

# Education, Children and Young People Committee

## 23rd Meeting, 2022 (Session 6), Wednesday 28th September 2022

### Universities

#### Introduction

At its meeting on 30 March 2022, the Committee agreed to hold a one-off evidence session on universities in September 2022.

At its meeting on 8 June 2022, the Committee agreed to expand this session to include pre-budget scrutiny.

#### Committee meeting

At this meeting, the Committee will take evidence, in two panels—

- Mary Senior, UCU Scotland; and
- Ellie Gomersall, President, National Union of Students Scotland.

and then from—

- Karen Watt, Chief Executive, Scottish Funding Council; and
- Professor George Boyne, Principal of the University of Aberdeen, representing Universities Scotland.

#### Supporting information

A SPICe briefing, prepared for this session, is included in [Annexe A](#) of this paper. This briefing provides information on the issues being considered at this evidence session including—

- University finances, including the resource spending review;
- The Research Excellence Framework (REF);
- Horizon funding;

- Student supporting, mental health and wellbeing, international students and student housing;
- Staff pay and conditions and the pension dispute; and
- Widening access.

Submissions have been received from [UCU Scotland](#), [NUS Scotland](#), [Universities Scotland](#) and the [Scottish Funding Council](#). These are provided at [Annexe B](#).

The Committee received several submissions from university staff members in March 2022. Links to these submissions, along with any addenda which were added in September, have been provided in [Annexe C](#).

**Education, Children and Young People Committee Clerking team  
23 September 2022**

## Annexe A

The logo for SPICe is a purple rounded rectangle with a gradient. The text 'SPICe' is in white, bold, sans-serif font.The Information Centre  
An t-Ionad Fiosrachaidh

## Education, Children and Young People Committee Meeting

### 28<sup>th</sup> September 2022 (Session 6)

## Universities in Scotland

### Introduction

This session will cover a broad range of topics affecting the university sector and includes the committee's pre-budget scrutiny of higher education.

This paper focuses on a number of areas, including university finances, student and staff experience and research.

### Pre-budget scrutiny

The [Finance and Public Administration Committee issued guidance](#) for subject committees on 21 June 2022. This guidance builds on the work of the Budget Process Review Group, which reported in 2017. The review recommended the following framework for budget scrutiny:

- A full year approach: a broader process in which committees have the flexibility to incorporate budget scrutiny including public engagement into their work prior to the publication of firm and detailed spending proposals.
- A Continuous cycle: scrutiny should be continuous with an emphasis on developing an understanding of the impact of budgetary decisions over a number of years including budgetary trends.
- Output / outcome focused: scrutiny should also be evaluative with an emphasis on what budgets have achieved and aim to achieve over the long term, including scrutiny of equalities outcomes.
- Fiscal responsibility: scrutiny should have a long-term outlook and focus more on prioritisation, addressing fiscal constraints and the impact of increasing demand for public services.
- Interdependent: scrutiny should focus more on the interdependent nature of many of the policies which the budget is seeking to deliver.

The FPAC guidance states—

*“The process takes a strategic year-round approach to budget scrutiny, allowing parliamentary committees to build up an evidence base over time on the impact of spending in their portfolio areas. This approach enables committees to spread their work on budget scrutiny more evenly throughout the year, as part of their existing work programmes, and should also ensure more meaningful and informed scrutiny. Crucially, this process enables committees to have real influence on the spending proposals in the Scottish Budget, with committees reporting their views on what it should contain as it is being developed by the Scottish Government, rather than once it is published.” (p1)*

An outcomes-based approach is one that includes bringing together financial and performance information. The Scottish Government’s budget document also seeks to link spending decisions to outcomes.

The 2022-23 budget stated—

*“The Scottish Budget is underpinned by Scotland’s National Performance Framework. This sets out a vision for a more successful country, where all of Scotland has the opportunity to flourish through increased wellbeing, and sustainable and inclusive economic growth. Alongside this vision, the Scottish Budget delivers against our eleven national outcomes [in the NPF]”. (p 13)*

## University Finances

### **Scottish Budget 2022-23**

The Education and Skills portfolio funds a range of policy areas, including higher education funding. The table below shows the level 2 expenditure plans as set out in the [Scottish Government’s 2022-23 budget](#).

**Table 1: Education and Skills, Level 2 budget – (£m)**

	20-21	21-22	22-23
<b>Higher Education Student Support</b>	925.6	1,399.30	1,017.60
<b>Scottish Funding Council</b>	1,880.10	1,911.00	1,973.80
<b>Advanced Learning and Science</b>	13.4	20.6	22.9
<b>Skills and Training</b>	271.1	277.2	271.9
<b>COVID-19 Funding</b>	-	68	-

Priorities identified in the Budget 2022-23 document are:

- £5m investment for digital equipment for colleges, universities and community learning providers to address the 'digital divide' and help students access laptops and other equipment.
- Support the Scottish Funding Council (SFC), college and university sectors to deliver the agreed recommendations of the SFC's Review of Coherent Provision and Sustainability.

**Table 2** shows the university capital and resource budget over the last three years.

**Table 3** shows the 2022-23 budget in real terms 2021-22 prices.

**Table 2: University capital and resource budget – Cash terms (£m)**

	2020-21	2021-22	2022-23	Change 2021-22 to 2022-23	% Change 2021-22 to 2022-23
<b>Higher Education Resource Budget</b>	743.2	768.2	789.2	21.0	2.7%
<b>Higher Education Capital Budget</b>	342.2	346.7	348.0	1.3	0.3%

**Table 3: University capital and resource budget – Real terms 2021-22 prices (£m)**

	2021-22	2022-23	Change 2021-22 to 2022-23	% Change 2021-22 to 2022-23
<b>Higher Education Resource Budget</b>	768.2	768.4	0.2	0.0%
<b>Higher Education Capital Budget</b>	346.7	338.8	-7.9	-2.3%

[Source: SPICe Real Terms calculator](#)

Table 2 shows the university revenue budget for 2022-23 represents a 2.7% increase in revenue funding which is a 0% increase in real terms, as shown in Table 3- on last year. The capital budget falls by 0.3% - a real terms fall of 2.3%.

Universities Scotland has said the budget represents a cut to university funding for teaching and research, as the 2.7% increase to the resource budget covers the funding of additional student places for those affected by the SQA's alternative certification model.

In a statement to the [Scottish Parliament the Deputy First Minister announced savings within the 2022-23 budget](#). Across the education and skills portfolio this included £42.7m of savings. The Scottish Funding Council are to make £20m of savings from lower forecast requirements in Further Education student support and within other ring-fenced budgets such as the National Transition Training Fund and additional European Structural Funds income. There are also £16.7m of savings from 'various' funding sources, the Scottish Government said this would come from further resource/capital switches, forecast changes across programmes and savings targets within public bodies.

### ***Resource Spending Review 2022-27***

May 2022 saw the publication of the [first multi-year resource spending review in Scotland since 2011](#). It followed a [Scottish Government consultation on spending priorities launched in December last year](#). At the time of the consultation launch, the Cabinet Secretary said the Resource Spending Review (RSR) would “outline resource spending plans to the end of this Parliament in 2026-27” and would “give our public bodies and delivery partners greater financial certainty to help them rebuild from the pandemic and refocus their resources on our long-term priorities.”

However, it is important to bear in mind that, as ever, with Spending Reviews, the situation is likely to change. As the Cabinet Secretary herself said:

*“today’s Resource Spending Review is not a Budget. Change to the fiscal position is inevitable over the next few years, one hopes for the better. Tax decisions will be taken in future budgets.”*

The Resource Spending Review also set out the Scottish Government’s four ‘core priorities’. These are—

- Reform to improve outcomes for children currently living in poverty;
- reform to help achieve the just transition to a net zero and climate resilient society where we play our part in tackling the global climate crisis;
- reform in the way we experience our public services as we recover from the COVID-19 pandemic; and
- transformation of our economy to enable growth, opportunity and a sustainable outlook for our future.

The table below shows the resource spending review expenditure plans for further and higher education.

**Table 4: Resource Spending Review, Further and Higher Education spending plans**

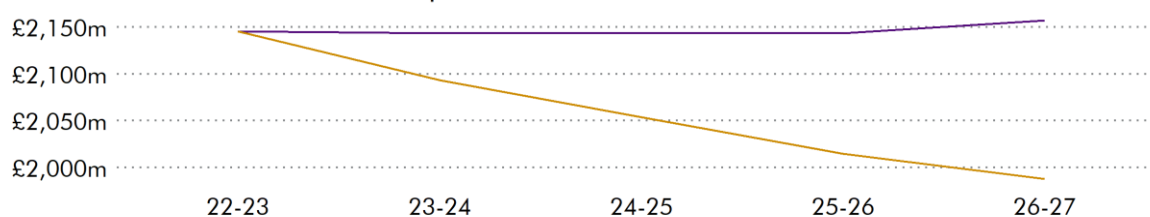
<b>Level 2</b>	<b>2022-23 (£m)</b>	<b>2023-24 (£m)</b>	<b>2024-25 (£m)</b>	<b>2025-26 (£m)</b>	<b>2026-27 (£m)</b>
<b>Higher education and student support</b>	349	349	349	349	349
<b>Scottish Funding Council</b>	1,502	1,501	1,501	1,501	1,501
<b>Advanced Learning and Science</b>	23	23	23	23	37
<b>Skills and Training</b>	271	270	270	270	270
<b>Total</b>	<b>2,145</b>	<b>2,143</b>	<b>2,143</b>	<b>2,143</b>	<b>2,157</b>

Graph 1 shows a comparison of level 2 and 3 spending plans across the tertiary education sector compared with the spending values in real terms.

**Graph 1: Further and Higher Education spending plans with real terms comparison**

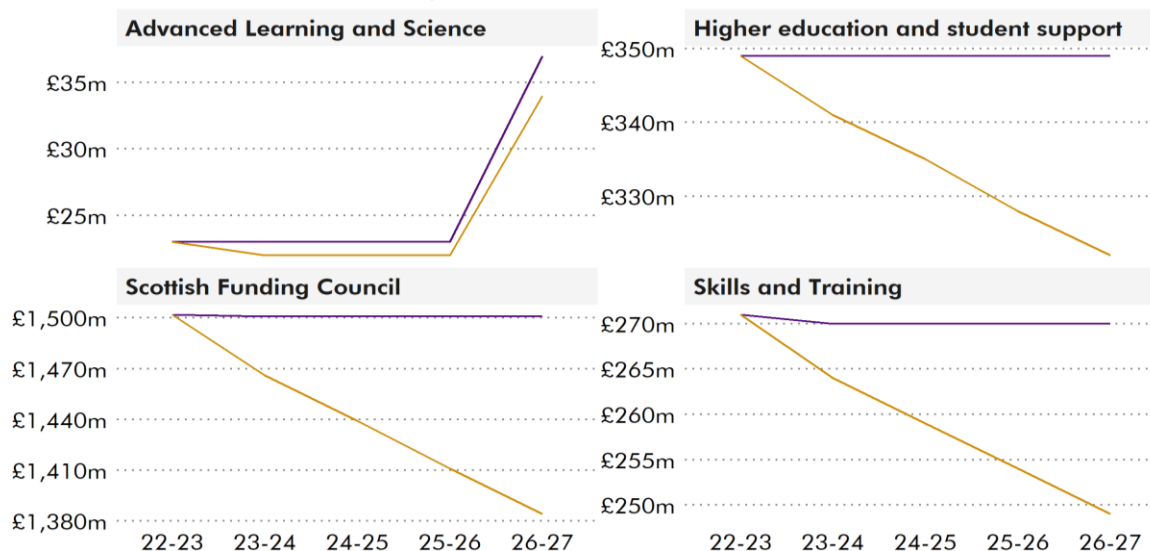
**Total Further and Higher Education level 2 spending plans**

Real terms values in 2022-23 prices



## Further and Higher Education level 3 spending plans

Real terms values in 2022-23 prices



Source: SPICe and [Scottish Government Spending Review 2022-27](#)

In their submission to the Scottish Government’s resource spending review, Universities Scotland called for an increased investment in universities of £62.2 million in resource funding.

