

Education, Children and Young People Committee

**15th Meeting, 2023 (Session 6), Wednesday 17
May 2023**

Further and Higher Education Budget 2023-24 – Evidence Session with the Minister

Committee meeting

This morning, the Committee will hear evidence from the Minister for Higher and Further Education; and Minister from Veterans, Graeme Dey, regarding the Further and Higher Education Budget 2023/24.

This follows receipt of [correspondence](#) from the Minister on 2 May 2023, to say that a planned resource funding increase of £26m and £20m respectively for the college and university sectors would not be going ahead.

Supporting information

A SPICe briefing is included in [Annexe A](#) of this paper.

The Committee has received submissions from City of Glasgow College and Universities Scotland. These are included at [Annexe B](#).

**Education, Children and Young People Committee Clerking Team
12 May 2023**



Education, Children and Young People Committee

Wednesday 17 May (Session 6)

Further and Higher Education Budget 2023-24

The Committee will take evidence from the Minister for Higher and Further Education; and Minister for Veterans, Graeme Dey.

The session will focus on the Scottish Government's recently announced decision to reverse planned budget increases to the Further and Higher Education budgets for 2023-24. It may also touch on related areas of the Committee's recent report on College Regionalisation.

Background

The Minister for Higher and Further Education; and Minister for Veterans, Graeme Dey, wrote to the Education, Children and Young People Committee on Tuesday 2 May 2023 to say that a planned resource funding increase of £26m and £20m respectively for the college and university sectors would not be going ahead. This reverses the announcement made on 15 December 2022 by the then-Deputy First Minister John Swinney during the Budget Statement.

FE and HE funding 2023-24 Resource Spending Review and Budget 2023-24 Resource Spending Review

In May 2022, the Scottish Government published the first [multi-year resource spending review](#) in Scotland since 2011. This document set out high-level spending

plans for 2022-27. **Table 1** sets out the spending plans for Further and Higher Education. More information on the Resource Spending Review can be [found in the SPICe paper for the Committee's 2 November 2022 meeting](#).

Table 1: Resource Spending Review, Further and Higher Education spending plans

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

Following the publication of the Resource Spending Review, [Universities Scotland's response](#) stated the plans represented a “real terms cut” and the “outlook is bleak for the next few years”.

In [evidence to the Committee on 28 September 2022](#), UCU Scotland's Mary Senior said the Resource Spending Review was “really brutal and deeply worrying”, adding: “it was flat cash, so, given that inflation is 12 per cent, the sector is really worried.”

Budget 2023-24

A resource funding increase of £46m - £20m for universities and £26m for colleges - was announced during the Budget Statement by the then-Deputy First Minister John Swinney on 15 December 2022. He said at the time:

“We must have a skills, training and research environment that enables our people and businesses to realise their potential. For that reason we have increased the resources available to the College and university sectors by £26 million and £20 million to support this process.” – [Budget statement 15/12/22](#)

In February this year, this Committee [wrote to the Cabinet Secretary](#) to ask for further information on how the £26m resource funding for colleges would be spent and whether baseline funding for colleges would change as a result of the funding.

The Cabinet Secretary's response stated:

“The additional resource funding for FE is intended to help our colleges transition to future provision ensuring that the offer to learners is rooted in a robust understanding of local, regional and national priorities and is fiscally

sustainable. The SFC is working with Scottish Government officials and colleges to identify the best use of the available resources, taking into account Government priorities and the sector's needs with a view to providing indicative institution allocations in Spring 2023." – [Letter to Committee, 17/02/23](#)

Revised budget 2023-24

On Tuesday 2 May 2023, the Minister for Higher and Further Education; and Minister for Veterans, Graeme Dey, [wrote to the Education Committee](#) to announce that the planned resource funding increase of £20m for the university sector and £26m for the college sector for 2023-24 would not be going ahead.

