

RGU Briefing: Scottish Parliament Education, Children and Young People's Committee Pre-Budget Scrutiny 2025/26

1. Robert Gordon University (RGU) has prepared this briefing for MSPs to help inform the Education, Children and Young People's Committee's consideration of university and college funding in the context of the current funding settlement, and the sustainability of funding in the years ahead. Our brief focuses on the funding situation in universities. The University welcomes the Committee's decision to focus on this topic as part of its pre-budget scrutiny. Scotland's universities are experiencing a range of financial pressures that individually and cumulatively are having a significant impact on university operations, including constraining the ability of universities to support economic growth in Scotland. These challenges are the result of a decade-long real-terms reduction in public funding; significant reduction in fee income from international students; and increasing pay and utilities costs. There is increasing focus on the sustainability of the HE funding system, which has been brought into sharp focus by the resource outcome of the Scottish Budget for 2024/25 for universities. RGU believes it is important that urgent attention is given to the HE funding arrangements in Scotland.

Under-funding of Scotland's Universities

2. Public funding of Scottish universities has been significantly reduced over the past decade, with the Institute for Fiscal Studies having estimated the amount of teaching funding per student in 2023/24 to be 19% lower in real terms than in 2012/13.¹ We are concerned at the signalling this sends in terms of the relative priority afforded to universities in government decisionmaking, particularly given the considerable and wide-ranging contribution universities make to people and places in Scotland and beyond. Analysis from Universities Scotland shows that government funding has fallen by £2,325 per student in real terms between 2014/15 and 2021/22, and there was a funding gap of £4,000 to £7,000 per student in 2022/23, depending on the subject studied.²
3. The SFC has recently confirmed the final funding allocations to universities. The grant funding for teaching, research and innovation that RGU will receive from the SFC for 2024/25 is 4.3% less than in 2023/24, resulting in the University receiving the third deepest percentage cut to its SFC grant among Scotland's 19 HEIs.

¹ Scottish Budget: Higher Education Spending, IFS, February 2024 <https://ifs.org.uk/publications/scottish-budget-higher-education-spending>

² Universities and Scotland: Time to Choose, Universities Scotland, September 2022 <https://www.universities-scotland.ac.uk/wp-content/uploads/2022/09/Scottish-Budget-US-case-2022-1.0.pdf>

Disproportionate Impact on Post-92 Universities

4. We recognise that the SFC has had to make very difficult choices in order to achieve the £28.5m savings to its university resource budget as a result of the Scottish Budget for 2024/25. We are, however, concerned at some of the decisions made, specifically where they have had a disproportionate impact on particular categories of university. The SFC has chosen to remove in its entirety the contribution it previously made towards the employer contribution of the Scottish Teachers' Superannuation Scheme (STSS). This was worth more than £700K to RGU this academic year, and worth a total of £4.8m to universities as a whole. The withdrawal of this financial support disproportionately impacts Scotland's modern universities which are members of the STSS pension scheme. The complete withdrawal of this support comes at a time when the employer contribution to the STSS has risen by 3% to 26%. As modern universities have no choice over either the contribution rate or the requirement to enrol academic staff onto STSS, the SFC cut represents a significant and direct additional hit on our resources at a difficult time. In contrast, those institutions whose academic staff are enrolled in the Universities Superannuation Scheme (the majority of Scottish institutions) have benefited from a reduction to their pension contributions. This is an issue that Scotland's modern universities, collectively, have raised with the Minister for Higher Education and Further Education, and with the SFC.

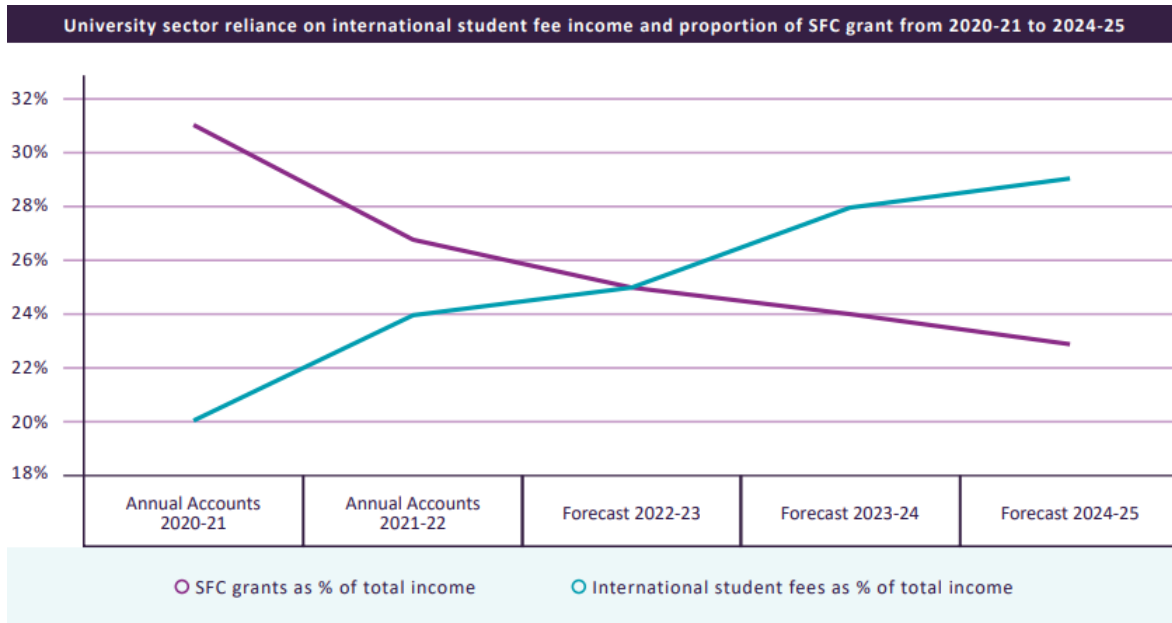
Relationship between Public Funding and International Tuition Fees

