ensure that the level of investment in the research excellence grant (REG) and research postgraduate grant holds steady in real terms in FY 2018/19. This would mean an additional £4.6m of investment from the Scottish Government.

We would welcome an increase of 2% on top of real zero in 2019/20 which would cost around £10.4 million based on current GDP deflators. This would start to address sustainability and competitiveness highlighted by the Auditor's 2016 report, equipping us to succeed for Scotland. Scotland's universities have improved their research performance but have, in several cases, faced cuts in their REG.

Partnerships with industry also need to be supported. There are also major opportunities for Scotland from the UK Government's intention to invest an additional £2billion a year in research and innovation as part of the Industrial Strategy by 2020. The additional investment of £820 million in 2018/19 and £1.5 billion in 2019/20 represents increases of 23% and 42% on the total combined RCUK and Innovate UK budget in 2016/17. We would like to see the Scottish Government support Scottish research and innovation to have an equal chance in continuing to win new research grants from UKRI. Matching any increase the UK Government decides to make in the Quality Research Grant for universities in England would do this.

This move needs to be additional to real-terms protection of current research excellence grant funding.

### 3. Take progressive and early decisions on EU undergraduate places.

If Scotland leaves the EU as part of the UK we will need an early and decisive conversation with the Scottish Government about the 13,500 funded EU undergraduate places valued at around £95 million a year. These places are an essential part of sustainable funding for higher education and support the viability of important STEM courses. These resources need to stay in higher education. Urgent discussion is needed about how best to deploy them in a way that creates opportunity for Scottish learners, including the widening access agenda, keeps institutions open to international student talent, and protects institutions' academic and financial sustainability. Early decisions are needed so that institutions can plan ahead for 2019/20 when we may have left the EU.

### 4. Support capital investment.

Investment in higher education capital – our buildings and facilities – is necessary support for university teaching, research and innovation. Facilities enhance the opportunities available to industry and communities and are a major 'pull factor' for inward investment. Our buildings, equipment and facilities for students and staff can be the difference between recruiting a top research team and losing them. Capital investment in universities returns a 5:1 multiplier to the Scottish economy for every £1 invested.

Universities would like to see the SFC capital budget grow over the next three years from the current £45 million to £70 million. This would meet the estimate of needs as identified by the SFC's infrastructure strategy. Increasing HE capital also helps to ease the pressure on HE revenue funding.

If match-funded capital becomes available mid-year at any point, between 2018/2020, the HE sector can move quickly on 'shovel-ready' projects which leverage further investment and deliver construction projects locally. When additional capital resource of £23 million was made available to the sector in 2016/17 each institution used this in ways that boosted the local economy with contracts valued at around £95 million and with over 95% of the main contractors based in Scotland.

### 5. Promote university/ business collaboration for an innovative economy.

We believe in *Scotland Can Do*. We believe Scotland can be a world-leading innovation nation. We are poised to take engagement between universities and business up to the next level. This summer we completed a set of 10 actions to make it even easier for business to work with universities. These actions are having an impact.

To sustain this, we would like to see the SFC's University Innovation Fund return from its current level of £12.2m to £17.2 million in 2018/19, as it was in 2015/16 and be able to be used flexibly to promote university/ business innovation. This can be achieved through allocation of Barnett consequentials from the Connecting Capability Fund and increases in the Higher Education Innovation Fund for English universities. We would like the investment to be sustained for 2019/20.

The Industrial Strategy offers significant opportunity for business and higher education. We would welcome cross-agency support to secure investment from the Industrial Strategy. This is entirely consistent with the collaborative approach articulated in the Enterprise and Skills Review. A competitive share of the resource available would be in the region of £300 million per year into Scotland based on Scottish higher education's current research record. Scottish Government investment is needed to lever this resource into Scotland.

## 6. Enhancing and benefiting from Scotland's role on the world stage.

Scotland has always been outward looking and inclusive. Universities are central to that. Our campuses host students from over 180 countries across the globe and we are delivering courses abroad for over 38,000 students. Contemporary graduate attributes give prominence to global citizenship, equipping Scots to work in globalized markets. Our formal partnerships with institutions, companies and governments across the world, and the many thousands of foreign alumni, offer a foundation for mutually beneficial work in markets across the globe.

Brexit means there has never been a more important time to reinforce those values and we look to the Scottish Government to agree and support a set of actions to make a step change in Scotland's international engagement. As an outcome of the Enterprise and Skills Review, and as part of the developing agenda of the Trade Board, we seek:

- a national partnership for driving increased inward investment, with university talent and facilities at the core of that offer. Our asks to secure our international competitiveness are key to success;
- a shared understanding of, and strategy for, key markets – we are keen to be key partners in this endeavour;
- enhanced support for international research collaboration, drawing in financial support from UK and international sources. Our asks to support excellence research and enable strategic investment are key;
- enhanced policy and scholarship support for international student recruitment. We believe that Scotland could benefit significantly from an additional investment of just under £2 million to enhance the Saltire Scholarship Scheme and position it alongside major schemes such as Chevening. This would show Scotland welcoming the world and create a powerful cohort of Global Scots
- new approaches to get more companies exporting successfully, utilising existing routes to product and process innovation. Our ask to support innovation (delivered through the Can Do and ISF plan) and ensure a 'no wrong door' across agency advice to business are key;
- developing discussions initiated with SDI, a new strategic approach to working with our alumni communities and;
- a new partnership to drive overseas development assistance-driven growth, including opportunities for Scottish companies through UK level R&D funding. Our ask to support research excellence is key.

## 7. Funding and support for graduate-level apprenticeships.

Many Scottish Universities are already working with Skills Development Scotland for the development and delivery of initial cohorts of graduate-level apprenticeships in 2017 and 2018. With many Scottish employers, including universities, making a significant contribution under the apprenticeship levy, we are keen to meet the string demand for graduate apprenticeships. Businesses have called for sufficient apprenticeship frameworks to be in place to help businesses address the specific skills needs of their existing workforce.

Growth of the apprenticeship programme over the next period will support universities to respond flexibly and creatively, to broaden the coverage of business sectors, to scale-up apprentice numbers to meet employer demand. Early indication of the focus and numbers of apprenticeships needed over a sustained period will enable the universities to make the necessary investments to develop support this important new strand of activity with confidence that funding will be sustained.



Universities  
Scotland



August 2017