In the letter, the Minister stated that the Cabinet Secretary for Education and Skills Jenny Gilruth had written to the Scottish Funding Council (SFC):

"...to advise that, with regret, this additional £46 million has been identified as a necessary saving in Financial Year 2023-24."

Adding:

"As set out by the previous Cabinet Secretary to the Committee on 22 February, we have had to make difficult choices in meeting new pressures on the Education and Skills portfolio since the 2023-24 Budget announcement. This means that funding for colleges and universities in the current year will return to the previously announced Resource Spending Review flat cash settlement."

In her letter to SFC, the Cabinet Secretary also cited "new pressures" on the Education portfolio since the 2023-24 budget announcement as the reason for the revision. The letters did not expand on what new pressures required these savings to be identified.

Table 2 below sets out the budgets for HE and FE resource and capital from 2021-22 to 2023-24. The final column highlighted in yellow shows figures following the reversal of the planned resource funding increase.

Table 2: Further and Higher Education Budgets (Level 3)

Level 3	2021-22 Budget £m	2022-23 Budget £m	2023-24 Budget £m	2023-24 Budget (following 02/05/23 revision) £m
HE Resource	768.2	789.2	809.2	789.2
HE Capital	346.7	348.0	340.7	340.7
Net College Resource	675.7	675.7	701.7	675.7
Net College Capital	33.7	74.7*	82.4*	82.4*

Source: [Scottish Budget: 2023-24](#)

*Includes £5m to be apportioned between the college, university and CLD sectors

Urgent Question

On Wednesday 3 May, [Stephen Kerr MSP asked an Urgent Question](#) about the removal of the £46m funding. In his response, the Minister for Higher and Further Education; and Minister for Veterans said:

“The £46 million of funding was not part of the core allocations for colleges and universities that the Scottish Funding Council published on 13 April.”

He added that the additional funding had been provided for strategic change and would be reconsidered “if and when the Government’s financial position allows.” In his answer, the Minister referred to previous Cabinet Secretary for Education and Skills Shirley-Anne Somerville’s appearance at the Education and Skills Committee on 22 February 2023.

During an evidence session on the 2023-24 Budget, the Cabinet Secretary said of funding the teachers’ pay offer:

“I will have to find that money in year to assist with the pay offer. I go back to the point that I have made all along in the teachers’ pay dispute that, if we increase the capacity for local government to improve its offer as the employer, the money needs to be found and that is not without consequence. That money will be found from the education and skills budget.” – [Official Report, 22/02/23](#)

When asked by Pam Duncan-Glancy MSP what the £46m additional funding was to be used for, the Minister replied that it was:

“...intended to support the transition of those sectors to a more sustainable footing. Of course, the decision makes that more difficult, which is why I am engaging directly with the sector to identify ways of moving forward.” – [Official Report, 3/05/23](#)

The Minister also stated he would be meeting with sector representatives, adding:

“I am open minded about any suggestions that the college and university sectors have about flexibility... any suggestions that they have will be listened to.” – [Official Report, 3/05/23](#)

Sector response

Universities Scotland stated it was “extremely disappointed” by the decision to reverse the budget uplift:

“The Scottish Government heralded £20 million additional revenue investment in higher education as good news when they announced the Scottish Budget on 15 December last year. It was far from what was required to meet students’ increasingly complex needs, or to sustain Scotland as a powerhouse of research and innovation, but it was a welcome step in the right direction.

“It is therefore dismaying when almost half a year later we are told that higher education is being deprioritised by Scottish Government, despite the Scottish Parliament having voted for a Scottish Budget that provided for a £20 million cash increase in investment in higher education. This will compromise our capacity to contribute to the nation’s recovery.

“The Scottish Government needs a plan for universities, staff, and students. It cannot keep expecting to have world-class universities on the cheap.” – [Media release, 2/05/23](#)

Writing in [The Scotsman on 5 May](#), Professor Dame Sally Mapstone said that the decision is: “...short-sighted, divisive, and brings into question the true value the Scottish Government places on higher education.”

