



The Scottish Parliament
Pàrlamaid na h-Alba

Education Children and Young People Committee

Graeme Dey
Minister for Higher and Further Education; and Minister for Veterans
Scottish Government

9 October 2024

Dear Minister

Pre-Budget Scrutiny 2025 to 2026

I am writing on behalf of the Committee, as you are aware, this year the Committee agreed to focus its pre-budget scrutiny 2025-26 on the long term sustainability of funding for colleges and universities, taking into account the impact of tightening public spending and potential upcoming reforms.

The Committee's findings are set out in the annexe of this letter.

Yours sincerely,

Convener
Education, Children and Young People Committee

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Annexe

Post-school reform

As part of its scrutiny, the Committee considered areas in which the reform agenda could help colleges and universities through the current financial challenges they face, in light of the reductions to the funding allocations for both sectors.

Within this context, the Committee was aware that the Scottish Government is currently looking at reform of the post-school education system, following recommendations of reviews including the 2023 [Independent Review of the Skills Delivery Landscape](#) carried out by James Withers (Withers Review). The Committee was familiar with the Scottish Government's initial response to the reviews published in '[Purpose and Principles for Post-School Education, Research and Skills](#)' and [Scottish Government's Initial Priorities document](#) which is intended to set the overarching policy direction for Higher Education (HE) and Further Education (FE).

The Committee was also aware of the ongoing [Post-school education and skills reform legislation consultation](#) which is looking to simplify the funding landscape and lay the groundwork for future plans. This consultation sets out the options for bringing funding for learner support into one place and for the streamlining of funding for apprenticeships. It considers potential changes to the functions of the Scottish Funding Council (SFC), the Student Awards Agency Scotland (SAAS) and Skills Development Scotland (SDS).

The Committee heard concerns about whether reforms can be delivered effectively, given the reduction in funding to both sectors. Mary Senior, representing University and College Union Scotland (UCU) spoke of the usefulness of the "Purpose and Principles for Post-School Education, Research and Skills" in setting out a vision for universities. However, she argued, notwithstanding the potential benefits of the reform agenda, it is problematic where funding does not match what is needed to be delivered. She said that UCU has concerns about the year-on-year real-terms cuts, particularly in relation to funding for teaching.¹

Concerns were also expressed about the slow pace of reform. In written evidence, Mairi Spowage, Professor of Practice and Director of the Fraser of Allander Institute told the Committee that the 'perception externally is that the Scottish Government has been slow to respond to these many reviews'. She referred to the Scottish Government's current consultation on post-school education and skills reform legislation and highlighted that the Scottish Government has said that the changes proposed will allow a new funding model for post-school education to be developed. On this she said²—

“Given the pace of response so far, I remain sceptical that any new funding model will be developed and implemented in this session of parliament.”

¹ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 22

² [Letter from Mairi Spowage, 29 July 2024](#) [Accessed 19 September 2024]

Mark MacPherson, representing Audit Scotland, agreed that the pace of change in relation to post school reform was too slow saying that colleges are waiting for a clearer steer on what the changes might mean for them.³

He highlighted the recommendations of the Withers Review in relation to rationalising and simplifying the range and number of funding streams existing in the sector, and the creation of a single funding body, all of which could provide opportunities for savings and efficiencies to be made and would increase the ease of access to funding.⁴

Karen Watt, Chief Executive of the Scottish Funding Council (SFC), also called for progress in the reform agenda. She referred to the Scottish Government's aim to streamline apprenticeship funding provision and to get more involved in national and regional skills planning to understand what issues and skills might be required across Scotland and, therefore, how universities and colleges can respond effectively to that.⁵

During evidence, the Minister spoke of the frustration at the pace of change but reiterated the need to consult on issues before introducing any new legislation. He highlighted the ongoing work in relation to apprenticeships, careers and skills planning and committed to keeping the Committee updated on progress in these areas.⁶

The Committee heard concerns about the reform of the post-school landscape being carried out at a time of reducing funding and asks the Scottish Government to set out how it can best support the sectors through the reforms ahead, given current and future funding constraints.

The Committee shares the frustrations voiced in evidence regarding the slow pace of change in relation to post-school reform. The Committee welcomes the commitment to be kept updated on progress.

However, the Committee urges the Scottish Government to listen to concerns regarding the pace of change and requests that the Scottish Government provides indicative timescales for the current ongoing workstrands in relation to post-school reform.

Budget 2024-25 allocations and financial sustainability of colleges and universities

Colleges

For financial year 2024-25, the college resource budget was set at £643m and the capital budget at £84.9m. Between 2023-24 and 2024-25:

³ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 1

⁴ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 4

⁵ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 42

⁶ Education, Children and Young People Committee. Official Report, 4 September 2024, Col 3

- The resource budget fell by £32.7m (-4.8%) when the removal of £26m, initially announced for 2023-24 but reversed to fund the teachers' pay settlement, is factored in. In 2023-24 the resource budget was £675.7m and, as previously stated, in 2024-25 it was £643m.
- The net college capital budget increased by £2.5m (3.0%) from £82.4m in 2023-24 to £84.9m in 2024-25.

The SFC published [College Final Funding Allocations for 2024-25](#) in May 2024; while the allocations show that core teaching funding has been maintained for colleges, a number of funding streams have been discontinued. For example, for a second year running, the Flexible Workforce Development Fund (FWDF) will not be funded. In 2022-23, £10m was allocated to colleges via the FWDF. There is also no funding being provided for digital poverty, and mental health funding has come to an end in 2024-25 following the provision of a transition fund of £1.8m for colleges in 2023-24.

In January this year, the SFC published its [Financial sustainability of colleges in Scotland 2020-21 to 2025-26 report](#). This looked at the latest forecasts up to academic year 2025-26 but did not take into account the 2024-25 Budget announcement. The report summarised the challenges facing the college sector as follows⁷—

“There will be a significant leadership challenge for colleges to ensure that planned staff reductions do not adversely affect a college’s reputation, student outcomes (quality, retention and other performance indicators) and the mental health, morale and turnover of remaining staff.”

Shona Struthers representing Colleges Scotland spoke of the importance of the college sector and painted a bleak picture for colleges due to financial pressures and industrial relations. She said⁸—

“I have never quite seen the college sector as it is now. Many of our institutions are forecasting a deficit position, and cash reserves are definitely on the decline... It is a bit of a perfect storm for the college sector in terms of funding and industrial relations.”

Karen Watt confirmed that a high proportion of colleges are actively looking to reduce operating deficits and recent forecasts predict an underlying operating deficit of around £70 million. She said⁹—

“That is actually 7 per cent better than the colleges were forecasting originally, which shows that there are activities in play at colleges to deal with the situation. Nonetheless, it is a big deterioration in the surpluses that were being posted even as recently as 2021-22.”

