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Education, Children and Young People Committee

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EDUCATION, CHILDREN AND YOUNG PEOPLE COMMITTEE
18th Meeting 2024, Session 6

CONVENER

*Sue Webber (Lothian) (Con)

DEPUTY CONVENER

*Ruth Maguire (Cunninghame South) (SNP)

COMMITTEE MEMBERS

Stephanie Callaghan (Uddingston and Bellshill) (SNP)

*Pam Duncan-Glancy (Glasgow) (Lab)

*Ross Greer (West Scotland) (Green)

*Liam Kerr (North East Scotland) (Con)

*Bill Kidd (Glasgow Anniesland) (SNP)

*Ben Macpherson (Edinburgh Northern and Leith) (SNP)

*Willie Rennie (North East Fife) (LD)

*Michelle Thomson (Falkirk East) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

David Belsey (Educational Institute of Scotland Further Education Lecturers Association)

Dr Gavan Conlon (London Economics)

Ellie Gomersall (National Union of Students Scotland)

Mark MacPherson (Audit Scotland)

Mary Senior (University and College Union Scotland)

CLERK TO THE COMMITTEE

Pauline McIntyre

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Education, Children and Young People Committee

Wednesday 5 June 2024

[The Convener opened the meeting at 09:01]

Pre-budget Scrutiny 2025-26

The Convener (Sue Webber): Good morning and welcome to the 18th meeting in 2024 of the Education, Children and Young People Committee. We have received apologies from Stephanie Callaghan.

Our first agenda item is pre-budget scrutiny of the 2025-26 budget. In this session, we will take evidence from the university and college sector and will focus initially on college funding.

I welcome our first panel. Mark MacPherson is audit director at Audit Scotland, and David Belsey is assistant secretary at the Educational Institute of Scotland Further Education Lecturers Association. Thank you for joining us and for the written submissions that you provided ahead of the meeting.

We will move straight to questions from members. The first comes from my colleague Pam Duncan-Glancy.

Pam Duncan-Glancy (Glasgow) (Lab): Good morning. Thank you for the information that you submitted in advance of this morning's session. My first question is about the fact that, over recent years, multiple reports have called on the Scottish Government to set out a vision for colleges to help with progress towards long-term financial sustainability. What is your assessment of the progress that the Scottish Government has made on that so far?

Mark MacPherson (Audit Scotland): We have not done any detailed work on the specifics of the individual reviews, but you will know from the report that we produced and the evidence that we gave to the Public Audit Committee that we believe that there is a need to increase the pace of some of the changes. We know that the minister and the Government have made statements about it and that work is on-going, but the college sector and, probably, the wider education sector are waiting for a clearer steer on what the changes might mean for them.

David Belsey (Educational Institute of Scotland Further Education Lecturers Association): The Scottish Government has commissioned reports—the Withers review and

the Cumberford-Little report. It has also instructed the Scottish Funding Council to carry out some reviews, and the Funding Council has published reports on transforming the college sector into a tertiary sector. I have to say that the Educational Institute of Scotland has not been too impressed with those reviews. There seems to be a push to reframe the college sector as being part of a vehicle that delivers training for businesses, as opposed to its being a vehicle for delivering training and education opportunities for young people and communities.

I think that, with some of the reviews, the hope is that colleges might draw in more money from businesses and from commercialisation and so forth in order to help their sustainability, whereas we would prefer the Scottish Government to invest more money directly in funding them.

Pam Duncan-Glancy: The cabinet secretary recently said that, in responding to the necessity for reform and the opportunities that it creates, the Government must minimise the impact on front-line allocations for learning and teaching, and for support for students. What impact has the recent budget settlement had on learning, teaching and support?

David Belsey: I am very clear that there is a cut in activity in colleges and that there are fewer lecturers and support staff as a result of the cuts. Last year, for example, the Scottish Funding Council removed the ability to claw back funding if activity dropped by 10 per cent. That invites some colleges to drop activity by 10 per cent without any comeback from the Scottish Funding Council, and 10 per cent less activity means a 10 per cent reduction in staff. It means fewer staff and fewer students, or it means students having to travel further to access a course that they need.

Pam Duncan-Glancy: Have you seen a pattern with regard to the activity that has been dropped?

David Belsey: Colleges have dealt with the difficult funding environment in different ways and with varying degrees of success.

Pam Duncan-Glancy: One of the things that came across in the submissions to the committee was the reduction in students enrolling for higher, national 5 and national 4 qualifications, higher national certificates and Scottish vocational qualifications. Do you know why that is, and what does that tell us about the impact on learning and teaching?

David Belsey: Regionalisation has meant that there are fewer colleges and fewer physical locations that offer courses. Previously, in Fife, there were three colleges that offered similar provision, in some ways. Now, there is one college, so provision would have been moved and tightened, particularly as you go up the hierarchy

of the credit and qualifications framework towards highers, HNCs and higher national diplomas. That is one issue.

The second issue is that the reduction in funding means that colleges have to make difficult decisions about which courses are viable and which are not. Stonemasonry, for example, is no longer available at Edinburgh College. By getting rid of experienced staff, you also lose a skills base, which makes some courses less attractive.

Those are the long-term realities of a sustained real-terms cut in further education funding and the consequences of the regionalisation programme. Those effects are long running: they have been happening for a long time—around 10 years—which is why we see a long-term trend of fewer qualifications being taken.

Pam Duncan-Glancy: Have you noticed any impact on widening access and on the experience of students from the poorest backgrounds?

David Belsey: Much of the work of colleges is focused on communities and their location in communities. Their role is to give a second chance to many people—people who did not do well in school, people who have come back into education from the workforce or people who have had a change of circumstances and, possibly, a change of mindset as young people or adults.

Colleges, by definition, draw in more people from poorer communities and disadvantaged backgrounds, including people who are from SIMD20 areas. The college sector has a greater number of Scottish index of multiple deprivation students—it has twice the proportion that the university sector has. Therefore, any cut in provision to the college sector automatically disproportionately affects working-class communities, so it affects people who might otherwise not be able to get on the education train in order to move on to other qualifications or upskill for their work. I cannot give you direct evidence of the direct impact on SIMD20 areas, but the effect of cuts to colleges is that they disproportionately affect working-class communities.

I would also say that, previously, either the SFC or Audit Scotland has said that one of the big hits in relation to college provision after the round of cuts that came in 2011-12 was suffered by young women with caring responsibilities. They have been disproportionately hit in the past.

Ben Macpherson (Edinburgh Northern and Leith) (SNP): Good morning. Building on what has been discussed already, could you elaborate on the post-school reform agenda and how it can help colleges with some of the concerns around financial sustainability this year and, potentially, future years?

My other question relates to a point that was raised earlier. What should be the key considerations for the Scottish Government, the SFC and the institutions with regard to the idea of potentially increasing private sector involvement in the college sector?

Mark MacPherson: I am not in a position to answer the second question because it is not something that we have looked at in any detail.

On the first question, as David Belsey has mentioned, there have been a number of reviews, and the committee will be familiar with them. The recommendations of those reviews present us with opportunities, if they are implemented in the way that was described by the people who conducted them. For example, with regard to the recommendations of the Withers report, if there was scope to rationalise and simplify the range and number of the multiple pots of funding that exist in the sector, there might be opportunities for some savings and efficiencies to be made. Withers also recommended the creation of a single funding body. Again, that could lead to some clarity around and streamlining of the requirements of colleges, as well as increasing ease of access to the funding.

I should say that it is not known whether all those things will make the difference that is needed to re-establish the complete financial sustainability of the sector, but they could help.

David Belsey: The first thing to say about Withers is that the EIS and lecturing staff recognise the broad nature and role of the college sector, which involves engaging with local employers—public sector employers, such as the national health service, as well as private companies—in order to engage with their workforces in relation to upskilling and reskilling them. Clearly, there is a way of drawing in funding for that work.

The problem that we have with Withers is not so much to do with wider private sector engagement; it is more to do with the fact that the subject seems to dominate the agenda and moves us away from looking at colleges as means of delivering education to individuals. The danger of the Withers and Cumberland-Little reports is that colleges will look around, see what local employers want, then offer those courses to students, which means that if a student does not want to do a course in shipbuilding, for example, they will not have their needs and their aspirations met.

We are in favour of there being a balance, so we support efforts to increase commercialisation, but not at the cost of supporting individuals and communities.

The other consideration is around sustainability. To be frank, there is only one way in which colleges are going to be sustainable in the future, and that is the Government providing them with sufficient funding. The reality is that, while activity is kept broadly flat, although colleges are allowed to deliver 10 per cent less, staff want to be paid more and electricity and capital costs are increasing in the real world. Colleges cannot accommodate that without additional funding. Therefore, if you wish to have the current footprint of colleges, with the current amount of activity and with lecturers delivering high-quality and sustained further education, you will need to pay for it. Looking to the private sector to contribute to that is a helpful approach, but, fundamentally, the state must pay for provision.

09:15

Ben Macpherson: Can you say a bit more about what that balance looks like to you? I absolutely appreciate what you said earlier about making sure that people can have a second chance by going back into education and retraining. However, as we consider the Withers report and think about how it is to be taken forward, it would be helpful to know what the balance looks like. I appreciate that you cannot be absolutely definitive on that, but it would be interesting to hear your thoughts.

David Belsey: The Withers report, like the previous Cumberland-Little report, wants to give businesspeople a greater role in colleges. I seem to recall that the Withers recommendations involve some sort of formal relationship, with businesspeople getting involved in either advising on or steering decisions on provision. The mood music is all about moving colleges towards a more tertiary aspect—almost “university lite”—with a shared funding model and that sort of thing.

However, the reality is that colleges are different from universities, and they serve different people. The best way to get people from many communities into university is through college, because college delivers something unique and different. That is something that we in Scotland should be very proud of. However, the current mood music around the reviews seems almost to involve promotion of the idea that colleges serve business. That is a flawed idea.

Ben Macpherson: Why is it flawed?

David Belsey: We need to talk more about what communities need, what individuals need and how individuals can fit into learner pathways more effectively, and we need to move away from businesspeople advising colleges and enterprise agencies funding colleges. That is not the way to deliver the appropriate balance.

Ben Macpherson: So, would a balance be 50:50? Would it be 70:30? What would it be?

David Belsey: I say that the main role of the college is to meet the needs of the individuals concerned.

Ben Macpherson: I can frame my thoughts only in relation to my constituency, in which Edinburgh College is. It is a fantastic institution; I appreciate the concerns that many of your members in Edinburgh College have. I also point out that there is huge potential for net zero-related growth in Edinburgh Northern and Leith and that creative industries are expanding there. The college already has a very strong creative aspect to it and can play a role in fulfilling the demand for skills in the net zero area. To me, there are huge opportunities for my constituents; the college, individuals and the community would all want to be engaged in them. That is why I am interested in the balance, which is relevant not only to my constituency, but more widely.

The Convener: I am sure that Edinburgh College is loving the support that we are giving it.

Ben Macpherson: I am being objective.

The Convener: I know you are—it is fine.

Ben Macpherson: I am just interested in what the balance would look like, but I am happy to move on.

The Convener: We might be able to pick up that thread later and continue discussing these issues.

I invite Liam Kerr to come in.

Liam Kerr (North East Scotland) (Con): Good morning. Mark MacPherson, you have just heard David Belsey talking about sustainability. The Audit Scotland 2023 briefing paper on Scotland's colleges said that the Scottish Government and the SFC urgently need to help colleges to “become sustainable now”. The following month, the Auditor General said:

“The viability of the college sector is challenged”—*[Official Report, Public Audit Committee, 26 October 2023; c 4.]*

and that a clear plan was needed.