Following publication of the resource spending review, [Universities Scotland's response](#) said:

*“The real terms cuts to higher education make it incredibly difficult to continue to deliver for Scotland, our students, staff and the communities we serve. The outlook is bleak for the next few years. We lack clarity on detailed, multi-year funding for universities that allow them to plan to manage the financial storm.”*

Universities Scotland also highlighted to the committee in their submission ahead of this session that:

*“By 2024/25 universities’ teaching grant will have been cut by 34.7% in real terms over ten years and the research budget will have been cut by 41%.”*

While [UCU in response to the resource spending review said](#):

*“These year-on-year real terms cuts to university funding come at a time when staff are already at breaking point over unsafe workloads, unfair pay and pension cuts.*

*With redundancies already on the horizon, we need to have a funding settlement that allows the higher education sector to deliver the high-quality teaching, research, student support, and knowledge exchange Scotland's economy and society needs.”*



### **Scottish Funding Council**

The [SFC's Review of Coherent Provision and Sustainability](#) provided an update on university finances in 2021 (p 125). The report highlighted:

- The sector's underlying operating position shows a surplus of £43m (equivalent to 1% of income), in line with the latest forecast position although down on the 2018-19 result.
- Increased fee income, £27m CJRS income, and staff and operating cost savings, helped to compensate for the reduction in commercial income, particularly residences, catering and conference income during the pandemic.
- However, the sector-wide position masks particular financial challenges for some individual institutions. Eleven institutions reported underlying deficits during 2019-20.
- The sector's cash position has improved on 2018-19 levels, largely due to institutions placing on hold capital works, considerable research activity and loans drawn down but not utilised as a result of restrictions enforced through the COVID-19 lockdown.
- Overall sector borrowing increased by £85m, to a total of around £1.7bn, largely due to Financial Transaction loans provided by SFC. Loan interest payments for the sector increased from £40.5m in 2018-19 to £43.8m in 2019-20.
- The Transparent Approach to Costing (TRAC) is an activity-based costing system adapted to academic culture which provides information to help higher education providers understand the costs of their activities. TRAC data shows that in 2018-19 non-publicly funded teaching, which is mainly non-EU international students, provided a surplus of £222m. This was used to cross-subsidise Scottish-domiciled and EU students, which generated a deficit in funding of £157m, as well as cross-subsidising research funding.

In their submission to the committee Universities Scotland said:

*“Cross-subsidy from international student fees is the only reason that under-funding hasn't yet reached a critical point. But, without action, Scotland is approaching that. Scotland's funding model now bakes-in a structural reliance on international fees to such an extent that this source of revenue is forecast to overtake Scottish Government funding as a percentage of the sector's total income in 2023/24, reaching 27% of the sector's average income compared to 25% for SFC grants.”*

## Research

### **Research Excellence Framework**

The Research Excellence Framework (REF) is the system for assessing the quality of research in UK higher education institutions (HEIs). It is a process of review, carried out by panels made up of practising researchers, international members, research users and experts in interdisciplinary research.

The [results of REF 2021](#) were published on 12 May 2022. The results showed:

- Each of Scotland's universities presented research judged to be of "world-leading" or 4\* quality on the overall profile.
- 86% of the research submitted by Scotland's universities was judged to be world-leading (4\*) or internationally excellent (3\*) in its quality. The equivalent figure for all UK universities is 84.37%.

As well as an overall quality profile, the REF looks at performance in the areas of research output, impact and environment (which is the culture and conditions in which researchers do their work) to arrive at an overall rating of excellence. The impact measure contributes 25% to the overall score. Whilst Scotland's universities have improved their performance on the impact measure of assessment, compared to 2014, universities across the rest of the UK have done so at a greater rate. Looking at the performance on impact alone, 86.71% of research submitted by Scotland's universities is rated as 4\* and 3\* relative to the UK average of 87.18%.

### **Horizon Funding**

The UK-EU Trade and Cooperation Agreement (TCA) included provisions for the UK to keep participating in some EU programmes, such as [Horizon Europe](#) (research) and [Copernicus](#) (space). The Horizon 2020 programme has been [worth around €711m to Scottish organisations since 2014](#), and a [report from the House of Lords European Union Committee](#) in 2019 found the UK was the "second largest recipient" of funding.

The UK Government agreed to participate in the Horizon Europe programme as an 'associated country' and to pay a yearly fee for this purpose, giving them access to the Horizon Europe research funding programme, though with no role in shaping the programme.

Although the TCA has been in operation since 1 January 2021, the conditions of the UK's participation in these programmes has yet to be agreed between the European Commission and the UK Government.

The European Commissioner for Research and Innovation, Mariya Gabriel has suggested that other [wider political issues](#) between the UK and EU would need to be settled before UK association to EU programmes could be formalised. She referred specifically to [differences over UK implementation](#) of the [Northern Ireland Protocol](#) of the Withdrawal Agreement.

UK exclusion from the Horizon Europe programme is among [options reportedly being considered](#) by the EU if the UK uses the [Article 16 provision](#) to suspend aspects of the Northern Ireland Protocol. It was reported in October 2021 that France was also seeking to link the [granting of fishing licenses](#) to approval of UK involvement in EU programmes.

On 15 August 2022, it was [reported that the UK Government is set to launch a formal dispute process against the Commission](#) (this process is set out in the TCA) over its “blocking of access to three international science programmes including Horizon Europe.

The UK government has [set out a package of transitional measures for researchers and businesses](#) if the UK is not able to associate to Horizon Europe.

### **Research Funding**

The [SFC’s Review of Coherent Provision and Sustainability found](#) that the average annual research funding gap in Scotland from 2015-16 to 2018-19 was £328 million.

The SFC also noted Scotland’s performance in securing [UK Research Council \(RC\) funding](#). While Scotland has historically performed well compared to other nations, the percentage share of RC income peaked in AY 2012-13 at 15.7% but fell to 13% in AY 2018-19. SFC noted:

*“Scotland’s research base is increasingly being out-performed by other nations of the UK in terms of our Research Council funding share and we should consider whether we are positioned appropriately to win new types of funding flowing from UKRI.”*  
(p115)

Analysis of [UKRI’s Industrial Strategy Challenge Fund](#) showed only 6.5% of the funding went to Scotland, compared to 44.2% going to London and the Southeast of England; and Scotland has performed less well in securing [Innovate UK funding](#).

The SFC review put forward a number of recommendations aimed at strengthening Scotland’s research base and securing funding in future years. These include:

- The Scottish Government championing a ‘missions-based’ approach, to harness the power of research, Knowledge Exchange and innovation in tackling big societal challenges.
- The Scottish Funding Council introducing reporting on the impact of basic research investment and associated spill over benefits, and sharing good practice and case studies.
- The Scottish Government continuing to protect and sustain the research and science base in Scotland through long-term investment; and consider the potential to use additional capital resource for research when it becomes available.

## Student Experience

The student experience during the pandemic has been very different, particularly for new entrants. The number of students attending Scottish universities continues to rise, with [latest figures from HESA](#) showing an 11% rise in students attending universities in Scotland from 253,475 in 2018/19 to 282,875 in 2020/21. There continue to be key issues affecting students across Scotland, some have been outlined below.

### ***Student Support***

In [February 2022 the Scottish Government announced £5million of additional discretionary funds for Higher Education](#) students, along with a £350 loan uplift for 2022-23 in higher education. This means that students from the lowest income households can now access £8,100 per year through bursary and loan support. There was also the introduction of a [12 monthly payment option](#) for higher education students receiving the Care Experienced Bursary to receive support throughout the year including over the summer months.

[NUS Scotland published research in February this year](#) which found 12% of students surveyed had experienced homelessness since starting their studies. Findings also showed nearly 1 in 3 have relied on commercial debt such as credit cards or payday loans and 8% of respondents used foodbanks.

The [Scottish Government published in June 2022 the results of a survey of 758 college and university students in Scotland on experiences of financial support in summer 2021](#). The survey found:

- 57% of respondents struggled with financial support over the summer more than they did during term time;
- 63% of respondents experienced financial hardship over the summer;
- 24% had applied for discretionary hardship support and, of those that applied, 57% said the process was either complicated or required too much additional information/evidence.

### ***Mental Health and Wellbeing***

Session 5 of the Scottish Parliament saw the issue of mental health rise up the policy agenda. The Scottish Government's 2018-19 Programme for Government included a commitment to:

*"... provide more than 80 additional counsellors in Further and Higher Education over the next four years with an investment of around £20 million."*

Despite progress to increase counsellor numbers, universities continue to see considerable demand for mental health support services. [Colleges Scotland, Universities Scotland, and NUS Scotland recently wrote to Mr Hepburn](#) regarding the

Student Mental Health Action Plan and funding for additional mental health counsellors.

In NUS Scotland's submission to the committee, they said:

*“As a matter of urgency, the Scottish Government must urgently confirm the remainder of the funding from its £20million commitment to additional counsellors in colleges and universities, as well as long-term funding for provision.”*

[Research published by the Mental Health Foundation, Universities Scotland and the Robertson Trust in November 2021](#) surveyed over 15,000 students from all 19 universities in Scotland. The Thriving Learners study found that:

- 74% of students reported low well-being;
- 36% of respondents reported either moderately severe or severe symptoms of depression;
- 45% of students experienced a serious psychological issue that they felt needed professional help;
- 57% reported concealing a mental health problem for fear of stigmatisation;
- In the past 12 months, 22% of students said they were worried about running out of food and 24% eating less due to lack of resources or money.

### ***International Students***

At the start of the pandemic, universities feared the number of international students would fall and that this would impact the sector's finances. [Latest available HESA figures for 2020-21](#) show an overall increase in international student numbers and a slight decrease in the number of EU students enrolled in Scottish universities as shown in the table below.

**Table 5: International student enrolments at Scottish universities, academic years 2016/17 to 2020/21**

	2016/17	2017/18	2018/19	2019/20	2020/21
European Union	21,245	21,605	21,505	20,895	20,550
Non-European Union	31,045	32,740	36,570	40,695	47,630

### ***Student Housing***

Recent [press articles](#) have reported [accommodation shortages](#) across Scotland and warned of students experiencing homelessness ahead of the start of the academic year. Particular challenges have been highlighted in [St Andrews](#) and [Glasgow](#). [Figures from HESA](#) show the University of Glasgow student enrolments have increased from 30,805 in 2018/19 to 37,145 in 2020/21 a 20.6% increase.

[NUS Scotland is calling for more affordable rent for students](#) following a 34% rise in purpose-built student accommodation rent over the past three years. [NUS Scotland research from February 2022](#) also highlighted 29% of care-experienced students had experienced homelessness since the start of their studies, 18% of students with caring responsibilities, including for children and 15% of disabled students surveyed.

The Scottish Government does not collect data on student homelessness or student housing in Scotland.

The UK wide [Accommodation Costs Survey 2021](#) showed average annual rent in purpose-built student accommodation in Scotland was £6,853 in 2021/22. In Scotland, the maximum financial support a student could obtain through loans and bursaries in 2021/22 was £7,750.

The Scottish Government were recently quoted as saying that emergency legislation to freeze rents announced in [the 2022/23 Programme for Government](#) will extend to include students in purpose built student accommodation.

A [spokesperson for the Scottish Government commented](#):

*"We intend to give the same levels of protection to students in halls or other types of purpose-built accommodation. Tenancies in halls of residence and purpose built student accommodation are structured differently from other types of tenancies, often including energy costs, so we are working at pace to determine how best to achieve parity of protection."*

PBSA is excluded from the Private Residential Tenancy (PRT) regime in Scotland. This generally means that PBSA tenancies are common law tenancies, regulated by the contract between landlord and renter, rather than a specific law.

The [2020/21 Programme for Government](#) included a commitment to:

*"... conduct in 2021 a review of purpose-built student accommodation, in partnership with stakeholders."* (p106)

An [initial scoping exercise](#) has been carried out by the Scottish Government, however the review has not yet been published.

A report published in July 2022 from the Higher Education Policy Institute, [Could universities do more to end homelessness?](#) argues universities should do more to track and prevent homelessness among their students and could play a wider role in supporting efforts to end all forms of homelessness.

### **Postgraduate Researchers**

Postgraduate education encompasses a broad range of provision and can be classified into two broad types: programmes that are largely taught and those with a significant research component.

[HESA data from 2020/21](#) shows there are 5,965 postgraduate researchers in Scotland. Some postgraduate researchers are required to undertake teaching duties in addition to their course as a condition to receive a stipend from their university. For postgraduate researchers in England pay for teaching cannot come from their

stipend covered by the [Training Grant or Training Account](#). Data is not available on the proportion of teaching delivered by postgraduate researchers in Scotland.

In the [2021-22 Programme for Government](#) the Scottish Government committed to a “review of postgraduate funding”, the findings of this review have not yet been published.

[UCU are currently campaigning for postgraduate researchers to be counted as staff](#) calling for pay, protections around workloads and rights such as access to state benefits, childcare, parental and adoption leave and long-term sick leave.

## Staff Conditions

Staff pay, conditions and pensions continue to be part of ongoing disputes between both Unison and UCU.