⁷ Financial Sustainability of Colleges in Scotland 2020-21 to 2025-26. SFC/CP/01/2024. Page 10. [Accessed 23 September 2024]

⁸ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 3

⁹ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 31

She explained that four colleges were experiencing significant cash flow issues and that the SFC is supporting recovery plans for those colleges which includes options such as rescheduling grants, providing repayable grants, funding voluntary exit schemes, deferring loan repayments, and appointing specialists to provide expertise.

The Committee considered the potential impact of funding reductions in the college sector on the Scottish economy and what growth areas should be considered where colleges could have the biggest economic impact.

Mairi Spowage warned that cutting funding for colleges will mean any or all of the following aspects of economic impact are likely to be affected—

- The long-term productivity benefits generated in the economy from upskilling the population;
- The economic activity that is generated in the economy by the goods and services bought by colleges; and
- The contribution that colleges make to the goals set out in the Scottish Government’s National Strategy for Economic Transformation.

On growth areas where colleges can have the biggest impact, she said colleges should focus on ‘skills provision that is required by businesses in their region, through partnership working with businesses’ arguing that skills shortages are one of the main limiters to economic growth reported by businesses.¹⁰

However, David Belsey, representing EIS-FELA, expressed concern that reviews into post-school reform focus too much on attracting more funds from businesses and from commercialisation to provide financial sustainability rather than EIS-FELA’s preference that the Scottish Government invest more money directly in funding colleges.¹¹

Karen Watt acknowledged that the current financial situation for colleges is very difficult with the colleges budget declining in real terms by 3% over 10 years.¹² She highlighted the challenges faced by principals trying to balance a range of factors, including the fact that almost 75% of their income comes from the SFC and that, as public bodies, they are unable to generate an increased level of commercial activity. She said¹³—

“This is an extremely difficult time. The issue is how quickly some institutions can adapt to a change in funding circumstances. Sometimes, adaptation requires funding but, at the minute, we do not have funding for transformation or change, which makes the transition to a different operating environment more complex.”

¹⁰ [Letter from Mairi Spowage, 29 July 2024](#) [Accessed 19 September 2024]

¹¹ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 2

¹² Education, Children and Young People Committee. Official Report, 12 June 2024, Col 34

¹³ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 34

Student numbers

Part-time student numbers

The [latest college statistics from the SFC published in March 2024](#) showed the number of enrolments and students at colleges in Scotland increased between 2021-22 and 2022-23. The number of enrolments in part-time (PT) FE courses rose by over 10,000 from 2021-22 to 2022-23. For PT HE courses, the rise was just under 1,000 for the same time period. The rise in PT FE enrolments has been more marked and the 2022-23 figure is the highest figure in ten years.

Enrolments by level and mode of study, AY 2013-14 to 2022-23

Enrolments

Academic Year	Full-time HE	Full-time FE	Part-time HE	Part-time FE	Total
2013-14	31,827	48,327	16,864	202,810	299,828
2014-15	32,384	47,181	16,333	201,113	297,011
2015-16	32,725	46,029	17,164	185,133	281,051
2016-17	32,723	46,038	17,962	195,126	291,849
2017-18	32,529	45,340	17,057	208,189	303,115
2018-19	31,802	43,472	17,383	236,232	328,889
2019-20	31,196	43,913	15,531	211,452	302,092
2020-21	32,625	41,795	17,315	185,885	277,620
2021-22	28,923	40,113	16,101	237,195	322,332
2022-23	24,863	40,081	17,010	247,966	329,920

Source: SFC

The Committee considered the implications of a move toward PT study. Mairi Spowage told the Committee that the shift to more PT study can and should be a part of the sector providing lifelong learning and providing support to people with a diverse range of backgrounds. She said—

“Given the changes we are seeing in our economy, this is a phenomenon which is likely to continue, and should be encouraged if it is a route to upskill our workforce to ensure it is ready (e.g.) for the energy transition.”¹⁴

¹⁴ [Letter from Mairi Spowage, 29 July 2024](#) [Accessed 19 September 2024]

The Committee heard that the increase in part-time students impacts on how courses are delivered and on costs. David Belsey representing EIS-FELA said the increase in part-time students meant colleges providing more flexibilities in platforms used for teaching and training, and increasing evening and weekend provision.¹⁵

Shona Struthers explained that students were moving from full-time to part-time courses due to other commitments and said that it is more expensive for colleges to deliver part-time courses.¹⁶

Dr Gavan Conlon representing London Economics, during a session on universities, highlighted the lack of equality between PT and full time (FT) students where PT students studying in Scotland do not receive maintenance support.¹⁷

The Committee notes that the [2023-24 Programme for Government](#) stated the Scottish Government would—

“Lead development of a new funding model for post-school education provision which continues free tuition and improves the parity of living cost support on offer for those wishing to study part time or flexibly, and which continues to promote post-16 education as a positive destination for widening access students.”

When asked about the progress being made in establishing parity of esteem in financial support for PT students, the Minister replied¹⁸—

“That matter is being looked at, as are a number of issues. I am very much alive to that ask... The part-time student request is particularly valid. I cannot say that we have progressed on it, but we are well down the road with it—it is in train. I cannot say that I expect it to be resolved quickly, but we are looking at it, as we are looking at a number of things.”

The Committee notes the increase in the number of part-time college students and the suggested reasons for this. Given the potential economic benefits in terms of upskilling the workforce, the Committee considers it important that colleges provide for those who wish to study part-time. However, the Committee notes the cost implications of the delivery of part-time courses, particularly in light of the current financial pressures on colleges. The Committee asks the Scottish Government to set out how what consideration is being given to the growth of part-time learning and how it plans to ensure colleges are funded appropriately to deal with this change.

In addition, the Committee requests further details, including timescales, on the work being undertaken to address the lack of equality between part-time and full-time students in relation to financial support.

¹⁵ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 13

¹⁶ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 26

¹⁷ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 49

¹⁸ Education, Children and Young People Committee. Official Report, 4 September 2024, Col 28

Financial flexibilities

Financial flexibilities available to colleges has been an ongoing area of great interest to the Committee; it is an issue highlighted in the SFC's Financial Sustainability of Colleges report which includes "...exploring whether there is potential for enhancing flexibilities for Scotland's colleges within the ONS classification designation" among "key actions [that] could assist colleges on the path to financial sustainability".¹⁹

In its 2023 [report into colleges regionalisation](#), the Committee recommended that the Scottish Government and the SFC urgently give colleges as many financial and operational flexibilities as possible to help them deliver on the various strands of their work.