We are now nine months on from that. Has Audit Scotland's assessment of the situation changed? Is there any evidence of a plan from the Scottish Government or the SFC that will make colleges viable?

Mark MacPherson: Not to pre-empt too much, but we are preparing a further output this year on behalf of the Auditor General. It will be based on the college financial year ending July 2023, so it will not be bang up to date. We have had some discussions with the Funding Council and we

know that, alongside the funding model, it is engaging with colleges to determine what more can be done to support colleges into a sustainable position. At the moment, our view is still that work needs to be done to bring the colleges on to a sound financial footing.

Liam Kerr: David Belsey, what is your view? Is that work being done?

David Belsey: I do not think that the Scottish Government has published a plan that sets out how colleges move forward. However, in reality, there is a plan, which is to give them less funding, allow less activity, recognise that staff are being lost and allow pay to be depressed. That is currently the strategy that is in place, which is why the college sector is in its current position.

Liam Kerr: Earlier, we brought up the Withers report. James Withers referred to colleges as

“a burning platform in relation to finance and sustainability”

and said that he feared that there might be

“a ... chaotic reorganisation ... based on the law of natural selection”.—[*Official Report, Education, Children and Young People Committee*, 15 November 2023; c 49.]

David Belsey, do you recognise that risk? If so, what can be done to manage it and is the Government taking that action?

David Belsey: The Scottish Government reordered the college sector in the regionalisation programme of around 10 years ago. It would be very difficult for future mergers to take place on the basis of “natural selection” other than in the Highlands and Islands region, which is a separate case.

Colleges are expensive to run. They need investment. They compete for the best staff and they play a huge role, which Withers acknowledged, I think. None of that will happen without investment.

I cannot see how any other mergers can take place. Lanarkshire has two colleges. Glasgow has three colleges. A city the size of Glasgow cannot really have only one college. Edinburgh strains with having only one college. Some courses in Edinburgh are delivered in only one location, which means that people need to travel significant distances across the city to access them.

My concern about “natural selection”, to use the words in your question, Mr Kerr, relates to the University of the Highlands and Islands, in which there has already been one merger involving UHI West Highland, UHI North Highland and UHI Outer Hebrides. There are clear strains in Shetland college, Moray college and Perth college, in all of which there are redundancies. That is a cause for concern.

Liam Kerr: Mark MacPherson, given what you have just heard and what you know about the sector, is there a risk of chaotic reorganisation? If so, what is being done to mitigate it?

Mark MacPherson: I am not sure that there is an immediate risk of chaotic reorganisation.

On mergers, any opportunities to create synergies and make efficiencies could help some colleges. We have seen that in respect of the intention around UHI North, West and Outer Hebrides, which David Belsey mentioned. It is too early to say whether that has achieved all the benefits that were intended, but we will monitor that. All of those things—mergers, shared services and synergies—have the potential to help some colleges, but I am not sure that they are the answer to the challenges that the sector faces.

The Convener: We will go next to Willie Rennie, who joins us online.

Willie Rennie (North East Fife) (LD): I am sorry that I am not able to be with you in the room this morning. I am interested in following up on Liam Kerr's question. Audit Scotland highlighted that four colleges were at potential risk of collapse. I would like an update on those four colleges. I understand that you will not be able to name them, but can you give us an indication as to what work is being done? Also, is their future secure?

Mark MacPherson: I do not know that I can give you a clear answer on all of that, but I will say that the Funding Council works closely with colleges and, as you will have heard from the Public Audit Committee session, it tends to identify colleges that may be at more significant risk. When we previously talked about that issue, there were four colleges in that category. It is a changing picture, so I do not know what the current status is. I am sure that the Funding Council would be able to advise on that, if it has that information.

The Funding Council is working with colleges that are at greater risk, but we would stress that that does not mean that those colleges will not continue in their current form. Much depends on the individual circumstances at each of the colleges and on what has changed since the last time we looked at this.

Willie Rennie: In advance of today's meeting, did you get an update about how things are progressing?

Mark MacPherson: As I said earlier, we are currently doing work that will result in a report later in the year, around mid-September. We will be able to comment by that stage.

Willie Rennie: But you do not have immediate concerns that something dramatic is going to

happen between now and then. If you did, you would have reported on that.

Mark MacPherson: I am not aware of anything that presents an immediate risk to the operation of a college, but things can change tomorrow. That is where we are.

Willie Rennie: Does David Belsey have a view on this? Have you had any secret intelligence that means you can reassure us that those institutions are okay?

David Belsey: I can offer you no reassurance.

The Convener: I will ask about some other funding streams. The SFC initial allocations have shown that teaching funding has been protected, but other funding streams—such as the flexible workforce development fund, which was worth £10 million in the last year that it was received, in 2022-23—have been cut. What are your thoughts on the possible impact of cutting funds in that way on delivery and activity in colleges?

Mark MacPherson: That is not something that we have looked at in detail, but we know from the assessment that the Scottish Government undertook that the flexible workforce development fund was considered to be an effective means of encouraging people into work and to improve skills. If that fund was no longer to continue, it would place extra pressure on colleges to meet that same need in a different way. That is probably as much as I can say about it at this stage.

The Convener: Does David Belsey have anything to add?

David Belsey: The £10 million cut is linked directly to supporting workers. That is a key role of colleges, and it is unfortunate that it has been cut. The teaching fund has been kept the same or—

The Convener: I think the term is “protected”.

David Belsey: Yes. The teaching fund has been protected in cash terms. However, that is misleading in the sense that that does not protect the amount of activity or the number of staff who deliver that activity. Cuts are happening in colleges now and staff are facing having their centres or their courses closed down. That is a concern, because it means that fewer students can get to do the course that they need or want to do.

The Convener: Okay. Thank you.

Pam Duncan-Glancy: I want to ask specifically about the student support budget, if that is okay. It looks as though that has dropped by about £12 million, and the justification for that from the Scottish Funding Council is that demand has dropped and that

“the allocation for each college will cover at least what was spent last year”.

Is that the experience of your members, David Belsey? Is that what they are telling you? Do students need less support now?

David Belsey: I cannot answer that question directly. No one has said that to me in recent months, so I cannot give you an answer, but it seems intuitive that students need as much support as they can get in these times.

The Convener: Can we come back to Ben Macpherson now, please?

Ben Macpherson: Thank you, convener. My question relates to where I finished off in the previous question theme. What growth areas might the Scottish Government and others want to focus on when looking at where colleges can have the biggest economic impact in the period ahead?

09:30

Mark MacPherson: It is a bit unfortunate that Mairi Spowage is not able to join us today, because she would be much better placed to answer that question. It is clearly for the Government, working with the SFC and individual colleges, to determine what is right for the distribution and creation of learning and what impact it might have on the wider economy. You need to look to the relationships that colleges have with their local communities and build from there.

David Belsey: Colleges offer fantastic education and training opportunities to pupils, to young people and to adults of all ages, many of whom access colleges. Delivering a cohort of educated people in and of itself generates skills for the economy. The paper that Mairi Spowage submitted and the report set that out very clearly.

We have been saying the whole time that the role of colleges is a balance between supporting and investing in individuals so that they can have a positive economic impact and supporting companies, organisations and employers directly to grow their skills, businesses and services. Should colleges be focused on economic impact? In our view, they should not, but it should be a focus, and working with employers is a big part of that.

Colleges need to remain up to date with the latest trends, technology and ways in which services are delivered. There is huge engagement to be had there, and experience and skills are built up among lecturers who engage in their fields with organisations and businesses, and that needs to continue. We are all for that, but it does not mean that colleges should be limited to giving local employers what they want.

The economic impact and working with businesses and local organisations are important, but they are not the most important things that colleges do.

Ben Macpherson: The most important thing that colleges do is—

David Belsey: It is meeting the needs of individuals. An individual wants to go to university to study X, or somebody wants to become a stonemason, work in healthcare or be a hairdresser and the college needs to provide the courses to meet their aspirations. That person can become a confident learner and their learning can open doors to a range of destinations.

Colleges provide the best way of doing that for large cohorts of society, especially those from poorer backgrounds.

Ben Macpherson: Thank you for setting that out.

Michelle Thomson (Falkirk East) (SNP): Good morning. I want to talk about infrastructure. We have had a few considerations around that and Audit Scotland referred to it in a recent report. The Scottish Funding Council recently updated its own plans. We had hoped that the Scottish Government would be able to provide an updated infrastructure investment plan, but that has been delayed by the UK civil service because of the UK general election, so the picture is slightly different. We also know that the cuts to capital expenditure over the next five years are forecast to be 20 per cent in real terms. Mark MacPherson, I know that your report referenced the increase in capital expenditure by the Scottish Government that we have evidence of in recent years, such as year-end 2022-23 and year-end 2023-24.

Given that picture, I would like to hear your reflections on where we are with the real need to deliver a sustainable college estate. I will come to you first, Mark MacPherson.

Mark MacPherson: I think that we have made it quite clear that there are pressures coming to bear on the college estate. The Scottish Funding Council has been doing a lot of work with colleges and has set out an investment strategy. I think that we are still waiting on an updated estate condition survey from the Funding Council, which will clearly indicate the scale of the challenge. However, inevitably, the funding pressures—not just in the college sector but across the public sector in Scotland—mean that there will be some means of prioritisation required and it is unlikely that all those needs will be met.

Michelle Thomson: I think that we could all agree with that. Obviously, things might change after the general election and any new incoming Government might move away from the 20 per

cent real-terms cut to capital investment. However, either way, given the chronic issue with UK public finances, which applies across the board, I would appreciate your thoughts on infrastructure investment planning that is built into a sustainable college estate. What are some of the key areas that it would be important to plan out? What would you draw out from your perspective, accepting and understanding the difficulties?

Mark MacPherson: The starting point is your overall plan, vision and purpose for the college sector—if we are sticking with colleges. From that, you determine what that means for the infrastructure that is needed to deliver the priorities. From that, you make your decisions on how you allocate the funding. I do not think that it is any more complicated than that.

Michelle Thomson: I ask David Belsey to reflect on that and on the wider impact of the cuts. What is your thinking, from an infrastructure perspective, on how we can get to a sustainable college estate, bearing in mind the cuts that I have set out?

David Belsey: The college estate is important. Some colleges in Scotland have impressive buildings. Learners there will feel valued, and the resources deliver teaching and learning very effectively.

There are challenges to the estate. What does sustainable funding mean? You talk about problems with UK public finances; I see it a little differently. I see that the Scottish Government has a budget and it chooses how to prioritise that budget, and it can choose where to put its money. We believe that it should put more money into the college sector, education and public services. That involves building more and investing more.

I do not see that there is a magic solution of using business. We have concerns about using public-private partnerships to fund infrastructure, but that approach delivered new buildings for a number of learners. However, ultimately, the issue comes down to priorities; the Scottish Government has not prioritised the estate, and the estate is suffering in places.

Michelle Thomson: What you just said does not in any way reflect the fact that there is a projected 20 per cent real-terms cut in the capital budget. To be clear, the capital budget is given to the Scottish Government by the UK Government, and the Scottish Government has only a very limited capacity—an extremely limited capacity—to increase that budget, so it cannot allocate more money to college infrastructure than is available. In the light of that situation, what are your reflections? The Scottish Government cannot take money from revenue—from day-to-day

expenditure—and put it into capital. That is illegal; it is not allowed to do that.

The Scottish Government can spend only what it is given so, when there are significant cuts, there is nowhere else for it to go and priority calls need to be made. As I pointed out, Audit Scotland has shown that, over the most recent two years, the Scottish Government has provided an increase in capital expenditure. I am trying to understand whether, in this very real situation, there are any silver bullets in order to deliver a sustainable college estate. It is not as simple as pushing out plans—I think that that is what Mark MacPherson was alluding to. We will have to do less, because we have less.