[HESA data from 2020/21](#) shows in total there were 24,940 Scottish academic staff working in Scottish universities. Of these staff 8,330 were employed on fixed term contracts, 33% of the total number of academic staff in Scotland compared to 32% of UK university staff. The data also shows 19% of academic staff (4,760) in Scottish universities are on an hourly paid contract compared to 13% of academic staff (28,535) across the UK as a whole.

The most recent report from [Audit Scotland in 2019](#) on universities shows that staff costs make up 55% of the total expenditure of universities in Scotland.

[Research carried out by UCU in 2021](#) and published this year found that staff in higher education were working an average 50.4 hours per week.

Speaking generally on staffing the [SFC’s Review of Coherent Provision and Sustainability](#) stated:

*“We expect institutions to explore internal efficiency measures, for example, increasing class sizes, reducing the percentage of income spent on staffing, ensuring support staff arrangements are appropriate to the size of the institution and what it can afford, and examining curriculum delivery to reduce duplication and poorly performing courses while making the most of blended learning.”*

### **UCU Pay and Conditions dispute**

The UCU’s campaign around pay and conditions focuses on “Four Fights”. These are calls for—

- Action to address the gender, ethnic and disability pay gap;
- an end to contract ‘casualisation’;
- tackle rising workload;
- a pay rise of £2,500.

In this aspect of the dispute, the UCU is in dispute with the [Universities and Colleges Employers Association](#). Not all Scottish Universities are members of the UCEA.

### ***UCU Pensions dispute***

The Universities Superannuation Scheme was revalued in 2020 and this valuation has led to the dispute over changes in the scheme. The issues at play are both complicated and complex. Members may wish to refer to a recent [House of Commons Library briefing on the scheme](#). That briefing explores the differing views on the validity of the 2020 valuation and the impacts on scheme members of measures following that valuation. [Two members of the scheme recently brought an action at the High Court](#) on a number of matters including the timing of the valuation which was dismissed.

[In February, the Joint Negotiating Committee](#), “formally voted to implement a package of reforms to conclude the 2020 valuation of the scheme”. The JNC consists of five representatives from UCU five representatives from Universities UK, and an independent chair.

### ***Committee Correspondence***

The Committee received a number of unsolicited responses from staff ahead of this session. While the views expressed may not be reflective of all staff across Scotland there were key themes which were highlighted in the letters. These were:

#### Working conditions

Many staff expressed concern around job insecurity particularly around the use of short-term contracts and hourly-paid work.

Staff shared their experience with “unmanageable workloads” and raised concerns about “serial burnout”. Staff also referred to regularly working above their contracted hours in order to provide feedback to students, along with strains on their time as a result of staff to student ratios.

One lecturer said:

*“I have seen numerous excellent academic and professional services staff burn out over my eight years at this university. This is not sustainable, and, in my view, the situation is only getting worse; this is disastrous for both staff and students alike.”*

#### Pension cuts

Cuts to staff pensions were also repeatedly highlighted, specifically cuts to Universities Superannuation Scheme with staff claiming their pensions were being cut in some cases by up to 42%.



## Pay

Declining staff pay by 20% in real terms since 2009 was noted, along with pay gaps in academia in relation to gender, ethnicity and disability.

Another lecturer shared:

*“My dedication to my job has kept me going in the face of increasingly unmanageable working conditions and workloads. My salary has declined year on year for over a decade.”*

## Governance and Finances

Staff requested that the Education, Children and Young People Committee carry out an inquiry reviewing university finances and governance, while noting the committee’s limitations to get involved with industrial action. Specific concerns were raised about management culture in universities, a lack of public accountability of finances across the sector and a decline in transparency around decision making.

Links to the full text of submissions received by university staff are included in the [Annexe C](#) to this paper.

## **Widening Access**

Since 2016, universities and colleges have been working towards the mutual aim of widening access to university for students from the most deprived backgrounds.

This work is guided by Scottish Government targets put in place following the recommendations of the [Commission on Widening Access](#) (COWA). The overarching target is that by 2030, students from the 20% most deprived backgrounds should represent 20% of entrants to Higher Education.

The interim COWA target of at least 16% of first year, first degree entrants to university being from the 20% most deprived areas by 2021 was met by the sector ahead of time. The latest figures from the Scottish Funding Council in its [Report on Widening Access 2020-21](#) show that 16.7 per cent of Scottish domiciled full-time first-degrees students were from SIMD20 (the 20 percent most deprived) areas. The report highlights the contribution of colleges, with 40.9 percent of full-time first degree SIMD20 entrants coming via the college route.

The next key target is for students from SIMD20 backgrounds to make up 18% of full-time, first-degree entrants by 2026.

The Commissioner for Fair Access also acknowledged the progress towards fair access in his most recent [report](#), describing it as “both impressive and sustained”. However, noted:

*“Despite the progress made towards making access to higher education fairer, the goal of fair access is very far from being achieved. To be direct, access to post-school education remains deeply unfair. For SIMD20 school leavers, going on to higher education remains a minority experience; fewer than a third go to university.”*  
(p33)

**Nicole Beattie, Senior Researcher Further, Higher Education and Children’s Services, SPICe Research**

**September 2022**

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## Annexe B

# Education, Children and Young People Committee

## Submission from UCU

### Introduction

The University and College Union (UCU) is the largest trade union in the post-16 education sector in the UK, representing 110,000 academic and related members across the UK, and is the largest union in the higher education sector in Scotland with 9,000 members in Scottish universities.

UCU represents academic workers (including lecturers, researchers, professors, teaching fellows, graduate teaching assistants and other “early careers” academics, etc.), as well as professional support staff (including librarians, administrators, IT staff, student support staff, human resources staff etc.) in Scottish higher education institutions.

We welcome the opportunity to submit evidence and are looking forward to meeting on 14 September. We have been asked to comment on university finances following the Covid19 pandemic, research funding, and staff terms and conditions.

UCU’s concerns at the current downward trajectory of Scottish Government funding of universities, and our demands for the costs of teaching to be fully funded, have been set out in submissions to predecessors of this committee. We were deeply alarmed at the flat cash settlement for higher education in the recent Scottish Government spending review, which means year on year reductions in the funding of our universities.

The issue of staff terms and conditions has also been to the fore with successive industrial disputes over pay, pensions and working conditions. The high workloads, pay inequality and rampant casualisation in the university sector does suggest that there is a problem with the way our universities are being run. The strength of feeling amongst workers will be clear to those MSPs who have visited UCU picket lines or attended any of the UCU rallies held on the concourse of the Parliament over the past few years, most recently in February 2022 where the many hundreds of staff attending made it abundantly clear that there is a very real problem.

Our union has set out<sup>1</sup> how the increasing marketisation of higher education is negatively impacting upon both the funding of the system and the treatment of staff and students within it. We see how this growing neo-liberal agenda has led to

increasing casualisation, the pressure on workloads, the inequality in pay, as well as holding pay down in the sector overall.

### Staff terms and conditions

The failure of university workers' pay to keep pace with inflation, along with the deterioration of working conditions in the sector, has led to significant disgruntlement, worker dissatisfaction, and industrial disputes in universities over the past number of years.

University workers' pay is negotiated via a UK-wide bargaining table, with the joint unions negotiating with the university employers' body UCEA (the University and College Employers Association). The successive below inflation offers on the part of employers for the past decade – including the offer of zero percent in 2020/21 - has led to protracted disputes and to industrial action by UCU on university campuses across the UK. Most recently the unwillingness of employers to negotiate a fair settlement in the 2021/22 pay claim led to members taking up to 20 days of strike action in Scotland in the academic year just past.

Previous years have seen similar levels of disruption, for example in 2018-19, and 2019-20, and as the committee prepares to look at terms and conditions in universities, UCU is once again balloting its members in two disputes: to fight for better pay and working conditions, and to fend off the attacks on university pensions.

In spring 2022, during the most recent round of strikes, members of UCU from our Edinburgh university branch wrote to MSPs on the education, children and young people committee, outlining the reasons why they were withdrawing their labour. These UCU members called upon the Parliament and Scottish government to engage with the reasons behind the dispute, look into the management of the sector, and to get responses from university principals. In addition to individual members writing to the committee, a letter<sup>iii</sup> calling for action was signed by 111 professors from the university and reported by the Times newspaper.

There are four main elements of the UCU dispute relating to the terms and conditions of staff. These are the use of and reliance of the sector upon precarious contracts; excessive staff workloads; the gender, ethnic, and disability pay gaps; and the real terms pay cuts that have blighted universities since at least 2009.

### Casualisation in higher education

The prolific use of casualised and atypical contracts in higher education is hugely problematic, with workers unable to progress their careers or make life choices, such as securing a home or starting a family, because they lack security in employment. All too many workers in universities are placed on hourly paid, fixed term or some other form of temporary contract. This precarious form of employment has almost become a rite of passage for early career academics. One third of all academics are employed on a fixed term contract. This rises to almost half (44%) of teaching-only academic staff, and over two-thirds (68%) for research-only staff.

41% of academic staff in teaching-only roles are on hourly paid contracts. (Source HESA data 2019/20).

UCU carried out research in 2019<sup>[iii]</sup> on the impact of precarious and atypical contracts. Over 2000 staff responded to a question on the impact of casualised contracts, with almost 60% saying they had struggled to make ends meet and 40% saying they had problems paying bills. Three years on, the cost-of-living crisis will only have exacerbated these problems.

Meanwhile it is common for universities to argue that these are ‘opportunities’ for early career academics rather than ‘jobs’ per se. The prevalence of precarious casual contracts makes the problem significant not just for the individuals lacking any sense of job security but is also detrimental for the students they teach and the sector generally.

The 2019 UCU report reported that “...In the USA there is now a well-established academic literature which examines the effects of employing staff on insecure part-time contracts in terms of retention rates and graduate outcomes. Reports and research have consistently found correlations between heavy reliance on staff employed on insecure part time contracts, lower retention rates and poorer graduate outcomes.”

Staff on precarious contracts reported that their contracts give them insufficient time to prepare for teaching and that they constantly face the need to cut corners or to work without pay.

The 2019 UCU report found that:

- 67% of respondents said that they did not have enough paid time to enable them to prepare adequately for their classes.
- 73% of respondents said that they did not have enough paid time to complete their marking.
- 75% said that they did not have enough paid time to undertake the scholarship necessary to stay on top of their subjects.
- 71% said that they did not have enough paid time to give their students the feedback they deserved.
- 44% said they did not have access to adequate facilities to provide feedback and support to their students.
- 35% said their views were not taken into account in the development of courses and materials.

In summary, casualised teaching staff reported that they have insufficient paid

time to prepare for classes, mark students’ work, give feedback, or undertake the necessary scholarship to do their jobs. This is a problem for the sector and for students, as well as for the people employed on these exploitative contracts.

The insecure nature of employment experienced by all too many workers in higher education has equality and diversity issues too. UCU’s own research<sup>[iv]</sup> underlines

that women along with black and minority ethnic people are more likely to be on precarious contracts. Research by the Maternity Alliance in 2020<sup>[vi]</sup> concluded how insecure contracts disadvantage pregnant women.

Recent studies<sup>[vii]</sup> have shown that “precarious contracts reinforce vulnerability and subsequent exploitation”. This illustrates how it is potentially more difficult for those on insecure contracts to raise concerns, ask challenging questions, or put forward controversial ideas or opinions, due to the power imbalances at play. This phenomenon is also outlined in the paper ‘A one-sided view of the world’: women of colour at the intersections of academic freedom<sup>[viii]</sup>.

Given the Scottish Government’s and this Parliament’s commitment to Fair Work, along with the public money which goes into the sector, politicians have the right to question why nearly half of university teaching staff are hourly paid or are on other forms of contract which lack job security. While UCU has been pushing employers locally to address the casualisation in their institutions for a decade or more now, the pace of change is glacially slow.

In our current national claim to the employers, UCU is asking for a UK-wide framework to eliminate precarious employment practices and casual contracts, and we believe that this can be achieved. This summer, in July 2022, negotiations between UCU and the Open University (OU) led to an agreement to move 4,000 associate lecturers in the OU onto permanent contracts. The agreement is a crucial step in ending casualised work, particularly the constant need to re-apply for teaching work even after years of OU employment. It also ensures OU associate lecturers can for the first time demonstrate regular income and job stability for rental and mortgage applications. If it this can be done in the OU there is no reason why it can’t be achieved through the higher education sector as a whole.

### Unsafe workloads

Unmanageable and unreasonable workloads with the demand to do more in less time with consequent detrimental impacts on health, have been common in higher education for many years. Even prior to the Covid pandemic workloads were at breaking point.

