

The Scottish Government's 2021/22 budget is critical for Scottish HE

The level of public funding invested in teaching and research in Scotland's universities has been unsustainable for a number of years.¹ The Coronavirus pandemic has both exposed and exacerbated this financial vulnerability, which has been quantified as follows:

- the Scottish Funding Council (SFC) estimate that public funding of university teaching in 2018-19 was £157 million per year below the full cost of provision.
- in the same year research was funded at 80% of cost, a deficit of £340 million.
- the SFC's latest (October 2020) estimates project that universities will record an underlying operating deficit of £176.1 million in 2020/21, that six universities will have less than two months of cash reserves by the end of the year and that the rate of borrowing will have increased to £1.735 billion, almost triple the level in 2014/15.

The Scottish Government's budget for 2021/22 will be of critical importance to supporting institutions through what the SFC has called the "emergency years" of 2020-2022. As a nation, Scotland faces a really challenging few years as we work to recover from the social, cultural and economic impact of the pandemic. Universities' aspire to be a strong partner in that recovery. Our commitment to helping Scotland rebuild is unconditional but how far they can deliver on that commitment depends on decisions by the Scottish Government in this budget.

Universities can support:

- **economic progress and prosperity** through our development of the people and ideas to drive productivity and growth (set out further in Biggar Economics' analysis paper: '[Universities in advanced economies](#)').
- **inclusion** through engagement with our communities and our committed work to open higher education to people from disadvantaged backgrounds.
- **resilience** through the development of people with the ability to succeed in multiple careers and adapt to changed economic circumstances, and through the agility of our response to the crisis and recovery.
- **sustainability** through research, innovation, education, and the transformation of our own operations towards net-zero carbon.

We ask for an additional £205.9 million to move universities into a sustainable funding position and a further £56-64 million to deliver new skills and innovation focused policies to support Scotland's people and businesses recover from the economic impact of the pandemic. Our budget submission to the Scottish Government can be read in full [here](#).

Since the pandemic hit, the Scottish Government has responded with welcome support targeted directly at students in the form of hardship funding and support to alleviate digital poverty, and research funding of £75 million. There has been no funding to support the many and intense pressures on the higher education teaching grant which is heavily cross-subsidised, in normal times, from international student fees and revenue from events, conferences and accommodation.

Universities Scotland's bid to the Scottish Government's 2021/22 budget is summarised as below. Collectively, the sums are significant. However, it would be irresponsible of institutions to present anything other than the extent of the financial challenge as it exists. Over 215,000 students and over

¹ This view was independently reached by Audit Scotland in consecutive 2016 and 2019 reports and by the European Universities Association in 2019.

38,000 staff directly depend on Scotland's universities and the sector delivers £11 billion of economic impact annually.

The bid to the 2021/22 budget falls into two parts with the sector's ability to catalyse Scotland's recovery from the pandemic (part two) very much dependent on delivery of part one; ensuring core funding is sustainable.

1. The budget should ensure sustainable funding of universities' core teaching, research and knowledge exchange contributions.

It would cost an additional £205.9 million to move Scotland's universities towards a sustainable funding for their core activities. Of which £96.4 million would be an increase in resource funding and £109.5 million would be an increase in capital funding.² This would support:

- Rapid progress towards sustainable funding of every Scottish-domiciled student. If that cannot be achieved in one leap, we look at least for complete reversal of the £750 per student real terms erosion in funding since 2014/15.
- Rapid progress towards research being funded at full cost. As a minimum, we seek restoration of the real-terms erosion of core SFC funding for research since 2014/15, costing £43.5 million.
- Increased funding for universities' knowledge exchange activities to support businesses at this critical time, which is typically done at a loss to universities. As a start, restoration of the erosion of this funding since 2014/15 would cost £6 million.
- Capital investment to address the sector's £850 million maintenance backlog and reduce universities' unsustainable reliance on debt for this. Universities are looking for an additional one-year contribution of at least £60 million.
- Specific tailored support for institutions hit by major losses of income during the pandemic, so that they can be a strong part of the recovery.

2. Specific funding for additional actions universities can take beyond the core of what they do, to catalyse the recovery.

- **We estimate that delivering the skills and innovation-focused recovery policies set out below would cost the Scottish Government in the region of £56-64 million.**
- Short upskilling/ reskilling courses to meet the diverse needs of individuals and employers. In the region of £6-13 million to meet demand.
- Improved funding for people to do part-time courses. This should be demand-led but funding in excess of £7.5 million could help over 20,000 people to do a 20-credit module.
- Improved funding so that more people can do postgraduate study to develop their skills for the new economy. Circa £40 million to raise current level of support offered. Scotland's postgraduate research loan is lower than in the rest of the UK.
- An 'adopt a business' initiative for intensive support for business/ university interaction to help businesses to reconfigure their products and processes. £1 million for a pilot initiative.
- Support for business incubators in universities. This could align with Logan Review recommendations at the cost of £2 million.

Scotland's universities ask for your support going into this year's budget.

² This follows the reclassification in the Scottish Budget 2020/21 of university research funding (the research excellence grant) and HE innovation grants as capital funding, in line with accounting guidance.