Mark MacPherson: In all of this, there is a fundamental question about the opportunities for genuine reform. The Auditor General and Audit Scotland have talked about that in numerous areas. There could be reform to how services are delivered, and that could extend to how the estate is managed and maintained and how widespread it is. There are lots of options but, as you alluded to and as David Belsey mentioned, prioritisation decisions need to be taken, given the limited funding that is available. Such decisions sit outside Audit Scotland's remit.

Michelle Thomson: Thank you. I think that we will come on to that.

Bill Kidd (Glasgow Anniesland) (SNP): I thank both witnesses for their responses. I want to have a wee look at student numbers. The latest SFC figures show that there has been a move towards part-time study. The number of people in full-time education is going down while overall student numbers are rising, which means that there is more part-time study. What could be the implications for colleges of a move towards greater part-time study?

David Belsey: The increase in part-time study could be a reflection that students need to work and are therefore mixing work with study. It could also mean that people are accessing evening or online courses, which offer more flexibility and can fit in with their lives. Young carers and others with caring responsibilities might be able to access part-time courses more effectively and more easily than they could access full-time courses. Those types of students access many part-time courses. Successful completion of such a course might lead to another course, which might be a full-time course, in the future.

What does that mean for colleges? I guess that it means that there is more flexibility in the platforms that are used to teach and train students and that there is greater time to take evening, weekend or online courses. It also reflects the difficulty that many people have in affording to be

full-time students. Those are the issues relating to part-time students.

Bill Kidd: How does that affect your members?

David Belsey: Some of our members are involved in that. Lockdowns as a result of the Covid pandemic led to huge growth—an explosion—in online delivery. That brought into colleges some students who would not have been able to access courses in person. UHI leads on a lot of the online engagement. There are pros and cons to online courses.

The other impact is that part-time courses tend to be lower in the Scottish credit and qualifications framework, and it takes longer to complete such courses, which has an impact on completion rates. The workforce is incredibly skilled, versatile and flexible, and it has met the differing needs of colleges and students and of the courses that colleges need to deliver. That flexibility is being delivered by staff.

09:45

Bill Kidd: Thank you—that is interesting. Does Mark MacPherson have any idea of any potential economic implications that the move to more part-time study might have for colleges?

Mark MacPherson: We have not looked at that aspect in detail. Again, it is unfortunate that Mairi Spowage was not available to attend today, as she would probably be well placed to answer that.

The Convener: Yes—we are very much aware that we are a panel member down.

David Belsey said that students are studying part time because they have to work, but I wonder whether we could tip that on its head a little. The world is now very different in terms of flexible working and how people learn and live. Do you think that having more flexible courses might be more beneficial for colleges in getting more people to come in? That would put a more positive spin on the opportunities that flexible learning and courses offer.

David Belsey: Forgive me, convener—I was trying to be positive in saying that flexibility in access, and the way in which college lecturers and colleges have worked to deliver more flexible courses, is a good thing.

The Convener: That is okay.

Audit Scotland's report "Scotland's colleges 2023" stated that

"further ... staffing reductions ... could severely erode" colleges'

"ability to deliver a viable curriculum."

David Belsey has spoken about that a bit. The SFC has said that 21 per cent of staff could be removed from the sector by 2025-26. What assessment have you made of the current staffing situation? What action do the Scottish Government and the Scottish Funding Council have to take to help colleges in that regard?

Who would like to go first?

Mark MacPherson: The inevitable consequence of increased budgetary pressures is that colleges will look to make reductions in their cost base. As we know, staffing costs are the most significant element of that. The implications are that colleges will be forced into making decisions about what they deliver, how much they deliver, how they deliver it and, ultimately, the quality of the learning. There are real difficult choices for colleges in all that. Audit Scotland has not done a detailed analysis of the implications of that, but the implication must be that one or more, or all, of those elements would need to change if the 21 per cent reduction came to pass.

The Convener: Thank you for that. David Belsey wants to come in.

David Belsey: That is a huge issue for the college sector. In discussing workforce reductions of around 20 per cent, we are talking about people's jobs. Last year, Edinburgh College staff took strike action to protect jobs, and City of Glasgow College staff have done the same. Jobs are being threatened in a number of other colleges. Ultimately, we cannot deliver the same amount of high-quality education and training with fewer staff. The staff we are losing, who are being encouraged to take voluntary severance, are the experienced ones who have skills and experience of working with students, local businesses and employers and so forth.

That leaves college education in a dire place. There is only one answer that the EIS can think of. We are fighting for further education to continue in its current way and to maintain its ambition and scope and its positive impact on people's lives. However, others need to prioritise it, too. It is simply not being prioritised by the Scottish Government, and it has not been for a number of years.

Otherwise, as was alluded to earlier, colleges are going to lose a number of the courses that they offer and the quality of courses, along with the number of courses that are available through the access points and elements such as people's life chances being improved by colleges.

The Convener: We understand all that, but 70 per cent of colleges' expenditure is made up from staff, so people are the most valuable resource. There is a mismatch there. The colleges will have to make some really challenging decisions—they

do not have the money coming to them, so they have to consider all their resources and, unfortunately, those in the college sector will have to make decisions about staff.

Do you not feel that the unions are a bit out of touch in managing and understanding the pressures that are on leaders in our college sector across the country as to some of the challenging decisions that they have to make? As hard as it is, in the financial environment that they work in, with the lack of flexibility that they face, they have to take such decisions.

David Belsey: Trade unions do not support redundancies or workers losing their jobs. We believe that the redundancies are not the sole responsibility of the college principals; they are the responsibility of the Scottish Government, which has put in place a funding regime that has led us, over many years, to where we are now. The committee's background papers show that the cuts that have been made in the past have already pared the sector down to the bone, and the only place left where cuts or efficiencies may be applied is in staffing numbers.

We, the staff in the sector, will fight for the sector. The idea that funding is difficult or that funding is being prioritised elsewhere, so it is therefore quite right for lecturers to lose their posts in the reality of the situation, is something that we are not going to accept. We will be fighting for posts. There are now many colleges at tipping points of going into further disputes around redundancies. Even the Scottish Funding Council recognised in one of its reports that FE sector staff fight for their sector, and they should be very proud of that. It is about fair work: you respect your workers and you expect your workers to deliver the best for their employer and to be engaged in what they do.

Pam Duncan-Glancy: I support what you are saying about the workforce and protecting jobs. One of the things that you said a moment ago concerned the targeting of voluntary redundancies—*[Inaudible.]*

The Convener: Could we have Pam Duncan-Glancy's mic on?

Pam Duncan-Glancy: We have a small technical issue.

The Convener: It is not on yet. Yours is on, Bill.

Pam Duncan-Glancy: *[Inaudible.]*—the mic?

The Convener: It is on now, Pam.

Pam Duncan-Glancy: We are back—thank you. Forgive me.

David Belsey mentioned targeting voluntary redundancies. Are you noticing a pattern in what staff are being targeted for voluntary

redundancies? To be honest, that seems to be a contradictory term, but I have heard about it happening in various colleges, including in Glasgow.

David Belsey: Colleges have been placed in a situation where their funding agency and the Government to which they are responsible expect them to make staffing cuts. They know that compulsory redundancies are the Government's last choice. Therefore, they are trying to get to a position where they get rid of the staff that they need to get rid of in such a way that they are not made redundant. One of the euphemisms for that is "targeted voluntary severance", which is ongoing in a number of places.

Pam Duncan-Glancy: Do you notice a pattern in what is being targeted?

David Belsey: College representatives sit down and work out which courses they wish to pull, then they have conversations with the people who deliver those courses and see whether they can displace some people from one course to another or put them on to other work. That is the type of conversation that happens in colleges up and down the country, and that is the sort of culture in which college lecturers are working.

Michelle Thomson: Sorry for jumping about a bit. David Belsey, I want to come to you first, to flesh out something. Let me know if I have misunderstood, but earlier, you said that colleges should not consider economic impact, but then you qualified that by saying it should not be the primary consideration in the strategy. Given that qualification, could you highlight where there should be consideration of the economic benefit from colleges?

David Belsey: I am sorry that I was not clearer earlier. I have been trying to say that the work that colleges do should be a balance of focusing on the needs of the individuals—the students—and on the needs of local employers. That investment in individuals and in getting skills for the local workforce has an economic impact.

Unfortunately, Mairi Spowage, the third panel member, could not be with us today. Her work sets out that economic impact. We are in favour of colleges continuing that work. Please do not misunderstand me, I am simply saying that we do not believe that the prime function—the focus—of colleges should be supporting business; it is simply a role, not the primary role.

Many colleges build up very close relationships with employers in the locality. They liaise with them, provide sandwich courses and upskill the workforce. We would be keen for that to grow.

Michelle Thomson: That is helpful. I will play that back, so that I am clear on that. Then I will bring in Mark MacPherson.

I think that we are using the two terms differently. You are pointing out a straight alignment, potentially with local businesses, in which course provision is predicated on what they might assess as their needs at that time. I am making a wider point about—this is where I want clarification—how being fleet of foot in course provision can bring economic benefit. Take net zero and some of the skills that we might need for that. Businesses, particularly small and medium-sized enterprises, might not have necessarily understood yet what they need, but we might know that at an academic level. Are you making that distinction? Do you understand the economic benefit?

David Belsey: Colleges bring huge economic benefits, and the University of Strathclyde's report sets that out clearly. In many ways, training people brings an economic benefit. Training people in skills for local gaps in the employment market brings economic benefits. We want colleges to be fleet of foot in the way that you describe. However, that is simply one of the roles that they play.

Michelle Thomson: Okay. Mark MacPherson, I do not know whether you have anything to add. I have a wee supplementary to follow as well.

Mark MacPherson: I will comment briefly on the question as to whether we are being clear that we understand that colleges do not have complete freedom to determine what it is that they deliver. In its consideration of matters last year, I think that this committee said that, if the funding arrangements stay as they are, the Scottish Government and the Scottish Funding Council will need to provide colleges with a clear steer on what they should be prioritising.

Therefore, an element of that comes back to what the Government asks of colleges, which is about clarity of purpose and what priorities need to be addressed when funding gets tight, so that colleges can exercise freedom of choice on whatever is left.

Michelle Thomson: Within that framing, what consideration is given to social considerations, in terms of course provision? David Belsey, what are your thoughts about how we can prioritise that?

David Belsey: Sorry, but I do not understand the question.

Michelle Thomson: I am trying to understand what social considerations colleges should make. I think that, in your earlier remarks, you highlighted that colleges should consider their contribution to society when they are considering course provision.

David Belsey: If a student wants to do hairdressing, the college should provide that course. If a student wants to become a nuclear scientist and to start their journey with a science or physics national 5 qualification or up to higher level, it should provide that course. It is a question of providing a broad range of education and training for the range of interests and aspirations that students and local communities have, and not simply fitting the provision to what the local employers say that they want.

10:00

Michelle Thomson: Mark, do you have any final comments?

Mark MacPherson: I have nothing to add.

The Convener: Next, I will bring in Ross Greer, who is going to take us back a wee bit.

Ross Greer (West Scotland) (Green): If it is okay, I would like to briefly follow up on what David Belsey said about the courses that colleges provide. Is it realistic to expect every college to be able to offer every course?

David Belsey: Yes.

Ross Greer: You said that it would not be advisable for us to move to a model of having a single college for Glasgow. At the moment, there are multiple colleges in Glasgow. Should all three colleges in Glasgow provide every course, or should we not recognise that, in an area where there are multiple colleges that a young person or student could realistically commute to, it would be more effective to have centres of specialism, whereby some colleges could develop a depth of expertise in certain areas?