Research<sup>[viii]</sup> carried out by UCU in 2021 and published in June 2022 showed that staff in higher education were working an average 50.4 hours per week, equating to over two days unpaid work every week. We know that members report that increasing workloads were driven by increasing administration, the impact of restructuring and reductions in staff numbers and increasing expectations and demands from students. University staff are, of course, happy to and want to support students but this needs to be reflected in the expectations of managers and in their workload allocation models. These increasing demands lead to a decline in scholarly activity - one of the key functions of a higher education institution. The 2021 research showed staff reporting a decline in the available time to spend on development activities such as presenting at conferences, networking, research and reading, and self- directed or scholarly activity.

Excessive workloads in the sector is also highlighted in research<sup>[ix]</sup> carried out by the charity Education Support published in 2021, which surveyed more than 2,000 academic and academic related staff on their mental health and workload. The survey found one in five academics work an extra two days (16 hours) per week on top of contracted hours. The Education Support research also concluded that over half (53%) of those surveyed showed probable signs of depression; and almost a third (29%) reported feeling emotionally drained from work every day.

Covid has amplified and exacerbated already toxic workloads. In July 2021 UCU surveyed<sup>[ix]</sup> all members in Scotland over the impact on Covid on their workload. 76% of respondents reported an increase in their workload, and for 23% that increase was in excess of 20%.

Earlier this year a UCU member in Aberdeen expressed their frustration at the current situation:

*'I am tired of the endless sense that I am not on top of the work that never stops coming in. I am tired of endless requests for info on this, that or the other that are "needed" so a report can be made. I am tired of being told for 25 years that we are not bringing in enough money so we must try harder. I am tired of being managed by people who do not listen when we complain about workload. And I am tired of the complete failure of senior management of Universities of the UK to take seriously their duty of care to maintain high standards of well-being for their staff.'*

*A lecturer at the University of Aberdeen.*

Pay and the cost-of-living crisis

University workers are not immune to the current cost of living emergency, and after more than a decade of below inflation pay rises, all too many university staff are struggling with spiralling energy bills, rent and mortgage payments, the price of childcare and other household costs.

The employers' body for universities, the University and Colleges Employers Association (UCEA), has made a final offer of 3% to staff for the year 2022/23. While this is an improvement on the 2020/21 astounding offer of 0%, a 3% uplift goes no way towards redressing the trend of downward pressure on wages or of meeting the current cost of living crisis.

The current offer fails abysmally to match rising inflation, and even before the current situation university pay was losing its value relative	Average pay settlement across economy	Cumulative increase in value of average settlement	HE pay settlement	Cumulative increase in value of HE pay settlement
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to the UK average. The cumulative effect of years of higher education pay settlements falling short of those seen across the economy as a whole is set out in the table below. Year				
2010	2.0	102.0	0.4	100.4
2011	2.5	104.6	0.3	100.7
2012	2.5	107.2	1	101.7
2013	2.5	109.8	1	102.7
2014	2.5	112.6	2	104.8
2015	2.2	115.1	1	105.8
2016	2.0	117.4	1.1	107.0
2017	2.0	119.7	1.7	108.8
2018	2.5	122.7	2	111.0
2019	2.5	125.8	1.8	113.0
2020	2.3	128.7	0	113.0
2021	2.0	131.2	1.5	114.7

Whereas average pay settlements across the economy have lifted pay by 31.2% between 2009 and 2021, higher education pay settlements have delivered total growth of just 14.7% in 12 years. This has been at a time when the RPI has increased by 42.9%, starkly underlining the failure of university pay to keep up with inflation. So, in addition to falling in real terms, the relative value of higher education pay has declined against the UK average since 2009 by 12.6%. This represents a substantial decline in the competitiveness of higher education wages on the labour market, and presents a very real danger to the ability of the sector to attract and retain staff.

In this current pay round UCU is asking for a pay uplift which is, at least, inflation (RPI) plus 2%, and for all employers in the sector to become Living Wage Foundation accredited.

*Pay inequality: tackling gender, ethnic and disability pay gaps*

Every year the pay data across the higher education sector shows continuing pay inequality. The joint unions’ pay claim [\[xi\]](#) for 2022/23 cited evidence that the gender pay gap in higher education stands at 16%; the pay gap between BAME and white staff being 17%; and the disability pay gap 9%.



We know that Black academic members of staff are much less likely to be in promoted positions than white staff<sup>[xiii]</sup> and that similar discrepancies apply to women and disabled members. In depth analysis<sup>[xiii]</sup> undertaken by UCU some five years ago revealed the extent of the gender pay gap in higher education.

Women outnumbered men in early career teaching and research roles, and there is a steady decline in the proportion of women as seniority increases, with women under-represented at professor level. This stratification was more entrenched in Russell group institutions, with women faring better in post-92 universities.

To resolve the current dispute and address the continuing pay discrimination, UCU is seeking nationally agreed action, using an intersectional approach, to eliminate the gender, ethnic and disability pay gaps.

### USS pension dispute

In addition to the dispute on staff pay and conditions, a second dispute in the sector is over the pension scheme that operates primarily in the pre-92 higher education institutions – the Universities Superannuation Scheme (USS). There is increasing anger amongst staff over the 2020 valuation of the scheme and the drastic cuts made to pensions in April 2022.

USS conducted the most recent valuation on 31 March 2020, as markets were crashing during the COVID-19 pandemic. The scheme claimed that contribution rates needed to increase very significantly from the rate of 30.7% of salary (9.6% for members, 21.1% for employers) that was established under the 2018 valuation.

Both UCU and the employer representative, Universities UK (UUK) argued that these increases were not necessary and had not been properly justified.

However, instead of continuing to challenge the increases, UUK pushed through major cuts<sup>[xiv]</sup> to the guaranteed, defined benefit (DB) element of the scheme to prevent employers from having to pay higher contributions.

The UUK cuts, which were formally voted through in February 2022 and came into force on April 2022, drastically reduced the level of guaranteed retirement income provided to members of USS for their future service (benefits already built up will not change). The cuts affected every active USS member but especially those nearer the start of their careers<sup>[xv]</sup>.

These cuts came in the context of a decade of detrimental changes to USS contributions and benefits. As UCU previously showed, the changes that had already taken effect between 2011 and 2019 would make a typical member of staff £240,000 worse off<sup>[xvi]</sup> over the course of their career and retirement. The 2022 cuts from UUK have made things even worse: new research<sup>[xvii]</sup> shows that global loss across current USS scheme members is £16-18bn, with those under the age of 40 losing between £100k-£200k each in retirement. It also shows that 196,000 staff will lose between 30%-35% from their guaranteed future retirement income.

UCU is demanding that vice-chancellors and principals order their employer body UUK to revoke these brutal cuts and put pressure on USS to restore benefits to 2021 levels, especially after a drastic improvement to USS finances was revealed by the trustee in March 2022<sup>[xviii]</sup>. USS reported assets increasing to over £88bn, and the trustee said that growth outstripped liabilities and that the level of contributions required to service the deficit fell to 0%. The latest news in August 2022 that the March 2020 USS deficit is now a £1.8bn surplus<sup>[xix]</sup> has further angered UCU members. It is very clear to us that the strategy of UUK and USS has been to cut benefits and drive down employer contributions, to the detriment of members and the pension scheme generally. That is why UCU is balloting members in USS institutions (generally the pre-1992 universities) to oppose the cuts and seek restoration of member benefits.

As one UCU member in Edinburgh put it recently:

*'Academic pensions used to be a real benefit to working in academia, but this is no longer the case. Starting my first postdoc and finally earning an income, while having to pay off loans for my education until now, and finding out that pensions are cut by 35% is absolutely demotivating. It makes me consider leaving academia altogether...'*

*A research academic on a fixed term contract at the University of Edinburgh*

Both the USS and the pay and conditions ballots which opened on 6 September, are being run on an aggregate basis GB-wide. This means UCU needs to achieve a 50% turnout and yes vote across all members balloted GB-wide, to call on all of these members to take industrial action.

### University Funding

UCU wholly supports the concept of free tuition and the determination that access to higher education should be based on your academic ability and not on your ability to pay. It does however need to be properly funded and for many years we have advocated, along with others in the sector, that the cost of teaching be met by the Scottish Government in full.

We know that the full costs of delivering university tuition to Scottish domiciled students is not currently met by public funding. In the comprehensive 2019 report into university finances, Audit Scotland found that for 2016/17 universities, on average, recovered only 92.4% of the full cost of teaching from public funds. Universities Scotland in its submission ahead of the draft budget consideration states that universities received £130m less in real terms in 2019/20 than was available in 2014/15.

The real terms decrease in funding to the sector is alarming, and whilst UCU believes that universities in Scotland can and should be doing more to resolve the matters in dispute between us, there can be no doubt that consistent underfunding of the sector in Scotland is a major contributory factor to the various disputes and unresolved collective issues that exist. This underfunding adds to the

pressures on staff and risks the quality of education delivered. It also means international students are treated as “cash cows” to subsidise the tuition delivered to Scottish domiciled students.

A significant danger with a gradual reduction in funding is that it leaves space for ideologues who are determined to see students pay for their education; and we note the calls again this summer for the return of, albeit deferred, tuition fees in Scotland for Scottish domiciled students. Research<sup>[xxi]</sup> carried out for UCU Scotland as recently as summer 2020 found that two-thirds of potential students indicated that they would be put off going to university if tuition fees were introduced. With the ongoing cost of living crisis, it is difficult to see this position changing any time soon.

Given our concerns around the shortfall in funding the teaching budget, we were deeply disappointed to see the sector’s allocation in the Scottish Government resource spending review, with a flat cash combined budget for further and higher education for the next four years. At the time the Institute for Fiscal Studies estimated the figures as representing a real terms cut of 8%.

Since the end of May, inflation has continued to increase and shows no signs of abating. At a time of the spending review inflation was at 9% and has since spiralled, with alarming predictions for 2023 of inflation rates of over 18%<sup>[xxii]</sup>. This means that the flat cash settlement for the universities over the next four years will mean substantial year-on-year reductions in funding for higher education.

Responding to the spending review back in May 2022, UCU's Scotland official, Mary Senior said:

*'Today's spending review makes grim reading for students, parents, and staff in Scotland's universities. These year-on-year real terms cuts to university funding come at a time when staff are already at breaking point over unsafe workloads, unfair pay and pension cuts.'*

*'With redundancies already on the horizon, we need to have a funding settlement that allows the higher education sector to deliver the high-quality teaching, research, student support, and knowledge exchange Scotland's economy and society needs. The cuts set out today are a real blow.'*

The Scottish Funding Council has also announced cuts to universities’ research funding for 2022/23, which take into account the most recent Scottish budget and the Research Excellence Framework results. Six Scottish institutions face cuts (ranging from 0.3 to 2.2%) in their final funding allocation for 2022/23 with those same six institutions plus another two facing cuts to the Research Excellence Grant. The cuts ranged from -0.5% and -1.6% to much more significant cuts of – 5.8%, -8%, -13%, -13.2%, right up to hugely damaging cuts of –23.6% and –33.1% leading to the sector warning that the Scottish Government was threatening the excellence of Scottish research and putting our reputation as a world leader for research and innovation at real risk. These are concerns shared by UCU.

Investment in higher education means investment in staff and the working and learning environment, and UCU is deeply concerned at continuing under-investment especially at a time of economic crisis. The cost-of-living emergency and the funding challenges come just at the time with universities are expected to deliver more and meet complex challenges on the back of the pandemic.

The sector must be effectively resourced if it is to deliver on its widening access commitments, to respond to the learning lost due to the Covid pandemic, and to meet the mental health challenges facing both students and staff at this time.