Colleges Scotland said colleges were “deeply disappointed and dismayed by this U-turn”:

“Removing the equivalent of £1million from each college is completely inexplicable – colleges are already cash strapped, making cuts to courses and winding down parts of their offer due to a lack of funding, not a lack of ambition from colleges or demand from students or employers.

“Since December last year, numerous Ministers and Cabinet Secretaries have repeatedly assured the college sector and Scottish Parliament that this funding was coming in 2023-24. Yet, less than five months on from the government’s budget announcement, this promised money has now been withdrawn.” – [Media release, 2/05/23](#)

Colleges Scotland also stated that while Ministers relied on the college sector to train students, this could not be done without funding. The organisation highlighted colleges’ role in mitigating poverty through training and tackling the climate emergency, stating removing funding was the wrong approach in delivering these ambitions.

The EIS said the decision would impact pay in the college sector:

"It is very unfortunate that the Scottish Government has now reneged on the modest funding commitment on the very day that EIS-FELA members in colleges across Scotland began taking action short of strike action in pursuit of a fair pay award.

"The Scottish Government's decision will make it more difficult for college lecturers to get a pay rise commensurate with that of their colleagues

elsewhere in the public sector and the EIS urges the Scottish Government to rethink this retrograde step without delay."

"Following years of chronic underfunding, the Scottish Government has now, by its own actions, put Further and Higher Education at the very back of the queue in terms of priorities." – [Media release, 3/05/23](#)

UCU Scotland responded to the publication of the SFC indicative funding allocations, published on 13 April 2023, which did not include the additional £20m for universities:

"While the Scottish government appears intent on cutting higher education, it is up to rest of us, including the sector's leadership and trade unions, to stand up for it. That must include resolving the two bitter disputes over pay, conditions and pensions and building a higher education sector that is great to work and learn in. We urge the new Scottish government to recognise that improving the life chances of people across Scotland requires investment in education and the people delivering it." – [Media release, 14/04/23](#)

College regionalisation inquiry

Between June 2022 and March 2023, this Committee undertook an enquiry looking at college regionalisation ten years on. The [Committee report](#) was published on 21 March 2023.

Prior to being appointed Minister for Higher and Further Education; and Minister for Veterans, Graeme Dey was a member of this Committee and took part in this inquiry.

The report included:

- A call for the Scottish Government's planned purpose and principles statement to provide clear strategic direction for colleges, enabling them to take decisions for the future. The 'Post-school education, research and skills - purpose and principles' was expected in Spring this year but at the time of writing this briefing, it is still to be published. The statement is a response to [an SFC review recommendation](#) calling for the government to set out an overarching strategy for the college and university sectors.
- A call for the Scottish Government to provide clarity to colleges regarding what they should be prioritising.
- A call for the Scottish Government and SFC to provide an update on progress toward fairer funding distribution across the sector.
- Concern from the Committee about the capacity of colleges to continue delivering the level of support required by learners post-pandemic and in light of "significant financial challenges".
- A recommendation that colleges should be given "as many financial and operational flexibilities as possible", including flexibility on year end, SFC outcomes, and access to additional funds.

- Concern from the Committee about college estate maintenance back logs, and the impact these might be having on learners and the ability to meet net zero targets by 2045. The Committee recommended the Scottish Government should explore how resources could be provided to deal with outstanding maintenance issues.

The Committee concluded:

“Colleges need more funds to be able to deliver what is being asked of them, particularly if they are going to be able to meet their net-zero commitments by 2045. However, the Committee recognises the financial constraints that the Scottish Government is also working within, and the allocation of more funds may not be possible.