The [Scottish Government responded](#) noting that the position in England had changed, with English colleges being reclassified by the ONS as public bodies, and that the Department for Education had advised that colleges in England will continue to access a range of financial flexibilities including rolling funds over multiple years. It stated that the SFC is engaging with counterparts in England to learn more about how this transition will be managed and will work closely with the Scottish Government to explore the reality of these flexibilities and how they might be applied in Scotland.

The Committee revisited this issue as part of its pre-budget scrutiny this year. Karen Watt explained that, given colleges are classed as public bodies, they can generate a surplus, but they "either have to spend it or donate it to an arm's-length foundation in the year in which they generate it. They cannot carry over huge amounts of surplus or debt."²⁰

The Committee heard that whilst flexibilities will be helpful, there is also a need to create a new funding model to ensure financial sustainability for colleges. Mairi Spowage highlighted that there are many flexibilities which the SFC has been discussing, including multi-year funding settlements and year end flexibilities, along with rationalisation of funding pots, but made the point that the college sector would also like to see the delivery of post-school education reform to ensure that a new funding model can be developed.²¹

Mark MacPherson said that there were mixed opinions in the sector about the extent to which financial flexibilities will address some of the underlying financial sustainability challenges faced by colleges. He indicated that the issue of what further flexibilities the Scottish Government and the SFC could explore with the college sector would be considered as part of Audit Scotland's forthcoming work, due to be published in September 2024.²² David Belsey said that greater financial

¹⁹[SFC Financial Sustainability of Colleges](#), January 2024, p11[accessed 24 September 2024]

²⁰ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 36

²¹ [Letter from Mairi Spowage, 29 July 2024](#) [Accessed 19 September 2024]

²² Education, Children and Young People Committee. Official Report, 5 June 2024, Col 18. [The Audit Scotland Briefing on Scotland's colleges 2024 was published on 19 September 2024](#) [Accessed 30 September 2024]

flexibilities for colleges would help in long-term planning, in particular the ability to carry over reserves from one year to another.²³

Shona Struthers said that Colleges Scotland had called for a funding model that is transparent, clear and fair and that they were working with the SFC on that and on having flexibilities, such as the reduction in the credit target, embedded in the funding model.²⁴ However, she felt that a more fundamental review of the funding model is required. She said²⁵—

“The model has been around for a long time. It has evolved from SUMs— student units of measurement—to credits, but it is essentially about inputs. A lot of members tell me that they would prefer much more trust and that they want much of the scrutiny to be reduced.”

She spoke of the constraints regarding certain funds and the numerous returns required by colleges to the SFC such as further education statistics returns, quarterly and mid-year returns, all of which can be resource intensive.

Richard Maconachie representing the SFC spoke of the work being done by the Colleges Tripartite Group in relation to fiscal flexibilities for colleges which included incentivising colleges to dispose of assets through making lighter disposal rules, so that colleges can keep some of the proceeds of disposal. He said²⁶—

“We are looking at other ways to get round some of the constraints of being in the public sector, but we understand that the pie is the pie—that is not controlled by us.”

Karen Watt spoke of the review of college teaching funding being carried out by the SFC, stating that this is looking at: whether the funding model can take more account of changing demographics and demand; subject price groups and premiums (e.g. widening access and remoteness premiums); and whether the SFC should be funding senior phase activities such as foundation apprenticeships.

She highlighted the flexibilities associated with activity targets and suggested that the Scottish Government could look at this and could consider what rules and restrictions it puts on particular funding and whether they could be more flexible. She acknowledged that both the SFC and the Scottish Government should also consider the issue of colleges receiving funding from multiple funding streams, all of which have different requirements attached and establish whether these allocations could be done differently.²⁷

During evidence the Minister confirmed that work on financial flexibilities with the college sector was proceeding. In further written evidence, he provided an update on the Tripartite Alignment Group’s work on a revised procedure for college asset disposals.²⁸

The Committee reiterates its recommendation, made as part of its colleges inquiry, that the Scottish Government and SFC continue to explore how to give

²³ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 19

²⁴ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 11

²⁵ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 12

²⁶ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 37

²⁷ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 37

²⁸ [Letter from the Minister to the Convener, 25 September 2024](#). [Accessed 30 September 2024]

colleges as many financial and operational flexibilities as possible to improve their ability to deliver, especially in the current challenging financial climate. However, the Committee agrees that flexibilities alone will not address the financial issues being faced by colleges.

The Committee notes the call from the SFC for the Scottish Government to give further consideration to the flexibilities associated with activity targets and the rules and restrictions associated with particular funding. The Committee recommends that these issues should be part of the Scottish Government's ongoing consideration of financial flexibilities available to colleges. The Committee requests that the Scottish Government keeps the Committee updated on progress, and on agreements reached with the Tripartite Group on this issue.

The Committee requests that the SFC provides an update on its current review of college teaching funding and when it expects to conclude its review.

In addition, the Committee asks for an update from the Scottish Government and the SFC in respect of discussions on the ONS reclassification of colleges in England and how flexibilities could be applied in Scotland.

Flexible Workforce Development Fund and long-term planning

The Committee notes from the SFC's College Final Funding Allocations for 2024-25, that for a second year running, the Flexible Workforce Development Fund (FWDF) will not be funded. The Committee considered the impact of removing the £10 million FWDF.

The Committee heard evidence about the positive impact of the fund. Mark Macpherson highlighted that a 2023 [Scottish Government evaluation of the FWDF](#) had found it to be effective in encouraging people into work and improving skills. He said that if the fund was no longer to continue, it would place extra pressure on colleges, a point echoed by David Belsey who argued that the fund is linked directly to supporting workers which is a key role of colleges.²⁹

Similarly, Shona Struthers spoke of the difficulties with the disappearance of the FWDF; she said colleges had worked hard with employers, running training courses and that was 'a great example of what we should be doing more of, but then it was just lost. I know that many employers felt the same.'³⁰

Gareth Williams said of the removal of both the FWDF and the Upskilling Fund that there were many examples of the impact on employers, particularly small and medium-sized enterprises, who do not have the money to invest in such provision without that support from Government. He said uncertainty about last year's funding and the decision on whether it would continue into this year had an effect, saying³¹—

²⁹ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 9

³⁰ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 17

³¹ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 18

“In the short term, a number of employers were able to switch to working with colleges and universities by utilising the upskilling fund, but that was withdrawn too. We are left in a position where that funding is not available, and what we are hearing from many SMEs in particular is that there is no way in which they can self-fund that important training.”