[i] [https://www.ucu.org.uk/media/11371/Future-of-Scottish-HE-Feb-21/pdf/Future\\_of\\_Scottish\\_HE\\_Feb\\_21.pdf](https://www.ucu.org.uk/media/11371/Future-of-Scottish-HE-Feb-21/pdf/Future_of_Scottish_HE_Feb_21.pdf)

[ii] <https://www.thetimes.co.uk/article/parliament-must-intervene-in-the-universities- dispute-hjdcxlv6r>

[iii] [https://www.ucu.org.uk/media/10336/Counting-the-costs-of-casualisation-in-higher-education-Jun-19/pdf/ucu\\_casualisation\\_in\\_HE\\_survey\\_report\\_Jun19.pdf](https://www.ucu.org.uk/media/10336/Counting-the-costs-of-casualisation-in-higher-education-Jun-19/pdf/ucu_casualisation_in_HE_survey_report_Jun19.pdf)

[iv] [https://www.ucu.org.uk/media/10899/Precarious-work-in-higher-education-May-20/pdf/ucu\\_he-precarity-report\\_may20.pdf](https://www.ucu.org.uk/media/10899/Precarious-work-in-higher-education-May-20/pdf/ucu_he-precarity-report_may20.pdf)

[v] <https://maternityaction.org.uk/wp-content/uploads/InsecureWorkReportNov2020FINAL-1.pdf>

[vi] <https://www.tandfonline.com/doi/pdf/10.1080/01425692.2022.2074375>

[vii] <https://www.tandfonline.com/doi/pdf/10.1080/13642987.2022.2041601>

[viii] [www.ucu.org.uk/media/12905/UCU-workload-survey-2021-data-report/pdf/WorkloadReportJune22.pdf](http://www.ucu.org.uk/media/12905/UCU-workload-survey-2021-data-report/pdf/WorkloadReportJune22.pdf)

[ix] <https://www.educationsupport.org.uk/resources/for-organisations/research/supporting-staff-wellbeing-in-higher-education/>

[x] [https://www.ucu.org.uk/media/11732/UCU-Scotland-report-of-Covid-19-survey-of-members/pdf/UCUS-Covid-survey-report\\_Aug21.pdf](https://www.ucu.org.uk/media/11732/UCU-Scotland-report-of-Covid-19-survey-of-members/pdf/UCUS-Covid-survey-report_Aug21.pdf)

[xi] <https://www.ucu.org.uk/media/12528/HE-unions-claim-2022-23/pdf/TUJNCHEsclaim202223FINAL.pdf>

[xii] <https://www.ucu.org.uk/article/10360/Black-academic-staff-face-double-whammy- in-promotion-and-pay-stakes>

[xiii] [https://www.ucu.org.uk/media/8620/The-gender-pay-gap-in-higher-education-201516---full-report-May-17/pdf/ucu\\_2015-16genderpaygapreort\\_full\\_may17.pdf](https://www.ucu.org.uk/media/8620/The-gender-pay-gap-in-higher-education-201516---full-report-May-17/pdf/ucu_2015-16genderpaygapreort_full_may17.pdf)

[xiv] <https://www.ucu.org.uk/article/12128/Dispute-far-from-over-says-UCU-as-employers-force-through-pension-cuts>

[xv] <https://www.ucu.org.uk/article/12343/UCU-responds-to-new-research-into-impact-of-cuts-to-university-pensions>

[xvi] <https://www.ucu.org.uk/article/10269/University-staff-balloting-for-pension-strikes-240000-worse-off-as-costs-rise-and-benefits-cut>

[xvii] <https://www.ucu.org.uk/article/12343/UCU-responds-to-new-research-into-impact-of-cuts-to-university-pensions>

[xviii] <https://www.ucu.org.uk/article/12219/Seize-the-moment-and-revoke-pension-cuts-vice-chancellors-told-as-trustee-reveals-vast-improvement-in-schemes-finances>

[xix] <https://www.ucu.org.uk/article/12486/Vindicated-USS-reports-a-1.8bn-SURPLUS>

[xx] <https://www.ucu.org.uk/article/10862/Two-thirds-of-Scottish-university-applicants-would-put-off-going-to-university-if-tuition-fees-were-introduced>

[xxi] <https://www.bbc.co.uk/news/business-62634795>

## UCU: Precarious work in Scotland higher education –September 2022

This report is prepared using the HESA staff data 2020/21, the most recent data we have access to at the time of writing.

All numbers are rounded to the nearest 5, any calculations are made before rounding and all percentages are shown as whole numbers.

**Table 1: Percentage of academic staff on a fixed-term contract (FTC)**

	Scotland	UK
T&R	5%	7%
R	54%	66%
T	52%	43%
All	33%	32%

**Table 2: Numbers and % of academic staff on a zero hours contract**

	Scotland		UK	
	Number	%	Number	%
T&R	5	0%	20	0%
R	5	0%	80	0%
T	130	2%	3535	5%
All (includes those who are neither teaching or research)	145	1%	3645	2%

**Table 3: Numbers and % of academic staff on an hourly paid contract**

	Scotland		UK	
	Number	%	Number	%
T&R	40	0%	410	0%
R	70	1%	440	1%
T	4650	56%	27660	38%
All (includes those who are neither teaching or research)	4760	19%	28535	13%

## Education, Children and Young People Committee Submission from NUS

Through our members we represent, campaign on behalf of and support the interests of around 500,000 students in Scotland. Working with the majority of university students' associations across Scotland and all college students' associations, our main purpose is to defend, promote and extend the rights of students to make a real difference to their educational experience. Our goal is a country where everyone can access and thrive in education regardless of their background, and a society where students are valued as active citizens.

We are pleased to have the opportunity to give evidence to the Education, Children and Young People Committee on Scotland's universities and the issues facing Scotland's university students.

The pandemic, the cost-of-living crisis and the budgetary pressures faced by government will have a significant impact on the sector and students. It is clearer than ever before that our education system is not fit-for-purpose and that further marketisation of the higher education sector is not the solution.

### **Funding**

The sector has already faced significant financial pressure over the past decade and the Resource Spending Review confirmed that this pressure will continue. According to Universities Scotland, by 2024-25, universities' teaching grant will have been cut by 37.4% in real terms over ten years and the research budget will have been cut by 37.8%

Not only will this limit the education experience universities can offer, but it makes it unlikely that the government will deliver on their promises to students. In the 2021 Programme for Government, Ministers committed to:

- Increasing the total package of student support so that it reaches the equivalent of the Living Wage over the next three years.
- The introduction of a Special Support Payment for students who receive benefits to ensure they do not see their student support clawed back by the DWP.
- The creation of a Scottish Education Exchange Programme to replace Erasmus+.
- An investment of £5 million per year in digital inclusion for college and university students.
- Development of a Student Mental Health Action Plan and delivering their commitment to 80 additional counsellors in colleges and universities.

Without significant additional resource, it is unlikely that these will be delivered in full.

We are disappointed that, so far, the solution to increasing financial pressures has been to intensify marketisation of the sector. Indeed, the SFC Review of Coherence

and Sustainability proposed increasing efforts to recruit international students. Instead of championing education as a public good which should be funded as such, the review sets us on a direction of travel towards further marketisation with a continued reliance on international tuition fees. Scotland should be a welcoming country to those who wish to come and study here, not treat those outwith our boundaries as cash-cows used to prop up funding gaps in our education.

Instead, the Scottish Government must fully fund free tuition. While education is free for Scottish domiciled students, universities do not currently receive funding to fully cover their teaching costs. According to Universities Scotland, Scottish Government funding per Scottish student has fallen in real terms by £2,325 since 2014-15.<sup>1</sup> Indeed, Scottish Government's own figures show that the funding provided per undergraduate place has fallen by 12 per cent in real terms in the ten years to 2020-21<sup>2</sup>. There is a need for rapid progress towards every undergraduate place at university being a fully funded place.

### **Teaching conditions**

We support the calls from UCU Scotland for better pay and conditions for teaching staff – their working conditions are our learning conditions. If our lecturers and tutors face high workloads, pay inequality and precarious terms and conditions, they're not going to be able to give us the quality of education that they want to deliver and that we deserve.

We also oppose the use of precarious and atypical contracts for early career academics, whose role combines student and academic – despite having no access to student support or the security of employment that other academics receive. Postgraduate researchers should have the same employment rights as other university staff and we support calls for the Scottish Government to ensure that this is the case in our publicly-funded universities.

### **The crises facing Scotland's students**

Scotland's university students face three interconnected crises:

- The rising cost-of-living and the inadequacy of student support to meet it
- The rising cost of student housing, and accommodation shortages in cities
- The rise in poor mental health

### **Cost of living**

Even before the cost-of-living crisis many students were already living in poverty. NUS Scotland undertook a survey of 3,500 students in Scotland in November and December 2021, focusing on their financial situation. It found that 60% of students

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<sup>1</sup> This sum represents the average real terms decline in funding, calculated per student place, for a non-controlled subject. The figure was reached using the GDP deflator to 2020/21 and RPIx thereafter.

<sup>2</sup> Scottish Parliament, 2021: <https://www.parliament.scot/chamber-and-committees/written-questions-and-answers/question?ref=S6W-01165>



worry or stress about their finances “frequently” or “all the time” and that more than a third (35%) had considered dropping out due to financial difficulties<sup>3</sup>. Many (31%) were relying on commercial credit such as credit cards or loans, with a quarter reliant on bank overdrafts and 8% of respondents depend on foodbanks.

Despite the clear evidence of student poverty, the financial support students receive was already falling behind the real cost-of-living before the current crisis. Over the past five years the maximum package of student support that an undergraduate student from the poorest background can receive has increased by just 6% (2017-18 compared to 2022-23) – that’s a real-terms cut. We are pleased that the Scottish Government has acknowledged this and committed to raising the total package of support to the real Living Wage. Yet the Resource Spending Review puts into doubt whether this will be delivered at all, with real terms cut to the student support budget. To tackle the current crisis, we must see a rise in grants and bursaries this year.

## Housing

One of the significant drivers of increasing costs for students is rent. The cost of rent is rising and often exceeds the amount of financial support students receive. NUS / Unipol research on purpose-built student accommodation has found that average annual rent for purpose-built student accommodation in Scotland has risen 34% increase on pre-Covid levels. For Scottish students, average annual rents in 2021 accounted for 88% of the maximum student loan, leaving students with just £22.42 per week<sup>4</sup>.

As students go back to university this year, we’re also seeing shortages in accommodation right now, particularly in Glasgow, Edinburgh and St Andrews. This is largely caused by the number students in Scotland far outstripping the availability of affordable, quality student housing. We’ve seen a 12% increase in students in Glasgow between 2018-19 and 2020-21<sup>5</sup> and, as a result, we’re seeing shortages of accommodation, particularly for Glasgow University and Strathclyde University students. Similarly, we’ve seen a 9% rise in students in Edinburgh, as well as landlords shifting to short-term lets<sup>6</sup>. We are calling for a Student Housing Guarantee that ensures every student has a quality, safe and affordable home. Every university which plans an expansion of its student population through additional recruitment, should have a responsibility to create new, affordable homes within its university estate.

It’s clear that the student housing market isn’t working. The Scottish Government has launched a review of purpose-built student accommodation but to tackle the deep-rooted problems in the sector we need to see rent controls; student tenancy rights; and a guarantee that every student will have a safe, quality and affordable home. To tackle the immediate crisis, we want to see an immediate rent freeze that covers all forms of student housing, as a first step towards rent controls in the sector.

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<sup>3</sup> Broke: how Scotland is failing its students, NUS Scotland, 2022: <https://www.nus-scotland.org.uk/resources/broke-how-scotland-is-failing-its-students>

<sup>4</sup> NUS Scotland / Unipol, 2021: <https://www.nus-scotland.org.uk/articles/student-rent-rises-34>

<sup>5</sup> HESA, 2022

<sup>6</sup> Ibid

## **Mental health**

Finally, we need to see action to improve student mental health and the availability of mental health services. Even before the pandemic, our research found that student mental health was in crisis. According to Think Positive & NUS Scotland research published in 2020, half of students surveyed cited a lack of money or financial pressures as negatively impacting on their mental health. For those that had used a support service 60% had to wait to access the support they needed and over half waited more than a month<sup>7</sup>.

During the pandemic, it was clear that student mental health was at crisis point. According to the MHF/Universities Scotland Thriving Learners report (2021) 74% of the university students surveyed reported having low wellbeing and 45% reported that they had experienced a serious psychological issue that they felt needed professional help<sup>8</sup>.

We are delighted that the Scottish Government heeded our call for a Student Mental Health Action Plan. That plan must be backed up with long-term, adequate and additional funding for colleges and universities to enhance mental health and wellbeing services, including increasing professional staff employed. As a matter of urgency, the Scottish Government must urgently confirm the remainder of the funding from its £20 million commitment to additional counsellors in colleges and universities, as well as long-term funding for the provision.

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<sup>7</sup> Think Positive, 2021: <https://thinkpositive.scot/resources/improving-mental-health-and-wellbeing-support-for-scotland/>

<sup>8</sup> Mental Health Foundation / Universities Scotland, 2021: <https://www.mentalhealth.org.uk/sites/default/files/2022-06/MHF-Thriving-Learners-Report-Full.pdf>

# Education, Children and Young People Committee

## Submission from Universities Scotland

### 7 September 2022

#### Universities Scotland evidence to support pre-budget scrutiny

We welcome the Committee's pre-budget scrutiny of university funding and the opportunity to provide both written and oral evidence.