David Belsey: The problem with having areas and centres of excellence is that many students will find it difficult to travel to them. When there were three colleges in Edinburgh, some courses were delivered in three separate locations. Now that there is one college, some courses are delivered only in one location. Some people will find it very difficult to travel to that one location, even from within the same city. For example, for a part-time person with caring responsibilities, travelling from the east of Edinburgh to the west of Edinburgh on public transport could be a significant problem.

Colleges are not like universities. Obviously, there are exceptions, but, in general, colleges serve their local communities. If we want to have a universal type of college provision, each of the colleges needs to be able to provide a universal service. Let us look at Glasgow. Glasgow is a big city. In some parts of Glasgow, if you are on the right transit line, you can get to another part of the

city very quickly, but there are other parts where that is not possible.

City of Glasgow College has a specialism in nautical affairs. Clearly, not every college will have that, but I think that we want to keep the general principle that all colleges should provide a broad base of course provision in order to allow the maximum number of people to attend them. I do not want us to make a special case for Glasgow that we then apply to the rest of the country.

Ross Greer: Thank you. I would love to go into that in more depth, but there is another area that I am supposed to ask about, which is fair work. This goes back to what Mark MacPherson said a moment ago about what the Scottish Government expects of colleges. One thing that the Scottish Government expects of colleges is a commitment to fair work principles. My understanding is that colleges include some reference to that in their outcome agreements with the SFC, but it is totally unclear whether there is any real enforcement of that. Is either of you aware of how colleges are evaluated by the SFC in relation to their commitment to fair work? Is action ever taken against a college for failing to meet that commitment?

David Belsey: In the past few days, I have written to the Funding Council to ask that. It is my understanding that no college is considered a fair work employer by the staff who work in the colleges. Although there are on-going discussions at the National Joint Negotiating Committee about fair work status and so on, the reality is that the staff who work in colleges do not believe that they are being treated fairly or that the colleges are fair work employers.

Mark MacPherson: It has been several years since I looked at outcome agreements, but I know that, when the SFC considers that a college has not met the requirements of the outcome agreement, it has the opportunity to take action, which usually takes the form of withholding or recovering funding. I am not sure how far that works on individual aspects of the outcome agreement. As I said, it has been some years since I looked at that.

The Convener: We come to questions from Ruth Maguire.

Ruth Maguire (Cunninghame South) (SNP): Good morning to our witnesses, and thank you for your answers so far. The committee has been interested in financial flexibilities for colleges. We acknowledge that we are all operating in challenging times, but we want colleges to be as free as possible to manage their resources in a way that works for them. Does either of you have opinions on what further flexibilities the Scottish

Government and the SFC could explore with the college sector?

Mark MacPherson: I do not have any opinions on that at the moment. We will probably pick up on that as part of the forthcoming work that we are talking about publishing in September. Obviously, the Scottish Funding Council has looked at a range of actions in relation to the funding model. There are mixed opinions in the sector about the extent to which those flexibilities will address some of the underlying challenges. Nonetheless, it is an indication that there is an intent and a desire to introduce a degree of flexibility for colleges, which may help at least some of them to deal with in-year challenges. As I said, whether some of those changes are enough to address the financial sustainability question is another matter.

Ruth Maguire: David, do you have a view on that?

David Belsey: We support greater financial flexibilities for colleges, which would help in long-term planning. The obvious one is the ability to carry over reserves from one year to another, and I think that the Scottish Funding Council is looking at that. The only caveat on that provision, which we would in principle welcome, is that colleges are currently finding it difficult to balance the books, and it is only in a time of plenty that they can make savings to pass on to the next year. Therefore, I do not think that that is a short-term solution.

Ruth Maguire: Obviously, the Office for National Statistics classification is limiting in some ways. Do you have any views on measures that could be explored to enable colleges to raise revenue, for example?

David Belsey: We do not have a specific policy on that, but we have no problems with colleges having multiple revenue streams.

Mark MacPherson: The challenge for colleges is that, in the difficult economic climate, it is difficult to exploit such funding streams. We are still in the process of pandemic recovery, which has a longer-term impact, too. Maybe, in the fullness of time, there will be greater opportunities but, at the moment, that is very difficult.

The Convener: That brings our first evidence session this morning to a close. I thank our witnesses for their time.

10:08

Meeting suspended.

10:30

On resuming—

The Convener: We will now hear evidence from our second panel, which is on university funding. I welcome Dr Gavan Conlon, a partner with London Economics; Ellie Gomersall, president of the National Union of Students Scotland; and Mary Senior, Scotland official from the University and College Union Scotland. Good morning, everyone, and thank you for your written submissions. We will move straight to members' questions. For this panel, we will kick off with questions from Ross Greer.

Ross Greer: Good morning, everybody. A range of reports over recent years have recommended that the Government set out a clear vision for the university sector. Last year, we saw the publication of the vision for the tertiary sector overall. Has the Scottish Government now made clear what its vision for the sector is and provided the strategic direction that many universities have been asking for?

Mary Senior (University and College Union Scotland): A lot of time was spent on "Purpose and Principles for Post-School Education, Research and Skills". The UCU and some of our members were consulted and involved in that process, and it certainly reflects some of the issues that we raised, particularly on workload and the importance of education for personal development. Education is clearly an important economic driver, but it does so much more, and the document certainly sets that out.

There is a concern that the funding does not really match what we want to deliver, and that is why we are here today. The UCU has concerns about the year-on-year real-terms cuts, particularly to teaching education and funding for the teaching that happens in universities. That is getting to an unsustainable position and has been brought into sharp focus this year. Because the model in Scotland depends so much on cross-subsidy from the fees that international students pay, the fact that we now have some challenges in attracting international students to universities in the UK, including in Scotland, is incredibly challenging. We are seeing job cuts and voluntary severance schemes. We believe that that is putting in jeopardy all the excellent stuff that universities do on research, widening access and knowledge exchange.

That is quite a long answer to your question. The purpose and principles exercise was important but, if the money does not match what we need to deliver, there is a real problem, and there is a real problem right now.

Ross Greer: I am keen to follow that up, but others might want to come in on the initial question first.

Ellie Gomersall (National Union of Students Scotland): I can only echo what Mary Senior has said. 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.

When we talk about the sustainability of the funding, I deliberately do not use the term “funding model”, because there are lots of questions around the funding model that I am sure we will come on to later in the session. However, fundamentally, when we look at the amount of money to fund each student under the free tuition scheme, we find that, when that scheme first started, the money covered the cost of teaching each student. For the first few years, that remained the case, but since then it has gone down. We now have the situation in which fee-paying students are having to significantly cross-subsidise the cost of education. If the current funding situation continues, and in particular the uncertainty right now around international students, we will have a very tricky time on our hands.

Ross Greer: Dr Conlon, would you like to add anything at this point?

Dr Conlon: I will be brief. The document sets out a political vision, so I do not have anything to say about that. I will say that, in general, visions are optimistic or positive, and serious concern and attention needs to be given to the negatives. For example, what would the Scottish Government's response be if a university were to shut down? I think that there is a very significant risk of that happening.

Ross Greer: On that point, to pick up on what you have all said about fiscal sustainability, and on Mary Senior's point that we have seen real-terms cuts year on year, how would you suggest that the tension there is resolved?

The Scottish Government's overall budget has not gone up in real terms—that is outwith the Scottish Government's control. Both the UCU and the NUS have urged the Government to make better use of devolved taxation powers. That is a legitimate position—and one with which my party would agree—but even by doing that, the Government would not have been able to keep up with inflation in recent years. What does sustainable funding for the sector look like in a situation where the current devolution settlement means that matching inflation—given that inflation is obviously outwith the Scottish Government's

control—is not realistic for the overall Scottish Government budget?

Are you saying that, within the budget overall, a higher proportion should be allocated to higher education? If so, where would you suggest that that comes from? Alternatively, is there something else that you mean when you talk about sustainability, such as a more fundamental reform of the funding model?

Dr Conlon: When we model the fees and funding system in Scotland in comparison with the other countries in the UK, we see that there is a very high level of public investment in Scotland—it is five times higher than in England per capita—and most of that goes on teaching grant and tuition fee support. However, universities are relatively underfunded in Scotland in comparison with England and Wales and Northern Ireland; they are the least well funded in the UK.

At present, despite the Scottish Government putting in five times the amount in England per head of population, universities in Scotland are the least well funded. That means, essentially, that Scotland-domiciled students and graduates have the best outcomes. In England, an England-domiciled student—I am not saying that this is the correct approach—contributes about 16 per cent of the cost of higher education, and the Exchequer contributes 84 per cent.

In Scotland, students are essentially paid to go to university. 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.

To be honest, if you want to fund institutions better so that they can punch their weight—they already punch their weight, but if you want to have them comparable to England—there has to be some form of additional cost passed on to graduates. They do not pay enough in comparison with those elsewhere in the UK. That might be through the introduction of real interest rates or reducing the repayment threshold, or it might be through introducing fees in some way, shape or form, or a graduate endowment—whatever you want to call it.

That would certainly save a huge amount of resource in comparison with the current state of play. 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.

Ross Greer: I am sure that both unions have strong positions on the issues that have just been raised.

Ellie Gomersall: Unsurprisingly, the NUS is very strongly opposed to any form of tuition fee, no matter what we call it—whether it is a graduate endowment or whatever. Research by the UCU—I am sorry to steal Mary Senior’s thunder—back in 2020 found that two thirds of university applicants would potentially be put off going to university if fees were introduced.

To come back to the question of what sustainability looks like, the first thing that we have to do is look at where we are right now and what we are not doing. For example, we need to consider things such as progressive taxation and the wealth that exists in universities. Again, I am not suggesting that, if we fixed the fact that principals are on a salary that is several times that of the First Minister, we would fix all universities’ problems; of course we would not, but when you have such injustices, and when huge amounts of money are being spent by universities on new buildings—some of which are important facilities and infrastructure for students to learn in but others of which are more vanity projects—that becomes a challenge.

I echo what was said in the previous evidence session about colleges. We talked a bit about reserves and such things. It is important for universities to have reserves, but we have just two universities in Scotland that have billions of pounds in reserves—more money than the Scottish Government is allowed to hold in reserves. A conversation needs to be had about where the wealth in the education system is going, and it needs to be broader than just the universities. Witnesses in the previous evidence session talked about colleges, and it is important to say that the NUS represents both college and university students, so some of our answers here might touch on colleges as well.

The college system is different from the university system, and rightly so, but there is a lot of pressure on many students to go to university when that is not always necessarily the right path for them. Colleges, apprenticeships and other forms of learning are perhaps the correct path for some, which has financial implications. Those are just some of my thoughts on the issue.

Mary Senior: This is about political choices. The University and College Union absolutely continues to support the decision that I think all political parties around this table have signed up to, which is that higher education should be free to people who are able to participate in it. My

understanding is that all political parties believe that and had that commitment in their 2021 election manifestos. The UCU agrees with you and welcomes the fact that there is consensus among political parties on that point.

The difference is that we believe that the commitment that you have all made—that political choice—needs to be properly funded through the public purse. We are here today because that is becoming more challenging. I am not going to sit here and play one public sector worker or one public service off against another. Our submission made reference to the good work that the Scottish Trades Union Congress has done on progressive taxation and how the Scottish Parliament and the Scottish Government could still use more of their tax-raising and revenue-raising powers.

Last month, the UCU did a UK-wide report that offered other solutions in terms of employer national insurance contributions and increases in corporation tax. I agree with Gavan Conlon that the outputs from universities are widely shared. There is clearly an individual advantage from going to university, but our public services, economy and businesses all benefit tremendously from the skilled graduates who come out with a range of different skills to use in society. Graduates are healthier and participate in democracy and society in greater numbers. It is a matter of wellbeing for all of us.