Karen Watt argued that the Scottish Government should address the fragmentation of funding streams and should reconsider the FWDF as it was useful for colleges engaging with business and industry and ‘enabled them to have an infrastructure and capacity in the college to manage their relationship with employers to best effect.’³²

During evidence, the Minister acknowledged the negative impact of the removal of the FWDF and Upskilling Fund on institutions and their ability to enable work with businesses and said³³—

“It would be good to be in a position to reinstate one fund, if not both, but we are— unfortunately—not in that position at the moment.”

Some witnesses called for longer-term planning for colleges. Shona Struthers called for the Scottish Government to set out clear priorities to colleges through a five-year support plan for the sector which she said would provide stability and predictability.³⁴ Gareth Williams, representing Prosper, endorsed the call for a five-year plan and having a longer term perspective, as well as addressing some of the short-term financial pressures on the college sector.³⁵

On the issue of a five-year plan for colleges, the Minister argued that he had been very clear about what has been asked of colleges which is better alignment with the needs of the local economies and improved interaction with employers. He said³⁶—

“If the suggestion is that they are waiting for a steer from Government on how to operate in that regard, that flies in the face of what I see when I am out and about...I make the point that I think that we have been clear. If we have not been clear, we will reiterate the position with the colleges.”

The Committee notes the findings of the 2023 [Scottish Government evaluation of the FWDF](#) that it is effective in encouraging people into work and improving skills.

The Committee shares the concerns regarding the negative impact of the removal of the Flexible Workforce Development Fund and invites the Scottish Government to respond to calls from colleges and the business sector and from the SFC, to reinstate this fund in the forthcoming budget.

³² Education, Children and Young People Committee. Official Report, 12 June 2024, Col 42

³³ Education, Children and Young People Committee. Official Report, 4 September 2024, Col 11

³⁴ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 10

³⁵ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 12

³⁶ Education, Children and Young People Committee. Official Report, 4 September 2024, Col 6

The Committee notes the call for a five-year plan for colleges and the Minister’s position that colleges are clear about what is required of them and what their priorities are in the longer term. The Committee welcomes the Minister’s commitment to reiterate the Scottish Government’s position regarding the longer-term strategic direction with colleges, and also asks to be kept updated on developments in this area.

College lecturers pay settlement

On 30 August 2024, a pay offer was accepted by college lecturers, ending the long running industrial dispute with the college sector. In evidence, the Minister confirmed that the Scottish Government will provide a recurring £4.5million from 2025/26 to fund the increase in lecturer pay. However, the Minister was unable to provide any further detail on where this allocation will be funded from. When asked directly how this commitment would be funded, the Minister replied³⁷—

“We are looking actively at where the commitment will be funded from. However, I assure the committee that we have given a clear assurance to both parties that the £4.5 million will be clearly additional to the settlement that colleges would be receiving.”

The Committee welcomes the Scottish Government’s allocation of additional recurring funding which has been instrumental in settling the long running industrial dispute within the college sector.

However, the Committee was concerned to hear that it is not currently known where this additional recurring £4.5 million allocation will be funded from and whether it will result in any in-year revisions to the higher education budget. The Committee recommends that the Scottish Government provides further details on how any recurring funding will be found in subsequent years.

Fair work

The position of the college sector in relation to the Scottish Government’s fair work and public sector pay policies has been an area of ongoing interest for this Committee. It has regularly asked why colleges are not subject to Public Sector Pay Policy (PSP) and are therefore excluded from the no compulsory redundancies policy, despite being classified as public sector bodies by the Office of National Statistics in April 2014.

The Minister has written to the Committee a number of times on this issue. [In June 2023, the Minister told the Committee](#) that he had highlighted the importance of fair work practices in a letter to College Principals, making clear that “every effort should be made...to protect jobs.” The Committee is aware that the Scottish Government believes that the PSP, while not directly applicable to colleges, should act as a benchmark and that it expects a commitment to fair work principles from colleges.³⁸

³⁷ Education, Children and Young People Committee. Official Report, 4 September 2024, Col 23

³⁸ [Letter from the Minister to the Convener, 13 July 2023](#) [Accessed 1 October 2024]

The Committee looked at the extent to which the SFC can ensure that fair work practices are followed in colleges. The [SFC's Conditions of college funding document](#) for AY 2024-25 sets out that colleges should have a statement on fair work practices and should be “exemplars” of fair work practices and they must “have regard to public sector pay policy set by Scottish Ministers”.

David Belsey told the Committee that he had written to the SFC to ask for clarification on their role in relation to enforcement of colleges’ fair work obligations.³⁹

Karen Watt explained the role of the SFC in relation to fair work, telling the Committee that it promotes good practice, that fair work features in all its outcome agreements, that it is a condition of grant and increasingly, the SFC have strengthened the accounts directions for colleges and universities for this year.

She said that the SFC’s new outcomes and assurance model is intended to set out issues such as fair work obligations more clearly and that the SFC will ask Audit Scotland to consider fair work statements in their audits of colleges. Karen Watt said that as a funder, the SFC was reluctant to claw back money from colleges where fair work obligations were found not to have been met, but that the SFC can “publish material that ensures that colleges improve and do things differently.” She also said that, on occasion, the SFC may become more involved on issues related to industrial relations more widely.⁴⁰

Karen Watt stated that further consideration should be given to the SFC’s powers where there has been a breach in a fair work agreement with an institution and that following the Withers review, the SFC had outlined to the Scottish Government ways in which the Further and Higher Education (Scotland) Act 2005 might be updated to better reflect the current landscape.⁴¹

The Committee asked the Minister what consideration had been given to the appropriateness of the SFC’s powers in relation to fair work where a college was not meeting the fair work obligations in its outcome agreement and for his views on the proposals set out by the SFC.

The Minister confirmed that he has been asked to consider additional powers for the SFC and acknowledged that some of the SFC’s powers “are pretty blunt and out of date.”⁴² He also said that it is important that any new powers strike the correct balance of governance in light of the move towards empowering colleges and principals to deliver for their local economies and giving them freedom to do that, but agreed that the SFC requires additional powers of intervention.

On whether any additional powers in relation to intervention would require a legislative change and whether any change would happen during this session of parliament, the Minister said that if primary legislation is required, then it is unlikely to

³⁹ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 20

⁴⁰ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 50

⁴¹ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 52s

⁴² Education, Children and Young People Committee. Official Report, 4 September 2024, Col 25

happen in that timeframe. When pressed on whether the SFC should be given more power to intervene, the Minister said⁴³—

“The SFC, as the oversight body, ought to have powers and should be part of a structure so that, when there is an alleged issue in a college, that can be escalated and investigated and, if action is required, that action can be taken.”

The Committee notes that the current consultation on post-school education and skills reform asks for views on whether SFC needs further powers to ensure the quality of the post-school education and skills system effectively.