By investing more in real terms in higher education, the Scottish Government can choose to make investments that boost the National Strategy for Economic Transformation's vision of an inclusive, innovative and prosperous nation. It can continue to widen opportunities for people to realise their full potential throughout their lives, and build a virtuous cycle of economic growth and growth in the public finances. It can invest in higher education as a driver of wellbeing, prosperity and inward investment.

This brief sets out seven key messages.

1. Universities make a significant economic return to Scotland because of their teaching and research at a time when Scotland needs to drive inclusive economic growth. That should be a determinant of investment decisions. £15.3 billion is a conservative estimate of the university sector's contribution to the Scottish economy in 2019.<sup>9</sup>
2. Scottish universities' contribution to our nation's success is severely undermined by funding cuts. By 2024/25, universities' teaching grant will have been cut by 37.4% in real terms over ten years and the research budget will have been cut by 41% .<sup>10</sup> This cannot continue. We are asking for an increase in funding of £171.7 million in 2023/24, with greater detail provided below.

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<sup>9</sup> London Economics (2022). This is a conservative estimate because it takes account of university expenditure on staff and non-staff expenditure only and as such it is not a complete picture of the economic impact of HE. It does not take account of the economic impact of international students or the lifetime productivity gains that the Scottish economy generates through enhanced earnings and taxation receipts

<sup>10</sup> This calculation is our best, conservative but robust assessment of the real-terms decline in funding, using externally verified data and approaches. The decline was calculated over a ten-year period from 2014/15 to 2024/25 using the GDP deflator for the period 2014/14 to 2020/21. This is consistent with the Scottish Government data provided in response to parliamentary question: [S6W-01165](#). Thereafter, from 2021/22 we have applied RPIX, drawing on the latest OBR figures – figures that are now seen as significantly underestimating likely future rates of inflation. The Office for Students (working with the English HE sector) also uses RPIx in its consideration of costs

3. Universities enter a period of spiralling inflation in a highly exposed position; they are the only part of Scotland's education sector to experience a pattern of sustained real-terms decline up to 2022.<sup>11</sup>
  4. In addition to spiraling costs, faced by all sectors, universities are supporting students with increasingly complex needs, and meeting key Scottish Government agendas, with significantly less public funding per student.
  5. Scotland is falling behind England on research competitiveness due to consistently lower levels of public investment in university research. Increases to Research England's budget of 34.8% over the next three years, from 2022, are expected to generate circa £45 million extra in Barnett consequential for Scotland. We want to see this ring-fenced for the Research Excellence Grant.
  6. We understand reform goes hand-in-hand with resource. Universities have a decade-long track record of self-propelled reform via efficiencies and collaboration.
  7. Whatever the outcome of the next Scottish budget for universities we urgently need the Scottish Government and the Scottish Funding Council to assess the scale of financial challenge facing the sector over the next five years, and to come up with a plan for sustainable funding for the sector's contribution. The scale of the financial challenge facing the sector means Scotland cannot continue to engage with it on an annual basis.
- 1. Universities make a significant economic return to Scotland at a time when Scotland needs to drive growth. That should be a determinant of investment decisions.**
- For every 1,000 graduates that universities are able to support through to successful outcomes, the Scottish Government gains £22.4 million in net present value through the additional income tax contributions.<sup>12</sup>
  - Investment in university research and development crowds-in private investment generating a bigger economic return on a multiplier of 8:1. An investment of an additional £45 million into core research staff and infrastructure has the potential to generate an additional £364.5 million of economic impact for Scotland.<sup>13</sup>
  - The economic multiplier effect of research income won specifically from UKRI, and levered into Scotland from the rest of the UK, is estimated to be amongst the highest order of return, at 12.7. With a 12.7 multiplier, for every £10 million of UKRI funding that Scotland's universities miss out on, because public investment

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<sup>12</sup> Biggar Economics (2020) Universities in Advanced Economies. Recovery and Transformation, Productivity Growth & Fiscal Returns.

<sup>13</sup> London Economics for Universities Scotland (2021).

in Scottish research doesn't keep track with English counterparts, Scotland is missing out on £127 million of economic benefit.<sup>14</sup>

- Beyond research, Scotland's universities are a major source of entrepreneurialism and innovation. Universities currently support over 20,000 Scottish organisations each year with innovative consultancy, professional development and research projects. Universities are a major part of Scotland's start-up infrastructure, with around 1,240 active university spin-out companies in Scotland generating around £613 million. This is 19% of the UK total. Universities are Scotland's principal incubator space for innovative new businesses.<sup>15</sup>
  - The economic impact of international students in Scotland is valued at £1.94 billion.<sup>16</sup> This is broadly equivalent to Scotland's wholesale and retail sector exports, to give it context.<sup>17</sup> This includes the impact of fees, in-country expenditure (outwith universities) and a costed impact of study-related tourism. International students choose Scotland's HE sector based on the quality of teaching, student experience and reputation for research. It is vital, for universities but also the economic contribution universities make to Scotland, that these core elements of Scottish HE remain world-class.
- 2. By 2024/25, universities' teaching grant will have been cut by 37% in real terms over ten years and the research budget will have been cut by 41% . This cannot continue.**

#### **Detail on the scale of cuts to teaching:**

- Between 2014/15 and 2022/23, the teaching grant has been cut by 27% in real terms. This is projected to grow to a 37% cut in real terms by 2024/25.<sup>18</sup>
- £2,325 is how much the Scottish Government's funding per Scottish-domiciled student has fallen in real terms since 2014/15.<sup>19</sup>
- £4,000 - £7,000 is the funding gap per student (the range is due to subject studied) in 2022/23 between what it actually costs a university to teach a Scottish-domiciled student and the level of funding universities receive from Scottish Government.<sup>20</sup>

<sup>14</sup> London Economics for Universities Scotland (2021)

<sup>15</sup> Universities Scotland (2021) Prosperity & Inclusion

<sup>16</sup> Scottish Government (2019) Trading Nation

<sup>17</sup> [Scottish Government \(2019\) Export Statistics](#)

<sup>18</sup> See footnote #2

<sup>19</sup> This sum represents the average real terms decline in funding, calculated per student place, for a non-controlled subject. The figure was reached using the GDP deflator to 2020/21 and RPIx thereafter.

<sup>20</sup> These figures have been calculated replicating the data and approach of the Office for students in England, which publishes data on costs in higher education, drawing on TRAC data. The gap is shown as a range of between £4-7,000 because the cost to teach varies between subject, a factor that is partially recognised by having different teaching price groups (in both Scottish and English HE sectors).

- The risks posed by this funding situation are not new. Audit Scotland's 2019 report warned: "*Universities face future cost pressures, and there is significant uncertainty around some important areas of activity*"<sup>21</sup>. The erosion of funding has continued since 2019 and the scale of cost pressures now facing institutions is much more severe than Audit Scotland could have anticipated.
- Cross-subsidy from international student fees is the only reason that under-funding hasn't yet reached a critical point. But, without action, Scotland is approaching that. Scotland's funding model now bakes-in a structural reliance on international fees to such an extent that this source of revenue is forecast to overtake Scottish Government funding as a percentage of the sector's total income in 2023/24, reaching 27% of the sector's average income compared to 25% for SFC grants.<sup>22</sup> See figure 2. Some institutions are better placed than others to grow international income. Even without the perpetual risk of a geopolitical shock, the extent of cross-subsidy now jeopardises the quality of education, experience and support that universities are able to offer all students. When that happens, international students will exercise their choice to go elsewhere.

#### **Detail on the scale of cuts to research:**

- Between 2014/15 and 2022/23, the research excellence grant has been cut by 31% in real terms. This is projected to grow to a 41% cut in real terms by 2024/25.<sup>23</sup>
- Despite a sector-best performance in the Research Excellence Framework (REF), with 84.8% of Scotland's research judged as "world-leading" or "internationally excellent", eight universities face cuts to their Research Excellence Grant in 2022/23. Four high-performing research universities have seen cash cuts of more than £1 million. All of Scotland's universities risk losing competitive edge relative to their comparator institutions in England.
- Looking ahead, and without action, this pressure is likely to intensify. Research cuts are capped at a maximum of -10% per institution in 2022/23 as part of a "transition" year.<sup>24</sup> Some HEIs might see cuts to their core SFC research funding of more than 30% in 2023/24.

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<sup>21</sup> [Finances of Scottish universities \(audit-scotland.gov.uk\) the 2019 report used funding data from 2017/18 which indicates that the underfunding of universities has been highlighted as a problem for many years.](https://www.audit-scotland.gov.uk/2019-report)

<sup>22</sup> Scottish Funding Council data using HESA. The remaining 48% of income is derived from rest of UK fees, from UK and privately-won research grants and contracts (including UKRI), from conferences/events and other income generating activities and endowments.

<sup>23</sup> See footnote #2.

<sup>24</sup> SFC (2022) [Announcement of Final Funding Allocations](#). SFC/AN/15/2022. Page 16, para 70.

- Despite a sector-best performance in the REF in Scotland, Scotland is losing its edge relative to institutions in England and Wales. That comes down to relativities in public investment between assessment periods. The next REF is six years away in 2028. We need to use the next couple of years to invest more (in real terms) in core research staff and infrastructure in institutions to protect this economic asset for Scotland's future and for delivery of the National Strategy for Economic Transformation.

**3. Universities enter a period of spiralling inflation in a highly exposed position; they are the only part of Scotland's education sector to experience a pattern of sustained real-terms decline up to 2022.**

- We believe that education is a priority and every level of the education sector should be sustainably supported.
- Data produced by the Scottish Government which models the average expenditure per pupil/student place between 2014/15 and 2020/21 shows that public expenditure per university student had fallen by 10% in real terms, even before the current period of high inflation.<sup>25</sup> See figure 1.
- In contrast to universities, expenditure per pupil/student has increased, in real terms, at all other levels of education in Scotland over the same period, from early years to other post-16.
- Scottish Government investment decisions to this point mean that universities are poorly placed to endure what is about to come in terms of increased costs, increased inflation and further real terms cuts in public funding.
- Universities are subject to commercial energy supply contracts with no price cap. The immediate impact of rising energy costs in HE will be felt across a wide range of teaching, research and facilities. For instance, the cost of energy consumption in university-owned student residences will rise significantly over 2022/23 but annual contracts, and costs, with students were agreed well in advance of the academic year. Whilst this affords students welcome protection against rising costs this year, the steep rise in costs will need to be met by institutions.

**4. In addition to spiraling costs, universities are supporting students with increasingly complex needs and meeting Scottish Government agendas, with significantly less resource to spend per student.**

Universities have a duty of care to their students and want to provide a rounded and supportive student experience. Yet they must try to meet these needs with £2,325 less per student in real terms.<sup>26</sup> Increasingly complex student needs include:

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<sup>25</sup> The figure of real terms cuts of 10% differs to figures elsewhere in this document as other sums project forwards from 2020/21 using RPIX rather than GDP deflator.

<sup>26</sup> Compared to the baseline of 2014/15.

- **a COVID legacy of lost learning and confidence** amongst school-leavers has a “pipe-line” legacy effect which must be addressed by universities. It’s estimated that 1 in 6 school days were missed in Scotland over 2021/22.<sup>27</sup> Amongst undergraduate students learning during the pandemic, 80% of students felt that the pandemic had had a negative impact on their learning, and 74% had found it more difficult to stay focussed and engaged. Universities need to invest more to support students with their retention and toward successful outcomes.
- **a mental health crisis amongst students** and growing demand for mental health services as provided for by universities in lieu of the NHS. Demand for counselling is rising very swiftly, where institutions have calibrated this they note a rise of >25% in the last year alone. Research published in late 2021 found 36% of respondents had moderately severe or severe symptoms of depression and 45% of respondents reported that they had experienced a serious psychological issue.<sup>28</sup> Universities are not the NHS and cannot support clinically complex cases but are increasingly compensating for over-loaded services elsewhere as well as trying to deliver preventative, personal resilience techniques and support to students. A recent FoI suggested that 1,874 students were on university waiting lists for counselling in March 2022.<sup>29</sup> Universities have received a stand-alone grant for the employment of additional counsellors since 2019<sup>30</sup> but the vast majority of funding for student mental health has to be met from within the Teaching Grant.
- **A continuing commitment to reach widening access goals.** Universities have achieved the 2021 interim milestone on the hugely ambitious social mobility target as set by the First Minister; to ensure that 20% of entrants to university are from the 20% most disadvantaged areas of Scotland by 2030. Universities remain committed to further progress from the current figure of 16.7%<sup>31</sup> to 20% in 2030 but we acknowledge (and agree) with Sir Peter Scott, former Fair Access Commissioner’s observation that the “hardest mile” remains ahead of us.
- There has been no additional funding for universities for the realisation of this long-term policy goal since it was defined in 2016. This is despite the established principle that it requires additional resource to attract and adequately support access students.<sup>32</sup>

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<sup>27</sup> [The Times Newspaper, Scottish edition.](#)

<sup>28</sup> Mental Health Foundation (2021) *Thriving Learners*

<sup>29</sup> [Returns to Freedom of Information request as reported by STV, August 2022.](#)

<sup>30</sup> Scottish Funding Council (2021) [Funding announcement for student mental health.](#) £1.74 million for universities in 2021/22. However, this funding was time-limited for 4 years and the final year of funding allocations for the full AY2022/23 has not yet been confirmed (only the FY22/23).