The UCU feels that employers could contribute more. That is the route we would want to go down. However, as I said at the start of my contribution, there is political consensus. All political parties in Scotland agreed that this is a priority, so it is vital that we put that funding in place to support universities to continue to be excellent institutions that support people, to be anchor institutions in their communities and so forth.

10:45

Dr Conlon: This is a technical point. Businesses should contribute to the costs of higher education because they receive one third of the benefits. That is pretty obvious. Even after the higher salaries that they pay, businesses should contribute more. The point about university wealth is really quite misleading. More than half of the higher education institutions in Scotland are in deficit, whichever way you look at it. You can use different measures of deficit but, in essence, they are seriously running on their overdrafts. About half of those institutions probably do not have any reserves whatsoever to cover their overdraft.

Therefore, with regard to financial sustainability, when people talk about wealth and reserves, it is very tricky. You have to look at what those reserves actually are. A lot of them are restricted.

Somebody might have donated £X million that is restricted for a specific purpose, such as funding a chair in philosophy. That money cannot be used for any other purpose. With regard to capital expenditure, building new buildings and so on, a lot of that is done through borrowing. Most institutions do not have £100 million in the bank just to build a multiplex, a science lab or whatever it might be—that is done through borrowing. On the costs of borrowing, the 10-year UK gilt is trading at 4.2 per cent, so borrowing is not cheap any more.

Therefore, institutions, generally, are not sitting on a pile of cash. The other point is that their assets are not necessarily current assets, and the current asset is the key measure. You might have an old building or you might have a science lab, but you cannot just turn that into cash within the next 12 months. Either it is unsellable for whatever reason or it cannot be repurposed. Therefore, institutions are generally not sitting on bundles of cash.

The other thing that I would say is that FE colleges do an awful lot of heavy lifting in the Scottish education sector and are desperately underfunded. Universities are incredibly well off compared with FE colleges, and there is a lot of throughput from FE colleges, so I think that bailing them out is something that legitimately must be considered.

Ross Greer: I would love to get into the details of the disparity in reserves, but I believe that colleagues will deal with some of that.

The Convener: If there is time at the end, we can pick that up again.

Bill Kidd: You have covered a great deal with regard to the difficulties of where finance is coming from for universities and further education colleges. With regard to increasing private sector involvement in the university sector, given where we stand just now with the finances, what should the key considerations be for the Scottish Government, the SFC and the institutions if they were looking to source more money from the private sector?

Ellie Gomersall: When it comes to private sector involvement—the word “involvement” is somewhat the key here—we have no issue with the idea that, as has been mentioned, big businesses might be one of the biggest beneficiaries of higher education and universities, aside from the students and graduates themselves, and that they absolutely should be contributing financially to that. “Involvement” goes beyond that, and it is important that our education systems remain independent with regard to the education itself and free from influence over what courses are offered—not with regard to more

courses being offered but if courses are potentially being cut. That goes back to the same conversations that were had in the previous evidence session about colleges, and I echo David Belsey’s comments about the issues that can arise from private sector involvement in course provision and so on.

We have to recognise that education is a net good to society in and of itself, and that can absolutely continue when businesses financially contribute to the cost of education, but you do not want to get into the situation where only the courses that are being funded by private businesses and private investment are sustainable and able to continue. That would be very worrying.

Universities across Scotland are discussing this. I believe that one is having its senate meeting today, which will include a discussion about cutting all courses that are being studied by 15 or fewer students. That is worrying because even a course with a very small number of students can be really important—really critical—for those students. We are starting to see more and more of those decisions being made based on where the money can come in from. At the moment, we see that that is being based on international student income in particular, so courses that are really popular—particularly, for example, community education, which goes across colleges and universities and can be hugely important for home students but does not bring in the big bucks from fee-paying students—are consistently being cut because they are not financially viable; I would argue that “profitable” is the more appropriate word there. Therefore, when we talk about private sector investment, those same considerations need to come into the discussion.

The Convener: The students who are doing those community engagement courses are getting only £1,800 from the Scottish Government versus the fees that universities would get if the students were travelling from elsewhere.

Ellie Gomersall: That is exactly the point. It is not the student who receives the funding—it is about the amount that the institution receives for a home student, which is significantly less than what—

The Convener: So perhaps you are arguing for reform of fees and how universities are funded. I come to Mary Senior now.

Mary Senior: The question of the relationship with business is an interesting one; indeed, Ellie Gomersall has touched on it already. Businesses usually do their business in order to make profit, and, in that respect, there might be a tension with what we are looking to deliver in an education system.

I would also flag up concerns about academic freedom. It is important that universities, academics and students have the freedom to pursue a range of disciplines, research projects and so forth without external interference. The question, therefore, is how that would work. There are lots of examples of charities and businesses working successfully with universities, but the issue of academic freedom is key.

Where we have seen the private sector in universities, it has mainly been in contracting—cleaning and catering, for example—and, again, trade unions have a concern about a two-tier workforce. If the canteens and cafes are outsourced, are the people delivering those services on the living wage, and do they have decent terms and conditions? That is a really important issue to consider.

The committee could look at the UCU report, if what you are talking about is greater business involvement in higher education. That is why we have been talking about imposing a levy on employers; the Funding Council or another arm's-length body will have oversight of how that money is spent and whether it is spent in the best interests of higher education in Scotland and not on the whim of a businessperson.

Dr Conlon: In essence, the nature of your question was about alternative streams of funding, was it not?

Bill Kidd: It was around about that, yes.

Dr Conlon: If we assume for a second that a teaching grant is fixed, research funding is centrally determined and the number of international students is—let us assume, or pray—fixed or stable, the only other funding source is business. That can be either indirect—say, through some sort of contribution, such as an employer levy of some nature—or direct to institutions. That moves us on to things such as commercialisation activities.

There is a lack of opportunities elsewhere—institutions attracting international students has sort of been done; indeed, there is not much left to do there—but there are still commercialisation activities. There is information on that, and I know of lots of institutions that have leased out or provided for hire certain facilities—computing power, laboratories and so on. However, although such activity is extremely useful and generates some income, institutions are certainly not maximising it. University estates are very big and high tech, and they probably do not exploit that to the extent that they could. Small businesses would be happy to pay for the use of laboratory space, for instance, because it is beneficial to them if they do not have to incur any fixed costs. However, that

comes from the businesses themselves trying to acquire services from universities.

Moreover, universities undertake an awful lot of spin-out and start-up activities with students and staff, and that sort of thing needs to be strongly encouraged. Whatever can be put in place to make it easier for university research to no longer just be university research that remains in academic journals, but something that gets out into businesses, will be beneficial for institutions. Whether it be some form of funding, loans for business development or research and development or whatever it might be, anything that can be given to universities to help them promote the commercialisation activities that they undertake in partnership with businesses will reduce the burden on the public sector.

Bill Kidd: Would universities themselves become part of the private sector by doing that—if you know what I mean?

Dr Conlon: No. The way that commercialisation activities normally work is that there is some spin-out based on some university research—cancer research or whatever it might be—and a new company is set up where the intellectual property is that research, with the university owning a share of it alongside some commercial partners. The university would own, say, 20 or 30 per cent, and if that company were ever floated or ever went public on a stock exchange, it would reap the benefits of that 20 or 30 per cent equity share.

That is significant. The universities that are the best at this, such as the University of Edinburgh, the University of Cambridge, the University of Oxford and Imperial College London, have very strong research that is then commercialised, which certainly bolsters their financial position.

Bill Kidd: I have another question on the back of that. Ellie Gomersall and Mary Senior might also have something to say about this, too.

How does that sort of activity affect the student experience? I presume that the research facilities and so on were initially set up to provide learning for the people who attend the university as students. Would they still benefit if that activity were to be developed in a greater way?

Ellie Gomersall: I do not have an awful lot of sight of that particular topic, to be perfectly honest, although I am aware that a number of postgraduate and PhD students, in particular, are at the heart of a lot of those spin-out organisations. As I say, I do not have an awful lot of sight of it, but I am aware that students are often heavily involved, even in spin-out companies.

Mary Senior: I am a bit concerned by the suggestion that spin-offs or any expansion of that

sort of activity—which is legitimate and important; indeed, Gavan Conlon talked about the University of Edinburgh, which does well in that area—should subsidise the core of what universities do. That is problematic. We need resource to be put into the teaching budget in universities. We have, to a large extent, been using the fees of international students to cross-subsidise that, because the teaching grant provided by the Scottish Government through the Scottish Funding Council has been diminishing. I am really not sure that that is the answer, as resources will be diverted there, instead of doing what is really important, which is delivering teaching, supported by research.

11:00

Dr Conlon: I certainly agree. Anything to do with commercialisation should be extra, not something that happens instead of something else, and it should not be used as a sticking plaster to address other issues.

The leasing of laboratory or computer processing time should never displace core activity. It should be complementary and take place at times when students do not require the laboratory or whatever it might be. It should be complementary, rather than a substitute.

Bill Kidd: That was really helpful. Thank you.

The Convener: I will bring in Ruth Maguire at this point.

Ruth Maguire: In some ways, Dr Conlon's responses have drawn out what I was going to ask about with regard to opportunities and positive things that can come from that sort of involvement. I appreciate the caution or worry that has been expressed, but there are opportunities for students and for our country in the entrepreneurial work that is going on.

Pam Duncan-Glancy: Good morning to the witnesses, and thank you for your submissions and for answering our questions so far.

My questions will take us in a bit of a different direction. It is difficult to extrapolate this from the funding model, but I want to get an understanding of the impact of the current model and budget on institutions, students and staff. Anyone can start on that.

Mary Senior: I thank Pam Duncan-Glancy for that question. The impact on staff is incredibly challenging. In our submission, we outline the fact that there have been voluntary severance schemes and threatened redundancies at a good number of universities, and redundancies are happening right now.

Universities are struggling. They are looking to reduce staff, and that will have a detrimental

impact on the student experience. It will also mean that workloads for academics and professional support staff, which were already incredibly high, will be even higher and, indeed, will become unsafe.

Another thing that we have seen in the sector over the past decade or so is a proliferation of job insecurity, with high numbers of fixed-term, hourly paid, casual employment contracts, which make it really difficult for people to make ends meet, pay their rent or get accommodation. That job insecurity, on top of the voluntary severance schemes, has been really acute in universities. For example, Robert Gordon University is facing really severe cuts right now. Hundreds of staff will potentially be leaving that university, and that is really awful. The same thing is affecting other institutions, too. A voluntary scheme has been running at the University of Aberdeen, and there have been real pressures there. It has been really awful across the sector.

As for staff pay levels, pay has lost value. When I was sat here in, I think, 2021, I said that pay had lost value by 20 per cent at that point. The loss in value is even more stark now, and pay has not kept pace with inflation or with pay in other sectors. We want to encourage people to come into universities, because what they do is so important.

I also want to discuss pensions. One of our concerns relates to the Scottish teachers pension scheme, which operates in the newer, post-1992 universities, such as Robert Gordon, Glasgow Caledonian, Abertay and Napier. Lecturing staff in those universities have to be in the scheme by law, so they cannot opt out or do anything different. Because it is a public scheme, the Treasury is its ultimate arbiter; in the most recent valuation, which took effect from 1 April, the employer contributions to the scheme increased by 3 per cent, which means that the post-1992 universities are having to find an additional 3 per cent in staffing costs. It is complicated.