The Committee agrees that colleges should be exemplars in fair work practices, and that the SFC should have the required powers to intervene where necessary. The Committee recommends the Scottish Government provides further clarity on whether providing the SFC with the power to intervene where a college is not meeting its fair work requirements would require a legislative change and, if so, whether this would be through primary or secondary legislation. The Committee also requests that the Scottish Government provides further details on the timescales associated with reviewing the SFC’s powers specifically in relation fair work.

Universities

For financial year 2024-25, the university resource budget was set at £760.7m and the capital budget at £356.9m. Between 2023-24 and 2024-25:

- The resource budget fell by £28.5m (-3.6%) when the removal of £20m initially announced for 2023-24 but reversed to fund the teachers’ pay settlement, is factored in. In 2023-24, the resource budget was £789.2m and, as previously stated, in 2024-25 it was £760.7m.
- The capital budget increased by £16.2m (4.8%) from £340.7m in 2023-24 to £356.9m in 2024-25.

The SFC published [University Final Funding Allocations for 2024-25](#) in May. Key details from the publication include:

- A 3.6% (£26.7m) reduction in teaching funding.
- A 4.2% (£12.6m) increase in research and innovation funding.
- Removal of upskilling funding (worth £7.0m in 2023-24).
- Removal of digital poverty funding (worth £1.6m to universities in FY 2023-24).
- Funding toward pensions contributions will not be continued. This was £4.8m in 2023-24, having been introduced in 2019 to recognise an increase in pension contributions.

The SFC’s [Financial Sustainability of Universities in Scotland 2020-21 to 2025-25](#) report, published in January this year, found a 41% reduction in the underlying

⁴³ Education, Children and Young People Committee. Official Report, 4 September 2024, Col 26

operating surplus of universities, down from £385.2m in 2021-22 to £226.5m in 2022-23. An adjusted deficit of £3.3m is expected for 2023-24, going back into a surplus of £44m for 2024-25. Net liquidity days are also expected to fall to 125 in 2024-25, from 156 in 2023-24 and 187 in 2022-23.

On sector income, the SFC found reliance on SFC grants had reduced from 31% in 2020-21 to 27% in 2021-22 and is expected to reduce to 23% by 2024-25. Tuition fees represent the largest source of income for the sector.

The SFC report notes that universities are taking actions to mitigate falling income, and efforts include expanding digital delivery, overseas markets and partnerships. Staff restructuring, vacancy management/removing posts, freezing non-essential spend, undertaking benchmarking exercises, reviewing course portfolios, reviewing estates strategies and delaying capital spend are among other measures universities are taking forward.

Witnesses highlighted the ongoing reduction in funding for universities. Mary Senior spoke of the year-on-year real-terms cuts, particularly to teaching resources which she said was unsustainable.⁴⁴ This point was echoed by Ellie Gomersall representing the National Union of Students Scotland (NUS) who said⁴⁵—

“The point about sustainability is key. It is all well and good to have purposes and principles and a clear vision, but if that vision is not followed up by action, it leaves lots of questions open, particularly on the sustainability of the funding in the longer term.”

The Committee considered the current funding model and budget constraints for universities and heard evidence of voluntary severance schemes and threatened redundancies within universities in an effort to reduce costs.⁴⁶ As with the college sector, Karen Watt also acknowledged that the current financial situation for universities is extremely difficult with the universities budget declining in real terms by 14% over 10 years.⁴⁷

In the context of the difficult financial position for universities, the Committee has considered the current funding model, including universities' reliance on fees from international students to cross-subsidise the costs of delivering courses. The Committee also heard evidence of alternative ways of generating funding for universities.

⁴⁴ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 22

⁴⁵ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 23

⁴⁶ [Written submission. UCU Scotland](#) [Accessed 1 October 2024]

⁴⁷ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 34

University funding

International student numbers

The SFC's [Financial Sustainability of Universities report](#) published in January this year cites 'an over-reliance on income from international students to remain financially sustainable' as a risk to universities' financial health.

The report states⁴⁸—

“According to forecasts, international fee income is expected to increase from £1,144m in 2021-22 to £1,289m in 2022-23 and to £1,617m in 2024-25, a 41% increase on 2021-22. Universities rely on this source of income to remain financially sustainable and to support other areas of their operations such as research which can be a loss-making activity. But international fee income is an area of significant fluctuation and risk due to the competitive nature of international markets and geopolitical changes.”

In its submission to this Committee, Universities Scotland stated that data from November 2023 and February 2024 showed a fall of 20% in international postgraduate enrolments, with 12 institutions reporting lower than forecast intakes. The collective impact of such a fall was estimated to be £100m, and the biggest fall for a single institution was 79%.⁴⁹

Questions were raised in evidence regarding the sustainability of international fee income. Mary Senior highlighted the reliance of university finance model on cross-subsidy from international student fees and that currently there are challenges in attracting international students to universities in the UK, including in Scotland.⁵⁰

She argued that the fact that the funding model has been relying on international tuition fees is problematic given the changes made to visa requirements. This point was echoed by Ellie Gomersall who argued that previously the funding model had been sustainable, however due to budget cuts, there is now an over reliance on cross-subsidising from international students.⁵¹

Mary Senior agreed it was the decline in funding that was the problem rather than the funding model itself. She said⁵²—

“We absolutely support the right of students to access higher education without having to be saddled with debt and fees, but in order to provide that we need to invest in the sector. As I said previously, there have been year-on-year real-terms cuts, in particular to the teaching grant, and that is not sustainable.”

⁴⁸ Financial Sustainability of Universities in Scotland 2020-21 to 2024-25. SFC/CP/01/2024. Page 6 [Accessed 23 September 2024]

⁴⁹ [Universities Scotland. Written submission.](#) [Accessed 24 September 2024]

⁵⁰ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 22

⁵¹ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 39

⁵² Education, Children and Young People Committee. Official Report, 5 June 2024, Col 38

Professor Iain Gillespie expressed concern regarding the decline in the international student market, given the current funding model being predicated on the fact that international students' income makes up the gap in funding. He said⁵³—

“It is an average decline of 20-something per cent, depending on how you measure it, but for some institutions, it is as much as 75 per cent. That has had a huge, huge impact on the income of almost all our Scottish universities”

He explained some of the reasons behind the reductions in international student numbers as being: the removal of dependant visas from January this year; the downturn in economic performance of some of the sending nations; and global shocks.⁵⁴

Dr Conlon made the point that many courses would not be viable without the fees from international students and spoke of the precarious nature of over reliance on fees from these students. He said⁵⁵—

“If there is something that prevents international students from travelling to the UK, many institutions will have much of their income stream obliterated overnight, which places institutions in a much riskier position.”