<sup>31</sup> [Universities Scotland media release, 2022.](#)

<sup>32</sup> [See Scottish Funding Council Widening Access Retention Fund.](#)



- A sample of institutions, which have some distance still to travel to reach the 2030 access target, estimate that over the next eight years to 2030, they will need to increase their investment by an average of 75%, relative to the last five years, to hit the goal of 20%.
- Access is a shared goal but it is not a reasonable or sustainable position to ask institutions to continuously do more with less. As well as the increased cost (already absorbed) mentioned above, there is an intersectionality between widening access and mental health pressures amongst pupils/student community. A much greater proportion of secondary school pupils eligible for free school meals had a probable mental health disorder compared with those who were not eligible (28.3% compared with 12.4%).

### **5. Scotland's universities are falling behind England on research competitiveness due to consistently lower levels of public investment in research**

- In contrast to projections of real-terms cuts to research in Scotland over the next three years, Research England's Quality Research Grant<sup>33</sup> for HEIs has risen by 10.4% in cash terms between 2021/22 and 2022/23<sup>34</sup> and is forecast to increase by 34.8% (cash terms) for the three year period from 2022.<sup>35</sup>
- We estimate that this rising in investment will generate an additional £45 million of Barnett consequentials for Scottish Government in 2024/25.<sup>36</sup> We want to see this sum ring-fenced and passed on to Scottish HEIs. Doing so, will give Scottish HE a chance to leverage more resource into Scotland, creating economic impact, high-skill jobs and supporting the ambition in NSET. The economic multiplier that results from UKRI funds is one of the highest returns that HE can deliver at a ratio of 12:1.<sup>37</sup>
- The relative underfunding of university research in Scotland is already a problem and is negatively impacting on the success of Scotland's institutions in winning competitive research grants from UKRI. Scotland used to out-perform the rest of the UK and win 15.4% of the UK share, based on excellence, in 2014/15. That has fallen to a 12.9% share. Universities' success in bringing this resource into Scotland - worth £1.8 billion in 2019/20 - creates highly-skilled jobs and wider economic impact.

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<sup>33</sup> The Quality research Grant is England's equivalent to Scotland's Research Excellence Grant.

<sup>34</sup> [UKRI \(2022\) Funding Budgets 2022-25](#) Table 1

<sup>35</sup> BEIS (2022) [research and development allocation 2022 - 2025](#) Table 1.

<sup>36</sup> Universities Scotland's estimate based on the Barnett formula.

<sup>37</sup> London Economics (2022)

- 6. Universities have a decade-long track record of self-propelled efficiencies and collaboration.** There's a willingness to continue "reform" as per the Scottish Government's resource spending review, but there are no easy wins in HE that haven't already been realised. Universities have also borrowed heavily over recent years to maintain services. Overall sector borrowing increased by to around £1.7 billion in 2019/20. Loan interest payments for the sector increased from £40.5m in 2018/19 to £43.8m in 2019/20.<sup>38</sup> There needs to be realism about the extent of further Government "efficiencies" without major impact on students and staff.

Universities' work to date aligns very closely with the Scottish Government's stated priorities and can be summarized as:

- **Public procurement:** The Advanced Procurement for Universities and Colleges (APUC), as owned by universities and colleges, is a national leader in collaborative procurement. It secures over £25.5 million of savings every year, relative to market prices or, £13.1 million relative to prices previously paid. APUC agreements cover over 40% of the procurement spend of Scottish HE and FE.
- **Digitalisation:** UK -wide collaboration through Jisc and the Janet network is estimated to be create savings and avoidance of costs to the value of approximately £13.8 million per annum, based on 2020/21 figures.
- **Maximising revenue through public sector innovation:** only 26% of universities' average total revenue came from the Scottish Government via the Scottish Funding Council in 2022/23.<sup>39</sup> The core principle underpinning universities' ability to maximise their revenue is the ability to compete based on excellence. Without sustainable and competitive levels of core public funding, our ability to maximise revenue streams will decrease, not increase.

More detail on universities' success at self-directed efficiency and reform over the last ten years can be found [here](#).

## 7. Conclusion

- Universities are a significant asset for Scotland and have a record of high performance on key Government agendas including innovation, enterprise and social justice. Universities' broad scope of delivery across skills, research and innovation and their international profile gives them a unique ability, as a recipient of public funding, to leverage external funding. This fuels economic growth, with multipliers as high as 12:1 in some aspects of research activity. Universities can be key actors in the delivery side of the NSET.
- Yet, Scotland's universities have been progressively under-funded since 2014/15. This has left the sector with no choice but to become increasingly reliant on

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<sup>38</sup> SFC (2021) [Review of Coherent Provision and Sustainability](#). Pg 125.

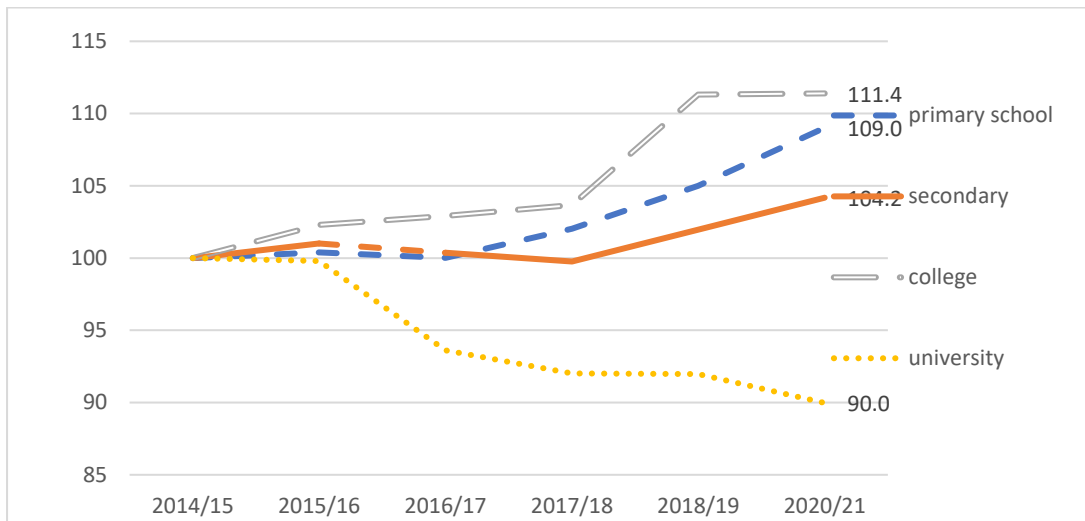
<sup>39</sup> See figure one at the end of the document.

international fee income to cross-subsidise undergraduate education of Scots and to keep Scottish research world-class. As public funding for universities has been eroded gradually, rather than in a sudden fall, it has largely gone unnoticed despite warnings from Audit Scotland, universities and Universities Scotland since 2016.

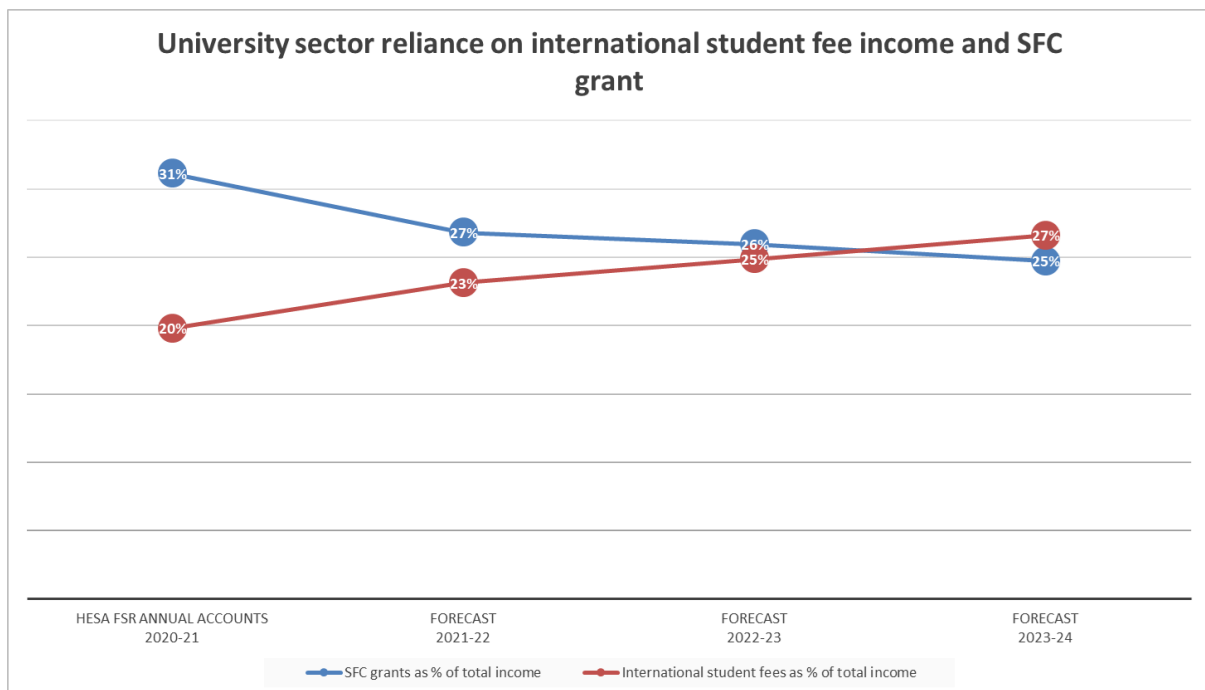
- The pattern of the last eight years means the sector is now very poorly equipped to support increased student needs and endure the rising costs and inflation that lies ahead. Spiraling inflation no longer looks to be a one-year economic “blip” which will make it very difficult for several institutions to manage.
- Universities require an initial increase in investment of £171.7 million in the next budget. This is comprised of:
  - £400 in teaching and supporting each student, particularly to address students’ increased post-pandemic learning and welfare needs. This would require an estimated £55.2 million.
  - Specific support for the costs of the mental health counsellors funded on a year-by-year basis by SG (£3.8m).
  - Investment in research and innovation, to reverse the decline in Scotland’s competitive position and to increase the economic impact of research. We are seeking £52.7 million to boost research competitiveness and support innovation. This could be funded principally by the Barnett consequentials of parallel investment in England.
  - A capital transformation fund of £60m that institutions could use flexibly to help attain net zero and to invest in high-quality digital innovation.

Whatever the outcome of the next Scottish budget for universities, we urgently need the Scottish Government and the Scottish Funding Council to assess the scale of financial challenge facing the sector over the next five years, and to come up with a plan for sustainable funding for the sector’s contribution. The scale of the financial challenge facing the sector means we cannot continue to engage with it on an annual basis.