The same is true for colleges and schools, and it is true, too, for the teachers pension scheme, which is the equivalent scheme in England. That increase happened because of Treasury rules. It could have done something different, but that is what happened. That additional 3 per cent that universities, colleges and schools in Scotland will be paying will go to the Treasury.

In England, the UK Government has committed to funding—and, indeed, is funding—the additional contributions for schools and colleges, so there are Barnett consequentials for the Scottish Government for schools and colleges. When the same thing happened in 2019, we and Universities Scotland asked the Scottish Government whether it could fund that increase in costs, and it did so,

which was great. Last October, we asked whether it could do the same thing this year, and we did not get a response. We kept asking and kept seeing what was happening, but when the budget allocations from the Scottish Funding Council came out, we found that it had not funded the cost increase. In fact, the SFC has taken away the additional funding that it gave to the post-1992 universities in 2019, which helps explain why they are in such a challenging situation right now.

There is an added complication, because the increase in funding for contributions to the teachers pension scheme in England was 5 per cent. Therefore, I asked the Scottish Government, "If the increase in funding for contributions is 3 per cent in Scotland and 5 per cent in England and you're getting the Barnett consequential for schools and colleges, aren't you getting a bit more, which you could use to support the post-1992 universities?" I have never had an answer to that question.

Part of the reason for me putting the issue on the table today is that I really want to know what happened there. My understanding of the way in which the funding process between Westminster and the Scottish Parliament works is that, if schools and colleges in England get 5 per cent more for their contributions, the same should happen here. Given that the uplift in contributions here was only 3 per cent, there would have been a surplus. It is an important point, because the situation has put so much pressure on the post-1992 institutions and staff.

I am sorry. That was a long answer.

Pam Duncan-Glancy: No—it was very helpful. We could find out more about the issue that you have just highlighted from the Government.

The post-1992 universities are particularly well known for their work on widening access. In your submission, however, you say that the budget concerns could put that at risk. The Government has said that that will not happen, but its own equality impact assessment says that it could, so there is quite a bit of confusion in that respect. What is your position on the issue?

Mary Senior: We are deeply concerned, because those are the institutions where voluntary severance schemes are running and where staff head count is reducing.

We also know that what makes a difference to a student from a widening access background getting into university in the first place, staying there, progressing and getting out at the other end is one-to-one contact. That means having extra time with their tutor and putting questions to individuals. They need that additional student support to be able to stay there, to progress and to succeed.

It is a real worry that headcount is reducing and staff are going, as that will have an impact on the student experience. Higher student-to-staff ratios will not only increase the already unsafe workloads on staff but will mean that students will have less one-to-one contact with staff and other professionals in the university.

The Convener: Ellie, there was a lot in that answer, so rather than repeating points, it would be helpful if you could focus on some other issues.

Ellie Gomersall: Sure. I would echo everything that Mary Senior said, particularly some of the points about staff.

It is important to remember, when we talk about staff working conditions diminishing, that that involves diminishment of student learning conditions. In the context of widening access, we sometimes get into a bit of a trap of talking only about widening access rather than about retention and how we can keep people in university once we have got them there.

I want to address a couple of aspects, in answering the question. First, in terms of the impact on students, Mary Senior has touched on a lot of the important points, including the issue of one-to-one contact. I would like to raise the issue of student mental health support. Over the past five years, the Scottish Government has directly funded provision of student mental health counsellors in every university and college in Scotland. That funding ended at the end of the most recent academic year. As part of its student mental health action plan, the Scottish Government put in place a £3.21 million fund to help universities and colleges to transition from that funding for counsellors to the action plan, but it announced that transition fund almost a year before revealing what the action plan was, which meant that we had a transition fund but did not know what we were transitioning to within the universities. That might mean that counsellors will disappear from campuses, although they provide vital support that students need.

I encourage everyone to have a look at the "Thriving Learners" report that was done by Universities Scotland and the Mental Health Foundation. It includes some horrifying statistics around students' mental health. I am pointing out the particular issue of students' mental health because it is a good example of an area in which we have seen cut after cut and the real impact of that on students.

The next thing that I want to look at is the funding model and the money that the institutions get for funding home students, which has been cut year after year. The current funding model is potentially sustainable, if the Scottish Government funds it properly. The model is not the issue; the

issue is the fact that, initially, the Government was providing the full amount of funding that was required, but that has been cut gradually year after year. According to Universities Scotland, since the 2014-15 academic year, the funding per student has fallen by 39 per cent, which is a significant drop. That means that decisions that are being made about which courses to cut—earlier, I mentioned community education; modern languages is another area that is under threat—are being made based on which courses are taken by fee-paying students rather than on what is actually needed by students across the piece. That is not to say that courses that are important for fee-paying students are not otherwise important. They are very important; international students are a hugely important part of our student community, so decisions should bear in mind their needs.

However, when courses are being cut because they are not financially viable—which actually means that they are not attracting fee-paying students—it is right that some courses cross-subsidise others. Of course, I am talking about the current model that we have. Ideally, I would like a system in which no student, international or not, pays tuition fees. However, in the current model, it is okay for courses that receive more funding than others to cross-subsidise courses including modern languages and community education.

There was quite a lot in there, so I will leave it at that for now, as I am sure that some of the points will come up later.

The Convener: Ben Macpherson has a supplementary question on this theme. Make it a brief one, please, Ben.

11:15

Ben Macpherson: This is a question that I have also asked the Government. Do we need to think about having more joint courses? One part of the course could be a subject that is demanded by the market and might have more employability application, while the other part could be from the arts, community education or another area that is also really important in order to preserve knowledge and to ensure that there is a wide array of subjects that people can engage with. Do we need to think more about bringing different areas together in joint honours? I know there are lots of joint honours courses already, but do we need to consider that? I am sorry if that question is too broad. You can write to us if it is too much to answer now.

The Convener: I ask Mary Senior to respond briefly. I might also bring in Dr Conlon.

Mary Senior: It is for institutions to determine their offer. We do not want excessive political

interference in universities. Your first question was about purpose and principles, which can be helpful in finding a strategic direction, but there is a danger in dictating to students and universities what universities should deliver.

Ben Macpherson: That is not what I was saying. I say this as a philosophy graduate. People ask, “What are you going to do with a philosophy degree?” but it teaches a person to think. That knowledge has been amassed over hundreds of years: we do not want to lose the ability to learn those subjects, but we should do so in a practical and more competitive environment. That is why I am considering whether we need more collaboration between subjects.

Ellie Gomersall: You have just highlighted the value of single honours degrees, such as a philosophy degree.

Ben Macpherson: I did a joint honours degree, actually.

Ellie Gomersall: I did my A levels down south and I speak as someone who did physics and theatre studies as two of them. It is important that there is flexibility. One benefit of the Scottish higher education system is that there is more flexibility here than there is down south for students to dip their toes in a few different subjects.

Choice is the key. Subjects such as community education, the arts and languages are very valuable in their own right. Students might want to study just that subject, in a single honours degree. They should be able to do so without being forced into a box that we say will make them more employable. Those degrees are really important in their own right across a broad range of sectors, so I would push back against that a little.

The Convener: Dr Conlon, do you want to contribute?

Dr Conlon: The current funding system has implications. There is very high public investment per capita here in Scotland. It is 50 per cent higher than the level in Northern Ireland, 250 per cent higher than the level in Wales and 500 per cent higher than the level in England.

Maintenance for full-time students has moved from being moderate to good, but part-time maintenance is poor: there is, essentially, no part-time maintenance. That is an anomaly and there is something wrong with the system if there is no part-time maintenance.

Further education colleges are underfunded, full stop. Higher education institutions here are underfunded: they have 27 per cent less funding than institutions in England, for example, and are also less well funded per capita than those in Wales and Northern Ireland.

You can take a view on any of that, but the real problems are that Scotland has implicit controls on student numbers and explicit controls on domestic students, which limits opportunity, and that the student loan repayment system is extremely regressive. Graduates in public sector professions pay more in net present value terms than do lawyers and bankers. Graduates who earn less over their lifetime pay more than graduates who earn a lot more money, so there is something very wrong there.

There is also a massive dead-weight loss in the system. There is a free-fee system in operation, although many of the individuals who are in receipt of free fees—people from middle-class and wealthier households—would have gone to university anyway.

There is a really poor targeting of resources. 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.

With some restructuring of the system, there is an opportunity to put a whole lot more resource into student support, in terms of maintenance and loans, and to extend eligibility for part-time maintenance support. There is resource, but poor targeting in the funding system is the most detrimental implication, and that all arises from the free-fee system.

The Convener: My next question is about the current funding model, so I will probably start with you, Dr Conlon. How sustainable is our current funding model? We have heard from other members about restricted resources.

Dr Conlon: It is a political issue. The model is as sustainable as you want it to be in the sense that, if you are happy with the status quo and you think that the huge level of existing public investment is adequate to meet the vision of the country, that is fine. However, there are unintended consequences in terms of distributional effects and who repays their student loans. There are very significant effects for higher education institutions, both directly and with many institutions now having to make redundancies. We see that in Scotland, and we see it in the 50 institutions in England that have what are essentially redundancy programmes in operation. We also see it in the nature of the experience that students can expect. As universities are experiencing a real and very significant cut in their income, they are forced to reduce the level, volume and quality of the services that they provide.

Yes—the situation is sustainable, technically, but there will come another point. At the moment there is salami slicing—all the services and

everything that is being provided are being cut. We will move to the stage at which departments of philosophy and modern foreign languages are cut, and that will keep happening. Ultimately, an institution is going to fall over. It is not for me to say whether that is sustainable. If you are happy to let an institution collapse, then it is sustainable, but it might not be ideal.

Mary Senior: The decline in funding is the problem; it is not the funding model. 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. The fact that our model has been relying on international tuition fees is problematic. As we have seen, the UK Government has changed visa requirements.

We have done well in Scotland. Generally, we welcome migrants and international workers here to live, work, contribute and study in Scotland, but it has been increasingly difficult to continue to do that with the hostile environment and that narrative. It is more challenging for international students to bring dependants, which has really impacted on Scottish universities. The fact that we have come to rely on that element has been incredibly problematic.

I note, however, that there has generally been a consensus in Scotland that we want to welcome international students and staff to live, work and study here. At times, however, it has been hard for that message to be heard when we have a UK Government that is putting out a totally different message.

Liam Kerr: On that point, the helpful submission that Mary Senior sent in states that the Scottish Government

“provides over £1billion ... to higher education annually”,

but

“a decade ago they were citing”

exactly

“the same ... figure”.

In your submission, you also suggest that the policy of free tuition

“needs to be properly funded”.

The committee is looking at the budget process. Are you able to guide us on what “properly funded” looks like, in terms of an indicative sum?

Mary Senior: I am sorry—I do not think that I can give you a sum. I am saying that, when we look at inflation and the cost of living, the amounts that are being provided by the Scottish Funding

Council have not kept pace. Clearly, that is really challenging. I know that other submissions indicate that the unit of resource has decreased by a substantial amount. That is the difficulty—we need the unit of resource to keep pace with inflation in order to ensure that the cost of teaching is fully funded.

Liam Kerr: I will reflect on that further, because I want to be clear. I appreciate what you said, and I will not press you for a figure. However, if the figure was £1 billion a decade ago, as per your submission, it might meaningfully be adjusted for inflation, at the very least, which might help the committee to arrive at an indicative figure from the Government.

Mary Senior: Yes, absolutely.

Ellie Gomersall: It is important to say that when the funding model was first implemented it was sustainable. It is the fact that there has been cut after cut after cut that means that we are now seeing challenges, and seeing overreliance on, for example, cross-subsidising from international students. That is a relatively recent thing—when we first had the policy of free tuition, there was not so much of that reliance because funding kept pace. I agree with Mary Senior on what the situation would be if we had not had those cuts.