He also stated that it was highly problematic to rely excessively on particular countries for students given the economic variables in other countries which could affect the relative fees cost and subsequently the number of students coming to Scotland to study. He said⁵⁶—

“..if a country experiences a 30 per cent deflation or depreciation in its currency, the cost of UK fees ramps up by 30 per cent and the students no longer come to the UK.”

Karen Watt confirmed that the university sector relies very heavily on international income to cross subsidise university teaching and research and that this was a very common business model in most universities worldwide. She highlighted a large downturn in international student income projected to be around £40 million from last year, with the largest decline being from postgraduate students. She explained that over half of the international students who come to Scotland come from China, India, the USA, Nigeria and Pakistan and that the flow of international students depends on any changes in those countries. She said⁵⁷—

“It is not that we are unbothered by cross-subsidisation. We are clear about the benefits and risks that come from volatile international markets, and we have seen that those markets can drop very quickly. Universities are hugely adaptable, but when we talk about, for example, the post-1992 universities, we see an accumulation of issues: there is a potential drop in domestic

⁵³ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 4

⁵⁴ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 23

⁵⁵ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 47

⁵⁶ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 47

⁵⁷ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 49

demand and some of the post-1992s are operating in more volatile international markets and are more exposed.”

During evidence the Minister acknowledged that international students do subsidise the system and spoke of the work being done in conjunction with universities to promote Scotland as a study destination and to broaden the cohort of international students so that there is less exposure to certain markets.

The Committee notes the evidence in relation to the current university funding model’s reliance on income from international students and the work being done by the Scottish Government to broaden the cohort of international students to lessen the exposure to certain markets and to help the university sector respond to concerns around a fall in international applicants.

Given the level of exposure for some universities to financial risk associated with the reliance on fees from international students, the Committee considers that this work must be undertaken as a matter of urgency and asks the Scottish Government to keep the Committee updated on its progress.

Balance of contributions

The Institute for Fiscal Studies’ (IFS) [report on Higher education spending](#) provides an overview of higher education funding in Scotland and concluded that—

“There are no easy answers to increasing university funding, without increasing Scottish Government spending on higher education or requiring some contribution from students towards the costs of their tuition.”

Dr Conlon described universities in Scotland as “the least well-funded in the UK”, despite the Scottish Government “putting in five times the amount in England per head of population.” Dr Conlon told the Committee⁵⁸—

“The level of contribution by the Scottish Government is more than 100 per cent, because there are free fees, there is maintenance and there are loan write-offs. The balance in the contribution is wrong, because the benefits to higher education are accrued more widely—they are accrued by the individual and by the public purse. There should be a balance of contribution, as there is in Northern Ireland, for instance, where it is very even.”

In Northern Ireland, students can be charged tuition fees of up to £4,750. Dr Conlon said that, when compared to England and Wales, there is a funding shortfall of about £1,500 per student in Scotland.⁵⁹

Ellie Gomersall was clear that NUS Scotland were against any form of tuition fees and that research had shown that that two thirds of university applicants would potentially be put off going to university if fees were introduced. This point was echoed by Mary Senior who said that further funding must be put in place to support

⁵⁸ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 24

⁵⁹ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 40

universities.⁶⁰ Ellie Gomersall suggested that consideration should be given to progressive taxation, use of reserves and Principals' salaries when considering the financial sustainability of universities.⁶¹

Karen Watt made it clear that the SFC was not considering a tuition fee funding model, rather, what could be done within the current model to improve the financial situation for colleges and universities. She argued that consideration needs to be given to the distribution of funded places saying⁶²—

“We have a historical pattern, but there is a question to ask about patterns of underdelivery and of reduced or increased demand. Have we got the funded places in the right place?”

She also said that consideration needs to be given to how university places are paid for and how much those places cost.

The Minister acknowledged the current financial situation in the higher education sector is not as he would want it to be and said that he is working closely with the universities 'to determine what opportunities there are to further enhance their access to public funding to mitigate that.'⁶³

The Minister said that the Scottish Government continues to support free tuition fees and stated that their introduction could discourage students from going to university and impact on widening access progress. He stated that growth into the international markets is the favoured approach to improving funding for universities.

Additional funding options

Options for graduates

The Committee heard evidence of other options for raising revenue for universities. Dr Conlon suggested some form of additional cost should be passed on to graduates which could be done through the introduction of real interest rates, reducing the repayment threshold, the introduction of fees, or a graduate endowment. He said⁶⁴—

“By introducing the English system in Scotland, that would, overnight, save the Scottish Government 40 per cent of its total cost for higher education. That cost would be passed on to graduates—wealthier graduates.”

He argued that the student loan repayment system is regressive, saying that graduates who earn less over their lifetime pay more than graduates who earn a lot more money. He also highlighted that many of the individuals who are in receipt of free fees are people from middle-class and wealthier households who would have gone to university anyway which he said was poor targeting of resources stating⁶⁵—

⁶⁰ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 26

⁶¹ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 25

⁶² Education, Children and Young People Committee. Official Report, 12 June 2024, Col 38

⁶³ Education, Children and Young People Committee. Official Report, 4 September 2024, Col 16

⁶⁴ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 24

⁶⁵ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 37

“Essentially, the public purse is subsidising very well-paid or better-paid, and predominantly male, graduates, to the detriment of less well-paid female graduates.”

He said that by restructuring funding the system, there is an opportunity to put more resource into student support, in terms of maintenance and loans, and to extend eligibility for part-time maintenance support.⁶⁶

When asked about the potential for recouping payments from graduates who leave the country, Dr Conlon said it was challenging to do but pointed to the system in New Zealand as an example of what could be done. In New Zealand, a graduate leaving the country faces higher interest rates on their student loan repayments.