**Figure 1: Average expenditure per place for each education level in Scotland in real terms (2020-21=100).<sup>40</sup>**



**Figure 2: University sector reliance on international student fee income and SFC grant.**



<sup>40</sup> Data from Scottish Parliament Question S6W 01165

# Education, Children and Young People Committee

## Submission from SFC

8 September 2022

### Introduction

1. The Scottish Funding Council is the national, strategic body that invests around £2 billion in tertiary education, research and knowledge exchange, through colleges and universities. Our ambition is to make Scotland an outstanding place to learn, educate, research and innovate – now and for the future. In pursuit of our ambition, we invest in tertiary learning and teaching; skills and apprenticeships; student support and participation; discovery research; innovation and knowledge exchange; data collection and dissemination; national quality assurance and enhancement processes; new and upgraded physical buildings and campus estates; essential digital infrastructure and collective procurement for the sector; and strategic change, and responsive provision and research priorities.
2. Scotland's universities are fundamental to social, economic and environmental wellbeing and prosperity. They are multiform and varied - major national, international and local assets, creating a pipeline of skilled and educated people across all levels of technical, vocational, health practitioner, and advanced critical thinking requirements and from all walks of life, including those furthest from the workforce; they help shape local places and communities through the jobs and opportunities they offer and the investments they make; they act as a lifeline for individuals, tackling inequality through widening participation in tertiary education; their excellent discovery research catalyses new ideas and innovation; and their global reach attracts talent, investment, collaboration and reputational gain as well as cultural diversity.
3. Universities were already facing financial sustainability pressures when the Covid-19 pandemic sent shock waves through the sector here and across the world. In June 2020, in response to this external shock, Ministers commissioned the Scottish Funding Council's Review of Coherent Provision and Sustainability to review how we could best fulfil our mission of securing coherent provision by post-16 education bodies, and the undertaking of research.
4. We published our Review recommendations in June 2021 and our recommendations included:
  - a. the development of longer-term public funding assumptions;
  - b. protecting discovery research and investing in more targeted research;
  - c. development of a more systematic approach to the way we collectively plan coherent tertiary education and skills provision and investment, so

- that it responds better to current and future needs of pupils, students, employers and broader economic and social drivers;
- d. finding better ways to support learning throughout life; protecting the interests of current and future students;
  - e. recognising the importance of international education connections;
  - f. and galvanising current and future leaders across tertiary education, skills provision and research.
5. The Scottish Government broadly accepted our recommendations but recognised it “has big ambitions against fairly constrained resources” and that we need to prioritise time, resources and effort to best effect. We continue to work closely with the Scottish Government, particularly around future budget assumptions and the government’s intentions for publicly funded tertiary education.

### **Overview of University Finances**

- 6. Scotland’s universities are a vital part of Scotland’s economy and wellbeing, employing 40,990 FTE directly and contributing £15.3 billion to the UK economy<sup>41</sup>.
- 7. Although universities responded swiftly to COVID-19, the external shock of the pandemic brought into sharp focus the reliance on international fee income and the challenges the sector faces in responding sustainably to rapid changes such as dramatic decreases in resource.
- 8. The financial sustainability of the university sector remains extremely fluid, with assumptions being constantly updated as circumstances change. Universities are operating in an extremely tight fiscal environment, with a flat cash settlement from Scottish Government, alongside many challenges such as increased staff costs, inflationary pressures, including high energy costs, and rising interest rates impacting on loan repayments.
- 9. The university sector is not homogeneous, with some institutions relying on SFC income more than others.

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<sup>41</sup> London Economics (2022). This is the direct, indirect and induced effects of universities’ expenditure and the impact of research activity. It does not include international student recruitment.

## Financial Sustainability

10. This section provides our most up-to-date analysis of financial sustainability based on universities' Strategic Plan Forecasts (SPF's) submitted to SFC at the end of June 2022 for the period 2021-22 through to 2023-24.<sup>23</sup> We continue to finalise our analysis of these returns and these figures may change as we conclude this process.
11. The sector is forecasting an underlying operating surplus of £370.2m for AY 2021-22. This represents an improvement on the previous 2021-22 forecast (£292.6m surplus) due to a combination of increased other operating income and lower staff and other operating costs.
12. However, the level of surplus is expected to decline sharply to £34.6m and £16.5m in 2022-23 and 2023-24 respectively. The projected downturn is due to substantial increases in staff pay and pensions costs and other operating expenditure, reflecting a return to pre-COVID levels of activity and full campus operations. These costs exceed the projected increases in fee revenue.
13. Moreover, the sector operating position appears stronger than it is due to receipt of one-off income which is still to be matched by expenditure such as capital grants (e.g., City Deal income which amounts to £83.2m over the planning period but not all projects have completed and there remains outstanding expenditure). Subsequent years will reflect the cost of capital projects in the form of higher depreciation charges.
14. There also continues to be significant variation in the financial performance of institutions. The 2021-22 surplus is skewed by the projections for the two largest institutions which are forecasting a combined surplus of £260.7m. Six institutions are forecasting underlying operating deficits in 2021-22, increasing to nine in 2022-23 and reducing to seven in 2023-24.
15. Institutions have highlighted the risk of inflationary cost pressures particularly on capital projects. The rising cost of living is also increasing pay award and energy costs, both of which are expected to rise sharply.
16. Many institutions operated a freeze on non-essential recruitment during the pandemic, but this represented one-off savings. Staff costs are expected to increase as vacancies are filled, activity returns to pre-COVID levels and institutions make strategic staffing investments to support future growth. Staff restructuring costs, based on current assumptions of flat budgets, are projected at around £3m per year. This will increase steeply if further budget reductions are applied.
17. Tuition fee revenue represents the largest source of income for the sector. Levels of international fee income have increased in recent years and forecasts confirm that this trend is expected to continue: international fee income is expected to increase from £867.4m in 2020-21 (20% of overall income) to £1.372bn by 2023-24 (27% of overall income). However, international tuition fee income continues to be an area of significant fluctuation and risk due to the competitive nature of the international market

and exposure to external shocks as illustrated by the COVID-19 pandemic.

The sector's forecast increase in income from international student tuition fees will result in most, but not all, institutions having less reliance on SFC grants; the sector's reliance on SFC grant reduces from 31% of total income in 2020-21 to a forecast of 25% of total income by the end of 2023-24.

18. Income from residences, catering and conferences was severely impacted by COVID-19 but is expected to recover to pre-pandemic levels over the forecast period. Overall revenue is expected to increase from £128.3m in 2020-21 to £270.3m by 2023-24.
19. Cash and equivalent reserves are forecast to increase from £2.136bn at the end of July 2021 to £2.381bn by the end of July 2022. The sector cash position has improved due to the positive operating position. However, this is also attributable to ongoing delays in implementing capital programmes and research activity (due to the impact of the pandemic) and the positive position may not be reflective of the actual position. Again, the overall picture is skewed by the two largest institutions which account for 63% of the sector cash balances as at the end of July 2022. Cash reserves are expected to reduce to £1.782bn by the end of July 2024 reflecting the expected outlays on major capital programmes which had been put on hold during the pandemic. Most of the capital spend is expected to be self-financed.
20. Sector borrowing is forecast to decrease from £1.718bn at the end of July 2021 to £1.631bn at the end of July 2021. Approximately half of the sector borrowing relates to the two largest institutions. Much of the sector's external borrowing is now in the form of private placements - this type of borrowing involves large payments at set points in the future with interest being paid in the intervening years. Institutions with this form of borrowing will have to ensure they have the necessary funds to repay at the set points albeit such loan finance is not repayable until 2027 at the earliest. Rising interest rates therefore represent a risk to institutions, although no bank covenant breaches are expected over the planning period.

### **Teaching Budget**

21. In the face of an increasingly challenging fiscal environment, SFC has worked hard to maintain investment in teaching and learning.
22. Teaching budgets have increased in cash terms since 2014-15. However, this is largely as a result of increases in funded places rather than increases in the average price we pay per funded student. Nor does this increase take into account inflationary pressures. Inflationary pressures will be significant going forward and, if we were to protect the price we pay for places, we will need to consider the balance between this and the number of places we fund.
23. We increased our Main Teaching Grant by £14.5m (2.1%) from the baseline AY 2021-22 grant to £701.1m. This represented a £7.1m (1.0%) increase from the published AY 2021-22 grant and allowed us to increase our teaching



subject prices by 1.5%. This was funded by reductions in other SFC budgets.

24. We continued to fund approximately 3,800 additional student places to recognise the additional school leavers recruited by universities because of the SQA grades awarded in 2020 and 2021.
25. We provided funding to support 1,378 continuing GAs and 1,378 new GA places from within the total volume of core university funded places.
26. We maintained 2021-22 funding levels for the Small Specialist Institution Grant (£10.6m), the Widening Access and Retention Fund (15.6m), Upskilling (£7m) and Disabled Student Premium (£2.9m).
27. We continued to fund the controlled subjects of Dentistry, Medicine, Pre-registration Nursing & Midwifery, Paramedic Education and Initial Teacher Education. Intake targets for these areas are agreed with the Scottish Government with funded student places amended to recognise changes to intake targets. From 2022-23 we have also taken over funding for the Prosthetics & Orthotics course at the University of Strathclyde.

### **Research Budget**

28. Scottish university research is world-class. The most recent Research Excellence Framework, a seven-yearly audit of research excellence across the UK, found that there is world-leading research in every Scottish university. The new knowledge created by research drives innovation, feeding Scotland's knowledge-rich economy and addressing societal challenges.
29. Scottish university research and knowledge exchange is funded by a system of dual support with both devolved and reserved elements. SFC's core research and knowledge exchange (KE) grants ensure long-term underpinning funding, while UK Research and Innovation (UKRI) provides targeted support for specific research and KE initiatives and projects. Partnership between SFC and UKRI is critical in delivering Scottish university research. In 21/22, Scottish universities received £1,164 million in funding for research of which 27% came from SFC and 25% came from UKRI. Other project funders also provide significant funding including charities (15%), industry (8%) and EU programmes (7%).
30. Our AY budget for research and innovation is £299.1m for 2022-23, an increase of £4.7m (1.6%) from 2021-22. This allowed for a 1.6% increase in our Research Excellent Grant (246.8m), Research Postgraduate Grant (£36.9m) and University Innovation Fund (£15.3m).
31. Whilst SFC's maintenance of current research and KE funding has been welcomed by the sector, the proportion of increase falls significantly behind that of equivalent core research and KE funding streams in England where the equivalent of SFC's REG funding, Research England's QR (Quality-Related Funding) will rise by 10% in AY 22/23 while the equivalent of SFC's

University Innovation Fund (UIF), Research England's HEIF (Higher Education Innovation Fund) will increase by over 20%.

32. We allocated the Research Excellence Grant (REG) based on the results of the Research Excellence Framework (REF) 2021. In order to avoid significant disruption to individual institutions, we limited the level of any reduction to REG, resulting from the application of the REF results, by 10% for 2022-23. This transition will be for one year only.
33. SFC's foundational research and KE funding plays a crucial role in enabling universities to leverage research project investment. UKRI has announced significant budget increases for the period to 24/25 including a 22% increase to core UKRI Research Council budgets as well as new challenge-focused and interdisciplinary funding streams. These are significant opportunities for Scottish universities who on average secure more funding on a per capita basis than English universities.
34. Scotland has historically been highly successful in securing EU funding however the future of Scotland's research income from EU funding programmes is uncertain. The UK Government has published plans for transition measures should the UK not associate to Horizon Europe, as well as a guarantee for researchers applying to EU programmes in the meantime. Transitional measures would aim to ensure there is no funding gap for the R&D sector, and provide immediate funding opportunities for researchers, institutions, and businesses while longer term measures are established. SFC is keeping close to developments as alternatives are developed.

### **Capital Maintenance Budgets**

35. Our Capital Maintenance funding was maintained at 2021-22 levels (£16.8m).
36. We also receive an allocation of Higher Education Research Capital (HERC) funding from the UK Government's Department for Business, Energy and Industrial Strategy (DBEIS). This is targeted at research intensive institutions and SFC match funds this. We had originally anticipated funding of £16.8m from DBEIS but this was finally set at £15.2m and so SFC also matched this with £15.2m, bringing total HERC funding to £32.4m.
37. We allocated £1.6m to the university sector to support the alleviation of digital poverty.
38. Institutions will benefit from low-cost loans (Financial Transactions) which are prioritised for projects that are responding to the climate emergency and the transition to Net Zero. The Scottish Government budget for 2022-23 provided for Financial Transactions funding of £22.1m (maintained at the 2021-22 level). With additional recycled interest payments, we estimate that there will be around £31.0m available for 2022-23.

## **Conclusion**

39. Universities are a vital part of Scotland corporate and social fabric contributing significantly to the Scottish economy. They play a pivotal role in underpinning the Government's ambitions across the education, economy, health and internationalisation.
40. The sector is not homogeneous, and some institutions have a higher reliance on SFC funding compared to others. However, the current environment is extremely challenging for the sector as a whole.
41. We are working closely with universities, colleges, other funding bodies, representative bodies and governments to ensure we create the environment that enables universities and colleges to thrive individually and collectively.

## Annexe C

### **Links to universities staff submissions**

[21 March 2022 Submission 1](#)

[22 March 2022 Submission 2](#)

[22 March 2022 Submission 3](#)

[22 March 2022 Submission 4](#)

[23 March 2022 Submission 5](#)

[23 March 2022 Submission 6](#)

[24 March 2022 Submission 7](#)

[24 March 2022 Submission 8](#)

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[25 March 2022 Submission 10](#)

[25 March 2022 Submission 11](#)

[24 March 2022 Submission 12](#)

[28 March 2022 Submission 13](#)