A political choice was made about 10 years ago not to continue funding universities for the teaching grant to the degree that they actually require it. The decline since then is resulting in a lot of challenges now.

The Convener: I will keep going on the funding model theme. What sort of funding models could be considered for university education in Scotland in the years ahead? I do not know who wants to come in on that—I will bring in Dr Conlon last, if that is okay, and see what the other panel members might want to contribute first.

Ellie Gomersall: In some ways, what I just said almost answers that question. We could consider the current funding model if the sector was actually funded properly. I appreciate that the money has to come from somewhere but, as I said, 10 years ago the model was working and it was sustainable. I am not saying that there were no challenges, but it was sufficient. I acknowledge again the broader challenge to the finances of the country and of the Government as a whole, but this is why we need to make full use of all our revenue-raising powers: we had a sustainable funding model 10 years ago, but it has diminished since then.

The Convener: There has been a lot of talk about international students. We will come to that stuff later—I just want to make the witnesses consider that when they are responding.

Mary Senior: Again, I am not sure what I can add to what we have said already, including in our submission. With regard to pre-budget scrutiny, we came here to critique the most recent Scottish budget in the hope that we can learn from that, and to outline the challenges and the damage that has been done by continual cutting of the budget. I do not think that I can say any more than that.

We mention in our submission that the University and College Union at UK level has been thinking about funding for institutions. We do not agree with the system in England either, so we are looking at alternatives to that. You can see the research and the work that we have done in that regard, which looks at an employer levy. I point the committee to that work.

Dr Conlon: As an economist, I point first to the level of shortfall from what needs to go into the system. Per capita funding in England and Wales is about £9,600 per head. However, higher education institutions in Scotland receive £7,900 per head, which means that there is a shortfall of more than £1,500 per head.

11:30

Let us suppose that we had a system whereby additional resources would go to higher education institutions. Those could come through a teaching grant that represents a 100 per cent subsidy from the public purse. Therefore people who go to university and who later pay taxes, and people who do not go to university, would pay that subsidy; the general taxpayer would pay it.

Alternatively, there could be some form of deferred fee. The proportion of loans being written off in Scotland is about 20 per cent. We could say that we would introduce a fee, a graduate endowment or a long-term repayment system whereby the public purse would pick up 20 per cent of the cost and graduates 80 per cent. Is that unreasonable? Given that there is a balance between the benefits to the Exchequer and benefits to the individual, it seems to me to be reasonable that there should be a balance in their contributions. That would be similar to the system that exists in Ireland, for instance, where there is a student contribution and a free-fee initiative: the two work in parallel. The student contribution is means tested, so the wealthiest students basically pay a bigger proportion of the student contribution.

I would definitely introduce real interest rates to any repayment system. Such rates are a good progressive measure. They hold the highest-earning graduates—who are predominantly male—in the repayment phase for a little longer by making them contribute a little bit more. Instead of repaying in 15 years, for example, the period would be 16 or 17 years. We would not have to

have crazy real interest rates: 1 per cent or 2 per cent would be perfectly reasonable. Given the cost of borrowing, that would be a reasonable thing to do. It would be the most progressive part of the system. It would also prevent the current situation in which graduates who are working in public sector professions pay more than economists, bankers and lawyers. There is something quite fundamentally wrong about that.

Thirdly, we could think of the benefits of higher education as a cake that is split into three parts. The public gets about a third of the cake, graduates receive about a third of the benefit and employers receive a third of the benefit, even after they pay higher graduate wages. Employers therefore do not contribute in proportion to what they receive from Scotland's very good higher education system.

We have done modelling work for UCU on what an employer contribution system would cost. In Scotland, there is a low level of contribution because there is a free-fee system. However, a typical level of contribution elsewhere is 1 per cent. An increase of 1 percentage point on national insurance would eliminate student fees in England. That is quite a moderate level of contribution for employers. We modelled other aspects, too, but we feel that employers should definitely contribute more because they get so much out of the system.

The Convener: Ben Macpherson, do you want to come in here?

Ben Macpherson: Yes—just briefly. Dr Conlon, speaking objectively, in the future do we need to think more about the scenario of graduates with state-funded degrees from Scotland leaving this country and paying their taxes elsewhere? I am an internationalist: I want people to be able to go and work abroad and then come back here. If they leave to work in another state and will form part of that state's workforce in the long term—particularly in the medical profession, for example—do we need to think about that collectively?

Dr Conlon: It is very challenging, indeed, to limit anyone's choice, whether they be students or graduates. We have to let the economy work more generally and allow people to follow their own preferences. I do not think that there is anything that you can do about that.

However, you can amend student loan repayment systems to encourage people who leave the country after graduation to return. There are ways of doing that. For example, New Zealand has a student loan repayment system that means that someone who leaves the country and goes abroad for a couple of years gets hammered with interest rates—properly hammered—but someone who remains in or returns to New Zealand pays

zero interest. There are ways of encouraging people, but it should be done at the margins, and the system should encourage people rather than mandating them.

Ben Macpherson: That is what I meant.

Dr Conlon: It is very difficult. You made a point earlier about joint honours subjects. You must be consistent. If you let students choose what to study, whether for joint or single honours, then you have to let graduates go and get experience, whether or not they might return.

Liam Kerr: I will stay on that theme, Dr Conlon. I wrote down some words that you said at the start. It might not be a precise quote, but I think that you said that there is a significant risk of a Scottish university shutting down. Later, you talked about the potential for an institution to fall over. Please help the committee to understand what leads you to say that. Is there any indication that the Scottish Government recognises that risk and is responding to it?

Dr Conlon: I cannot answer the second part of the question.

Regarding the first part, it is absolutely clear that universities across the entire UK are struggling financially. Publicly available information, for example from the Office for Students, identifies the extent to which institutions are running at a deficit. Many institutions are running deficits that are not in single figures of 2, 3 or 4 per cent; they are running unsustainable deficits of 15 or 17 per cent. There is no reason to believe that institutions in Scotland are any different. If anything, they might be in a worse situation, given that the average level of funding per head is less than that in England.

It is misleading to look at the Scottish average, because institutions that can rely on plentiful numbers of international students are just about doing fine, whereas institutions with an overwhelming majority of domestic students rely extensively on domestic tuition fees—which are essentially grants—and are in trouble. They are precarious.

Liam Kerr: I will follow up with a similar question and you might again be unable to answer the second part, for obvious reasons. In your submission, you set out some data that you have alluded to throughout the meeting. You say that the Scottish system costs the public purse either five times as much or 500 per cent more than it does in England, but that Scottish institutions receive less income than those in England. In your submission, you say that they receive 23 per cent less income; earlier today, you said 27 per cent less income.

If we assume that the Scottish Government is cognisant of those figures, what steps would you expect it to take to address that, and are you seeing any evidence that those steps are being taken?

Dr Conlon: I cannot answer that. I hope that the Scottish Government has seen the analysis, which is consistent, independent and robust. It would be a political decision, but all the information is there.

This is not only about the level of funding; it is about distributional effects. It seems perverse that, in general, graduates in public sector professions pay more than highly paid, predominantly male, graduates in banking, finance and legal services. That seems very odd to me.

Liam Kerr: I find that a very interesting point, which you have made several times.

You say that there is a consistent disparity between public funding and income. For completeness, when you talk about that being consistent, do you mean over a number of years?

Dr Conlon: No, the consistency is there when we do a cross-country analysis and compare the results for England, Wales, Scotland and Northern Ireland. The results are consistent and are presented consistently, and the same metrics are used, so it is possible to do an automatic read-across to understand the relative performance in Scotland versus the other countries of the UK.

Liam Kerr: I understand.

The Convener: We come to questions from Ruth Maguire.

Ruth Maguire: Good morning, panel, and thank you for your contribution so far. I will ask about student numbers, funding places and international students. Mary Senior, I come to you first. What would UCU like the SFC to consider in its review of teaching funding that Scottish ministers have recently announced?

Mary Senior: Thank you for that question, but I feel like I am repeating what I have already said. It is clearly a concern, and it is incredibly difficult for institutions to see the teaching budget diminish in real terms. That is a major concern for us.

Sorry—you asked about international students, too.

Ruth Maguire: I will come on to that. I wanted to know what you would like the SFC to consider in reviewing that funding. You have spoken about the impact and your concerns. Would you like to add anything more specific?

Mary Senior: International students bring a great deal of value culturally and academically. It is a good thing to have international students wanting to come to study in Scotland's

universities. Our domestic and rest-of-UK students really benefit from working together with international students.

However, it is becoming increasingly problematic that there is a sort of imperative on institutions to bring in international students and to try to get as much money out of them as they can. That is a real concern: that they are valued only for their money and the fees that they pay, rather than because it is good to have somebody from overseas in your tutorial, on your course or whatever. That should be the reason that they are here, not because of the fees that they bring.

Ruth Maguire: Apologies—I have misread my notes and I am treading into territory that Michelle Thomson will want to talk to you about. I will ask instead about the impact that the removal of 1,289 full-time-equivalent funded places will have on supply and demand for Scotland-domiciled students.

I saw Ellie Gomersall nodding. Do you wish to come in on that, Ellie?

Ellie Gomersall: I am happy to come in. The reduction in places in the past academic year did not come as a surprise to us. Do not get me wrong—it is disappointing every time that we see a reduction in student numbers. However, it was not surprising, because those student places were created essentially to deal with the backlog of students during the pandemic years. During the pandemic, particularly in the 2020-21 academic year, there were a lot of students who ordinarily would have gone to university but chose not to and who instead chose to defer for a year. That meant that, in the following year—and in the year after that, because there was a bit of a knock-on effect—there was a massive surge in the number of students wanting to attend university, so additional places were created to deal with that backlog. Those additional funded places came to an end in the past academic year, which meant that there was a reduction in the number of places available to Scotland-domiciled students.

As I said, we would never actively welcome that reduction. It is always disappointing if fewer students are able to attend university—

Ruth Maguire: Sorry—just to be clear, that number is the same number by which places were increased to deal with the pandemic backlog.

Ellie Gomersall: That is my understanding. As I said, it is a bad thing that there are fewer places available, but it did not come as a surprise to us.

When we talk about the number of places that are being made available, there are a few different conversations to have. We can acknowledge the fact that it is not ideal or necessarily a good thing that there is a cap on the number of places that

are available to Scottish students, but we can weigh against that the benefits of free tuition, for example, for which there is a cost.

In the longer term, there are questions around whether the cap can be increased so that more places are available and around who is going to university. As I said at the beginning, a lot of the narrative around university is because of the cultural idea of university being the place where you go to get a good job, although the reality is that college, apprenticeships and so on are also really valuable routes that are not necessarily—

Ruth Maguire: I know that this committee would push back on that view a bit, and we certainly take a lot of evidence about the benefits of apprenticeships and the different styles of college places. Progress is being made on that front.

11:45

Ellie Gomersall: For sure. What I mean is that it is important that we talk about the value of apprenticeships and that, when we go into schools, we talk about the value of going to college and getting a college education as well as talking about university education. We must treat them with parity. That will also naturally have an impact on student places and the cap, and so on.

Ruth Maguire: I am sorry, but I was slightly distracted just then—there is a very unhappy baby outside within earshot.

Dr Conlon: On the quality of the workforce, quality is a technical phrase. In economics, we use the labour force's average level of qualification. The quality of the workforce is the biggest determinant of economic growth, and this country really needs economic growth—full stop. We should have more graduates—full stop. Is the higher education sector in Scotland the right shape? I do not know. We need more maths graduates, more philosophy graduates and more politics graduates. It cannot be just science, technology, engineering and mathematics graduates. I am clear about the fact that we need more graduates.