Income stream options

The Committee also heard evidence of possible income streams for universities. Dr Conlon suggested that loans for business development or research and development could be given to universities to help them promote commercialisation activities which would reduce the financial burden on the public sector. He did point out however that such commercialisation activities should be in addition to core student activity and should not be used to replace any teaching activities. Mary Senior echoed this point.⁶⁷

Gareth Williams told the Committee that there are potential opportunities for research funding arising from the UK’s association with Horizon Europe, and this will require industry and education to work closely together to maximise opportunities.⁶⁸

Karen Watt said that universities were already successfully developing other income streams and that their reliance on income from the SFC is about 27 or 28% overall. She spoke of international activities and work with charities to generate research revenue and partnerships with industry and business which universities are currently undertaking.⁶⁹

Employer levy

A number of witnesses spoke of private sector involvement in the funding of universities, such as an employer levy. Mary Senior highlighted recent [UCU-commissioned research carried out by London Economics](#) (LE) looking at the impact of a 1% employer levy operating in the same way as National Insurance contributions or a 3 percentage point increase in the rate of Corporation Tax. This is part of UCU work at UK level looking at moving away from tuition fees.⁷⁰

LE modelled the removal of fees for UK domiciled students and a corresponding increase in public teaching grant funding. The impact of a potential graduates’

⁶⁶ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 37

⁶⁷ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 30

⁶⁸ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 18

⁶⁹ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 43

⁷⁰ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 26

employer levy to generate funding for the necessary increase in teaching grant was then explored. The LE modelling took Scotland's current model of publicly funded tuition fees into account, and as a result of this, the employer levy would result in a 0.07% contribution rate on employees' earnings above a secondary threshold (currently £9,100 per year) and bring in an estimated £64m.⁷¹

Dr Conlon told the Committee such a levy would allow businesses to contribute toward higher education funding indirectly. He also discussed ways in which businesses might contribute directly, such as through commercialisation activities such as spin-outs and start-ups and lease or hire of lab facilities. He cited the University of Edinburgh as an institution that has "very strong research that is then commercialised, which certainly bolsters their financial position.." He added⁷²—

"Businesses should contribute to the costs of higher education because they receive one third of the benefits."

Ellie Gomersall was not averse to private sector involvement in universities, given they are a main beneficiary of higher education, but warned that this should not affect the independence of universities and the decisions made on what courses are on offer.⁷³ This point was echoed by Mary Senior who said—

"There are lots of examples of charities and businesses working successfully with universities, but the issue of academic freedom is key."⁷⁴

The Committee notes the evidence in relation to introducing an employer levy to generate additional funding for the university sector. The Committee also notes that introducing such a levy is reserved, therefore it would be for the UK Government to consider this. The Committee asks the Scottish Government if it has any plans to discuss this issue with the UK Government.

The Committee asks the Scottish Government to set out its view on the points made regarding free tuition for all Scottish students representing poor targeting of resources. In addition, the Committee requests a response from the Scottish Government on the view that the current student loans system favours predominantly male graduates, to the detriment of less well-paid female graduates.

The Committee asks the Scottish Government to set out its views on the alternative funding models as set out in evidence to the Committee and whether it has any plans to consider further changes to the current funding model for higher education.

⁷¹ [Assessing the costs of removing undergraduate tuition fees across the UK Summary of findings for the University and College Union, May 2024](#) Page 10. [Accessed 30 September 2024]

⁷² Education, Children and Young People Committee. Official Report, 5 June 2024, Col 26

⁷³ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 27

⁷⁴ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 29

Scottish teachers' superannuation scheme

The Scottish teachers' superannuation scheme (STSS) is administered by the Scottish Public Pensions Agency (SPPA) on behalf of the Scottish Government. The scheme covers academic staff mainly in the post-92 sector in Scotland.

In March 2019, the SFC wrote to institutions confirming that the employer contribution rate would increase from 17.2% to 23% from 1 September 2019 to 31 March 2023. The SFC announced that it would provide funding to recognise this increase.

From 1 April 2024, employer contributions increased to 26% following valuation of the scheme. The SFC's latest funding allocations do not provide funding to cover pension contribution increases for institutions.

Mary Senior raised concerns regarding the STSS operating in the post-1992 universities. She pointed out that this is a mandatory scheme and that from 1 April, the employer contributions to the scheme increased by 3%. She highlighted that in England, the UK Government has committed to funding meaning there are Barnett consequential for the Scottish Government for schools and colleges. Previously the Scottish Government funded increased costs in 2019 for universities, however Universities Scotland had not received a response from the Scottish Government to this year's request.

She told us that UCU had asked the Scottish Government whether it is receiving Barnett consequential which could be used to support post-1992 universities and are awaiting a response.⁷⁵

Professor Gillespie, representing Universities Scotland spoke of a £9.2 million gap due to the increase in the STSS as a result of a 4.4% increase in costs and a 4.8% drop in support. He also called more support for employers' costs to the STSS.⁷⁶

Karen Watt confirmed that the SFC had removed funding for pension contributions which had totalled £4.8 million but that it was never the case that this was intended to be funded long-term.

In relation to the impact on post-1992 universities, she said the SFC were careful to maintain other premiums that were not available to other institutions, such as the widening access and retention fund.⁷⁷

During evidence the Minister highlighted that the UK Government had made a commitment around consequential for pensions for college and teacher pension schemes and that the Scottish Government is 'sympathetic to the possibility of utilising that funding to assist the universities.'⁷⁸

The Minister provided a further update on the Scottish Government's funding plans in this area and stated that allocations will be made as part of the Autumn Budget review.⁷⁹

⁷⁵ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 33

⁷⁶ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 16

⁷⁷ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 54

⁷⁸ Education, Children and Young People Committee. Official Report, 4 September 2024, Col 24

⁷⁹ [Letter from the Minister to the Convener, 25 September 2024](#). [Accessed 30 September 2024]

The Committee asks the Scottish Government for further updates on the allocations to be made to support employers' costs to the STSS and what feedback it has had from the sector on whether that funding will be sufficient.

Widening access

The Committee notes that universities are currently [working toward a target to widen access](#) so that by 2030, students from the 20% most deprived backgrounds should represent 20% of full-time, first-degree entrants to Scottish universities. An interim target of 18% is to be met by 2026.

Throughout its previous work on colleges and on the budget, the Committee has heard evidence about the role of both colleges and universities in helping to meet the widening access target.

Progress on widening access is measured using the Scottish Index of Multiple Deprivation (SIMD). This uses postcodes to rank areas from most deprived to least deprived. Widening access data is usually considered by quintile, with SIMD1 containing the most deprived areas in Scotland while SIMD5 contains the least deprived. The [Scottish Funding Council's latest report on widening access](#) found that the interim target of 16% of full-time, first-degree university entrants being from SIMD1 backgrounds by 2021 has been met for the second year in a row. In 2021-22, 16.5% of Scottish-domiciled entrants were from SIMD1 backgrounds (down slightly from 16.7% in 2020-21).

The Committee has considered the limitations of SIMD as a measure in recent years and was aware that the outgoing [Commissioner for Fair Access stated in his 2022 report](#) that universities should be able to use “a basket of measures” - including data on Free School Meals (FSMs) - to determine targets at a local level. Incoming Commissioner Professor John McKendrick said in his [first report, published in January this year](#) that SIMD should be seen as an “indicator of progress...rather than a measure of it.”

In its [college regionalisation report](#), the Committee acknowledged the limitations of the SIMD metric as a tool for identifying disadvantage, given it is based purely on geographic area rather than on individual circumstances and recommended that the Scottish Government revisits the widening access framework, with a view to ensuring additional factors are included, and that support measures are targeted appropriately across Scotland.