5. The under-funding of Scottish HE means that we have a conscious Scottish Government policy where fee income from international students is expected to cross-subsidise universities' activities. Data collated by SFC makes clear that the income from international tuition fees is needed to subsidise publicly funded undergraduate teaching and research.³ The SFC report on the financial sustainability of Scotland's universities demonstrates that at a sector level, SFC grant income has reduced from accounting for 36% of universities' total income in 2012/13 to around 25% in 2022/23, while the sector has become increasingly reliant on international tuition fee income, which represented circa. 25% of total sector income in 2022/23, up from 20% in 2020-21.⁴

³ Financial Sustainability of Universities in Scotland 2020-21 to 2024-25, SFC, January 2024
https://www.sfc.ac.uk/wp-content/uploads/2024/01/202312_FinancialSustainability_Universities.pdf

⁴ Financial Sustainability of Universities in Scotland 2020-21 to 2024-25, SFC, January 2024

6. The figure, below, from SFC financial data and forecasting⁵ illustrates the relationship between SFC grant funding and the income that Scottish universities derive from international student fees. The forecasting shows we have reached the point where international fee income is surpassing the income from SFC grant.



Reduction in International Students

7. This approach, however, bakes in a very high level of risk, that is borne out by the very challenging environment for international student recruitment. The number of international students choosing the UK as a study destination is falling dramatically due to a combination of factors including increasing global competition post-Covid, geopolitical events in key markets, and unfavourable UK Government immigration policy and rhetoric. The UK Government’s decision to end dependants’ visas for most international students has had a significant and immediate impact on demand in key international markets for Scottish universities, including Nigeria, India and Pakistan. The UK Government’s commissioning of the review from the Migration Advisory Committee (MAC) into the graduate route visa has led to further uncertainty in international recruitment markets.
8. At RGU, international student on-campus enrolment on to postgraduate taught (PGT) courses, which are the most popular courses for international students coming to the UK, has declined by 34% between 2022/23 and 2023/24. The data

https://www.sfc.ac.uk/wp-content/uploads/2024/01/202312_FinancialSustainability_Universities.pdf
 Financial Sustainability of Universities in Scotland 2020-21 to 2024-25, SFC, January 2024
https://www.sfc.ac.uk/wp-content/uploads/2024/01/202312_FinancialSustainability_Universities.pdf

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indicate that the post-1992 universities, including RGU, have experienced the largest decline in the PGT market, which may be a result of key international markets in which we are active, notably Nigeria, being hit particularly hard by the ban on dependants. The downturn in international recruitment is not a 'one-off', with a recent survey undertaken by the British Universities International Liaison Association (BUILA) reporting an aggregated decrease in international PGT applications of 28% for the September 2024 intake compared to a year ago, with the UK's post-92 universities being most impacted by the decline in applications.

Consequences of Funding Challenges

9. The recent report from the MAC makes clear the criticality of tuition fee income from international students to sustaining UK universities. The MAC report highlights that the failure to properly fund the higher education sector was leading to an increasing over-reliance on immigration, with fee revenue from international students mitigating (at least in part) the current funding gap for domestic students and research. The MAC's report also suggested that without the income from international students, there would likely be job losses, course closures and a reduction in research. It added that in the extreme it is not inconceivable that some institutions would fail.
10. Several Scottish universities, including RGU have had to take a range of challenging but necessary actions to address the significant financial deficits that have occurred as a result of the external operating environment for Scottish universities. In RGU's case, this has necessitated the launch of a voluntary severance scheme alongside implementing structural changes to consolidate the University's professional service departments, and consulting on proposals to restructure the University's academic schools to streamline our operations, and return the University to a financially sustainable position.
11. We believe it is important that the unsustainability of the current public funding position for Scotland's universities is recognised by parliamentarians. It is constraining the ability of Scotland's universities to support the nation's future prosperity, and hampering universities' ability to support the increasingly complex needs of learners in a context where the sector is committed to widening access to higher education. The Parliament's Education, Children and Young People's Committee is well placed to work with the sector on a cross-party basis, alongside other contributors, to look afresh at the funding model for Scotland's universities, with a view to ensuring long-term sustainable funding for institutions and students.

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