Scotland has a very high-quality higher education system. When Tony Blair was talking about trying to achieve a 50 per cent target in England, that was in the rear-view mirror in Scotland—it had already been achieved among parts of the population. It is a very well-established, high-quality sector.

The countries that have the highest levels of economic growth—Singapore and South Korea, for example—also have very high proportions of graduates, and it is not just a correlation. If we want more places, though, the challenge will be in funding those places. Our problem in Scotland is

that the number of places available is limited—highlighted by the reduction in the number of funded places—because of the repayment system. The public purse is already contributing so much to higher education, but so much of that contribution is dead-weight loss because it is paying for people who could already pay for themselves to go to university. In essence, that limits the number of places that are available.

We need more graduates, and we need to spread the public funding around and target it a bit better. There are ways and means of achieving that, and everybody will benefit if we achieve long-term sustainable economic growth.

Liam Kerr: I will ask a brief question on that exact point. Perhaps Ellie Gomersall and Mary Senior may wish to answer. There was a cut of, let us say, 1,200 places, and I recall that the expectation at the time, around January, was that that would save about £5 million, but a £28.5 million shortfall for the sector was being projected. The suggestion at the time seemed to be that there could be further cuts to places coming down the track. Does either of you recognise that as a risk, and are you concerned about that?

Ellie Gomersall: There is some risk. Ultimately, the cuts that we see year after year are coming across the piece for the most part. With the exception of the reduction in these particular places, which, as I say, was a special case, the number of places available has been one of the few things that has been maintained. That then means cuts being made to the quality of the education of the students who do get in. I recognise that as a risk, and I am somewhat concerned about it. The bigger picture of concern is about not just the number of places that are available but the diminishing quality of education for those students who get one of those places.

Mary Senior: It feels as though institutions are being asked to do more with less. That is my basic concern.

The Convener: We come now to Michelle Thomson.

Michelle Thomson: This is the moment you have all been waiting for.

We have danced around the issue of international students—the implications for fees and the fee structure, risks to universities and so on. I will come to you first, Dr Conlon, for your honest assessment of where we are in terms of our reliance on international students, the implications of that reliance and the risks therein should there be some major international shift—fully accepting the comments that Mary Senior made earlier about the drop caused by the Home Secretary's recent announcement.

That is the starting point. I have some follow-on questions as well.

Dr Conlon: I like a nice, easy question.

Nobody would doubt the benefit of international students to the Scottish higher education sector—directly, through fee income and how that subsidises research, and also through domestic teaching activity. There is no issue about that. However, one thing that has been understated is the availability and viability of many courses that are offered to domestic students. Many courses would not be viable whatsoever if we did not have international students. We will take it as a given that it is a very strong positive to have international students in higher education in Scotland, but it makes the higher education system significantly more precarious with regard to exogenous shocks. 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.

Naturally, we might think that that would affect those institutions that rely most heavily on international students, but that is actually not the case, because those institutions can, in essence, replace those international students with domestic students. There might not be as good a level of funding for that, but it is something to fill the hole. The impact starts to ripple through the sector, and even those institutions that would not, notionally, be heavily reliant on international students will experience the indirect effect of exogenous shocks. That is really problematic.

It is also highly problematic to rely excessively on particular countries for students. First, the institution does not have significant control. Secondly—forgetting about political variables, but thinking about economic variables—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. All of a sudden, higher education institutions are somewhat becoming currency speculators, and that is not their core operation. We would not invite an institution to take a punt on the Nigerian currency for the next couple of years, for instance—that is probably not the best idea. It is problematic.

The response of universities in looking to attract additional international students is superrational. The sector is based on intellectual ability, essentially, with people playing by the rules of the game. If other sources of funding are stagnant, universities have limited alternatives to attracting international students and potentially engaging in commercialisation activities, although those are much longer-term strategies.

Michelle Thomson: That leads on to my next question. You have set out clearly some of the risks and their significance. Given the risks that you have highlighted, what can we do to start to rebalance the position? Obviously, that needs to be staged over a period of time.

Dr Conlon: The obvious thing would be to increase the level of funding that is associated with domestic students, reduce the reliance on international students and reduce the extent to which the commercial imperatives direct institutions towards the international student market. You could do that at the margins by funding both undergraduate and postgraduate students better.

Michelle Thomson: You alluded to that earlier, and I know that we have danced around the issue.

This is my last question. I appreciate that Mary Senior and Ellie Gomersall might want to come in on my previous question as well. Our discussions today have been nearside with regard to what is happening in the UK and the differences in Scotland, but the issue of how to fund higher education is not unique to here. Many other countries have wrestled with issues such as how to incentivise international students and retain domestic students while maintaining fairness, parity and so on. To what extent is this discussion being forced over the longer term by the UK Government's decision to introduce a fees system that is different from the Scottish Government's system? As Ellie Gomersall pointed out, we have arrived at a certain position in Scotland.

I know that we might not want to start from where we currently are. Nonetheless, if we were looking internationally at other funding models, which ones might we consider? The UK—or, rather, England, with its tuition fees—is anomalous relative to what other countries do. In a multitude of other countries, for example, international students can study free of charge.

I am interested in hearing from Dr Conlon, in particular, because of your background. If we were not starting from here, what might we be able to do? I am quite concerned that we are looking just at the recent history and development.

I have asked Dr Conlon to comment, but I appreciate that the others will want to come in. I will bring you in, too.

Dr Conlon: I have been critical of the repayment system, in particular, but there are a lot of good things about the funding system in Scotland and I would not want to throw out the baby with the bath water. A lot of other countries have looked to Scotland and have considered whether it would be preferable to have the Scottish system. The Republic of Ireland is one country that has been grappling with the issue of free

tuition and student contributions. One of the features of the Irish system is that it has no maintenance allowance whatsoever. Ireland refused to consider a maintenance allowance under any circumstances, even though—I would say—that denies young people opportunity and imposes credit constraints on them and their families.

There are a lot of good things about the Scottish system, but, if we were starting again, I would want some comparability or equality between part-time and full-time maintenance. It is an anomaly that part-time students are treated differently from full-time students. Given the nature of the acquisition of qualifications and learning now, part-time study is important and should be encouraged. In an economy that is evolving as quickly as ours is, people need to attain microcredentials and top up repeatedly, and the Government should be supporting those people who demonstrate some desire to acquire new learning and knowledge.

As I said previously, I would absolutely change the repayment system so that it targeted scarce public resources much more efficiently than is currently the case. That resource could be retained within higher education or it could go to further education, apprenticeships, childcare or whatever else within the human capital sphere.

Those are the two main things that I would do.

Michelle Thomson: I appreciate that this has already been quite a wide-ranging discussion, but I want to offer Ellie Gomersall and Mary Senior the chance to come in, too. Ellie Gomersall, you might have some reflections on the international aspect, due to your role.

12:00

Ellie Gomersall: As has been said multiple times throughout today's session, we have a real problem at the moment with the overreliance on international student fees. When we look at where a lot of universities are currently putting their money—the money outwith the teaching grant that they receive—we see that a lot of it is going into international student recruitment and sending people overseas to actively try to get as many international students as possible to come and study here.

What is really important is that international students are able to come and study here in Scotland, take advantage of our education system and contribute to the economy because that is what is right for them. I worry that, at the moment, we have a system whereby, because of the overreliance on that source of income, universities are trying to get as many international students as they can to come here and that is leading to a lot

of international students being sold a bit of a false promise in many different ways.

First, there is an issue with international students' experiences once they arrive in Scotland. Research that NUS Scotland conducted just over a year ago found that 12 per cent of students across Scotland have been homeless at some point during their studies. That is already an incredibly concerning statistic, but for international students that figure almost doubles to 21 per cent. I know international students who arrived in Scotland and spent their first weeks in this country, while enrolling as students at a university in Edinburgh, sleeping at the bus station just down the road from the Parliament because they were unable to find somewhere affordable to live. That is the reality that a lot of international students are facing.

Those issues are compounded by the hostile environment policies that we are currently seeing. For example, the 20-hour work cap is a real problem. International students could be coming to Scotland to study part time, and the benefits of that to the students and to Scotland could be huge, but, at the moment, there are real challenges for a lot of international students, which are compounded by the further uncertainty that has come about as a result of UK Government policies. In just the past year, we have seen some very damaging policies from the UK Government, particularly in relation to the rules around dependents and the increase to the skilled workers visa salary threshold. I should note that the rules around dependents for international students disproportionately affect women students, who might be more likely to need to bring dependents with them in order to be able to study here. There has also been the recent review of the graduate route visa. The UK Government ultimately settled on not changing that, but the uncertainty caused by the fact that the rules that apply to international students could change at any time massively puts international students off coming here.

The last point that I will make about international students in this context is that not only do international students derive a huge benefit for their own education from studying in Scotland but they bring benefits to us in how they contribute to the workforce in Scotland and how they take the Scottish education system away with them. Their presence also benefits home students. I know that my education at the University of the West of Scotland was massively improved by the friends I made from all over the world. Further, international students represent a huge benefit to the economy overall. For example, the economic benefits to Scotland from students taking advantage of the graduate visa route is important. Even if we ignore

the fees that they pay to come to study here, we are talking about an input of millions of pounds.

There is a huge net economic benefit to having international students coming to Scotland to study, and they should be encouraged to do that because it is what is right for each individual international student. That would be preferable to the current system, whereby universities spend huge amounts of money trying to recruit as many international students as possible in order to put bums on seats and so that their fees can be used to cross-subsidise domestic student fees.

Michelle Thomson: There is a lovely parallel between risks and opportunity there. Mary Senior, I offer you the chance to have the last comment.

Mary Senior: I will be brief. Picking up on the importance of the post-study work visa, I note that it was inspired by the work of the Scottish Government a number of years ago and that it is important in terms of pathways for international students to study and then remain in and contribute to Scotland.

The Convener: Pam Duncan-Glancy has a brief supplementary question before we close the session.

Pam Duncan-Glancy: Ellie Gomersall, I want to pick up on your point about the support for international students and the fact that the funding for student support has been reduced this year. Do you think that that will impact all students as well as international students specifically?

Ellie Gomersall: It will have an impact on all students. One of the particular challenges that a lot of international students face is that they have no recourse to public funds while they are here, which is relevant with regard to the really damaging and worrying state of student poverty in Scotland at the moment. I am talking about not only the fact that 12 per cent of students have been homeless but the fact that 37 per cent of students have considered dropping out of their courses for financial reasons and the fact that many students have reported missing meals because they could not afford them. A lot of domestic students are able to take advantage of hardship funds, which, although they are sticking plasters rather than a long-term solution, at least provide some support. As I say, that is not ideal, but it is where we are. However, international students are often not able to make use of those funds. They were able to access some funds during the pandemic, when the Scottish Government recognised the particular challenge that all students were facing and made a lot of the Covid-specific hardship funds open to international students as well, but that is no longer the case.

I believe that international students should be able to come here, study free of charge and

receive the same financial support as other students, but we are not currently in that situation. What we can do is consider the other tools and mechanisms that the Scottish Government can use to bring down the cost of living for all students in other ways, such as rent controls, which can bring down the cost of purpose-built student accommodation, and schemes such as free bus travel for under-22s, which, if it were extended to all students, would be of huge benefit to home students and international students.

There are other things that we can look at in terms of the support that can be given to all students, but international students are really struggling financially at the moment. That puts a lot of students off coming here to study in the first place, but it also means that those who are coming and paying extortionate fees to do so are getting a raw deal.

The Convener: I thank our witnesses for their time this morning. It has been an interesting session.

That brings us to the end of the public part of our meeting.

12:07

Meeting continued in private until 12:40.

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