The Scottish Government responded to this providing information on the Access Data Short-life Working Group which was formed in February 2023 to explore additional individual-level data sources. It stated that the data sources of particular interest were Free School Meals (FSM) and Scottish Child Payment (SCP) data.

The Committee heard evidence regarding the effect of the reduction in the post-school budget on widening access for students from certain backgrounds. The [Scottish Government's detailed analysis of the 2024 to 2025 Budget](#) highlighted that there is “significant risk” that the reduction in the HE resource budget will increase competition for university places and disadvantage learners from socio-

economically disadvantaged areas. The analysis stated that this requires monitoring of widening access requirements on institutions.

The Committee heard of the impact of reducing staff numbers on widening access to universities. Mary Senior pointed out the importance of one-to one contact for students from a widening access background for them to succeed at university and the need for extra time with their tutors, all of which has become problematic due to staff reductions.⁸⁰

Professor John McKendrick, Commissioner for Fair Access posed the question regarding the impact of supporting international students on widening access to other students who require a little help with transition and support with their studies. He said⁸¹—

“I absolutely do not want to pit one segment against the other—I need to be 100 per cent clear about that. International students are good for Scotland and good for Scotland’s universities, but it is not an unproblematic resource in terms of widening access. It presents challenges.”

He went on to say that it does not necessarily follow that a restricted funding environment will more adversely affect disadvantaged students. He said⁸²—

“Universities still have to be held to account for their share. I can understand that it becomes more complex and more different, and that there is a context to which university applicants ready themselves for application, but it does not follow that that will have a negative impact on the throughput to university from disadvantaged areas.”

On whether the reduction of funding would have a greater impact on the post-1992 universities in relation to widening access, Professor McKendrick explained that it is important to look at individual students. He said the metric used is an area based measure which is geographically uneven as to where those students resided and that significant contributions to widening access are made by other institutions as well as the post-1992 universities. He explained⁸³—

“That is a particular challenge in west central Scotland. If the resource is squeezed in west central Scotland, it is as much a challenge for the University of Glasgow as it is for the University of the West of Scotland and Glasgow Caledonian University. I understand the point about the reduction in places, in UWS in particular.”

When asked if the recent funding allocations have fallen disproportionately on post-1992 universities and had affected their widening access targets, Karen Watt disputed this and said that some of the post-1992 universities were not filling all their

⁸⁰ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 33

⁸¹ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 21

⁸² Education, Children and Young People Committee. Official Report, 12 June 2024, Col 26

⁸³ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 27

funded places therefore roughly a quarter of those unfilled places were removed. She said⁸⁴—

“If we take out those unfilled places, we find that the impact of the cuts is actually fairly fair across the post-1992 universities, the chartered institutions and the four ancients. We have modelled all of that. Once the issue of those unfilled places is taken out, we are not seeing a significant impact on the post-1992 institutions... We have taken out a small proportion of their unfilled places. That does not affect their intakes, and it should not affect their widening access targets.”

During evidence the Minister said that he would monitor the effect of the reduction of the post-school budget on widening access but that the main threat to achieving the 2026 target was being restricted to using one measure.

The Committee notes that the working group published its [final report](#) in July 2024 and recommended—

- FSM and SCP continue to be considered as widening access measures;
- Exploration of possible legislative approaches to FSM data sharing;
- Scoping work for the implementation of the proposed data sharing; and
- Continued emphasis on meeting the 2026 and 2030 SIMD20 targets.

The Minister highlighted a pilot in Aberdeen and Aberdeenshire where there is an existing data-sharing arrangement that allows for the sharing of information on FSM. The Minister provided further written evidence on this pilot and on alternative approaches used by universities and colleges, including the Open University, to widen access to their institutions.⁸⁵

The Committee notes the evidence in relation to the impact of the reduction in the higher education budget and in staff numbers on widening access to institutions.

The Committee notes the 2030 widening access target is now approaching and requests an update on work being done by the Scottish Government in relation to the four recommendations made by the Access Data Short-life Working Group, including information on planned timescales for this work.

In addition, the Committee asks the Scottish Government whether it intends to introduce legislation in this area which would allow other measures, such as Free School Meals, to be used in relation to widening access.

Student mental health support

Ellie Gomersall highlighted that the Scottish Government had directly funded provision of student mental health counsellors in every university and college in

⁸⁴ Education, Children and Young People Committee. Official Report, 12 June 2024, Col 41

⁸⁵ [Letter from the Minister to the Convener, 25 September 2024](#). [Accessed 30 September 2024]

Scotland for the past 5 years and that this funding ended at the end of the most recent academic year. She also said that as part of its Student Mental Health Action Plan (SMHAP), the Scottish Government put in place a £3.21 million fund to help universities and colleges to transition from funding for counsellors to the SMHAP. She raised concerns regarding the timing of the announcement of the transition fund, which was a year before details of the action plan were known, resulting in confusion within universities and a risk that counsellors could disappear from campuses, despite providing vital support that students need.⁸⁶

The Committee discussed the [recent announcement](#) regarding the £18.8m reduction in the mental health service budget, with savings coming from mainstreaming elements of the Distress Brief Interventions programme and student mental health measures.

In follow-up written evidence, the Minister provided further information on student mental health funding and the Scottish Government's plans to transition to a more sustainable means of providing mental health support for students. The Minister stated⁸⁷—

“The cessation of this funding – referred to in the Cabinet Secretary for Finance and Local Government’s letter – was extensively discussed with the sector and when transition funding was put in place for Academic Year 2023-24. Our new Student Mental Health Action Plan, published on 13 September, seeks to move to a mainstreamed approach to student mental health which will help students better access services.”

The Committee notes the Action Plan states that the Scottish Government will work with the SFC to ensure that the Action Plan is ‘reflected in the SFC’s assurance processes and review the mechanisms to support it.’ It also states that the Scottish Government will review the role of the Student Mental Health and Wellbeing Working Group to shape its future role in relation to the Action Plan.

In light of cessation of funding for student mental health programmes and the mainstreaming of student mental health, the Committee seeks an assurance from the Scottish Government that the Student Mental Health Action Plan will enhance student mental health and wellbeing provision within the Scottish further and higher education systems.

The Committee asks to be kept updated on the progress of the five actions within the Student Mental Health Action Plan and the review of the role of the Student Mental Health and Wellbeing Working Group.

⁸⁶ Education, Children and Young People Committee. Official Report, 5 June 2024, Col 34

⁸⁷ [Letter to the Minister for Higher and Further Education; and Minister for Veterans, Graeme Dey, 9 September 2024](#) [Accessed 20 September 2024]