“As such, colleges will require more flexibility in terms of managing their finances, and in what they are expected to deliver. The Committee believes that decisions on these issues, to help underpin the financial sustainability of colleges and to provide possible flexibilities, are required as soon as possible, as is a strategy to lever in capital investment to colleges.” – [Committee report, 21/03/23](#)

Lynne Currie, Senior Researcher (Further and Higher Education), SPICe Research
11 May 2023

Note: Committee briefing papers are provided by SPICe for the use of Scottish Parliament committees and clerking staff. They provide focused information or respond to specific questions or areas of interest to committees and are not intended to offer comprehensive coverage of a subject area.

The Scottish Parliament, Edinburgh, EH99 1SP www.parliament.scot

Annexe B

Letter from Paul Little, Principal and Chief Executive of City of Glasgow College, to Convener of the Education, Children and Young People Committee dated 4 May 2023

Dear Sue

You will recall I wrote to you on 8 March 2023 to alert you to the serious challenges posed to the College, its staff, learners and business partners by the Scottish Government's 2023/24 budget settlement. I am afraid that the Scottish Funding Council (SFC) has now confirmed our worst fears, and that we must now take drastic action to address our substantial forecast deficit.

Both Government and SFC have also made clear the challenges we face will go well beyond this year and next. This means we have no option but to improve our forecast deficit, which results directly from the real-term funding cuts, inflationary increases and spiralling energy costs, and not – as I noted previously – from action (or inaction) by the College. To this end, we have continued to examine a number of potential solutions to make savings, including through the most generous voluntary severance scheme we could manage, draining the resources of our Arms-Length Foundation, and releasing recurrent savings of more than £3 million a year.

We have worked tirelessly over the past 12 months to undertake a range of efficiency measures and generate additional income to improve our budgetary position by £6 million. Unfortunately, after fully exploring all options, we must still make a further £6 million of budgetary improvements in 2023/24. The SFC's latest numbers are clear, and the additional savings we need to make are very substantial. This week's loss of £26 million from the college sector's budget further compounds the significant financial pressures the College is facing.

We have discussed all options with our Board of Management, sought engagement from our trade unions, and kept staff informed through a programme of frequent briefings. But none of the options available to us was sufficient; and the reality remains that the SFC's steep reduction in

teaching credits means reductions in courses, and in the lecturers needed to deliver them.

It is therefore with enormous regret that I have to tell you that this week the Board of Management agreed a programme of proposed compulsory redundancies and the removal of some 75 roles on the basis that this is the only option that will realise the savings we need in response to the real terms cut in SFC resource. We have therefore this week submitted the requisite statutory notification to our trade unions and alerted all staff to the next steps.

I must make clear that this is the start of a process, albeit one I had dearly hoped never to deploy. We are already engaging and consulting with our trade unions to discuss the approach we are taking, and, as we have done throughout, we will ensure frequent briefings for our staff.

As before, should you have any questions, I would be happy to brief you further on our position.

Yours sincerely

Paul GK Little FRSE Principal & Chief Executive

Universities Scotland submission to Education, Children and Young People Committee, dated 11 May 2023

Universities Scotland is extremely disappointed by the Scottish Government's decision to withdraw £20 million of resource funding allocated to the higher education sector for financial year (FY) 2023/24 and to reverse aspects of the budget decision as supported by the Scottish Parliament in the Budget Bill (now Act) as passed on 21 February 2023.

The choice to disinvest from higher education is a blow to our students, our staff, and our contribution to building a better Scotland, and a better world. The decision is short-sighted, divisive, and brings into question the true value the Scottish Government places on higher education.

The decision to defund higher education by £20 million in 2023/24, as announced on 2 May 2023, means:

- Universities will be cut in cash terms by £7.3 million between financial years, as opposed to the £12.7 million cash increase announced by the Scottish Government on 15 December 2022¹ (see Table 2 for a breakdown of the figures).
- This cut occurs in a wider context of challenging public finances but also in a context in which the overall Scottish Government fiscal resource budget for 2023/24 is increasing by 7% in cash terms and the capital budget limit is increasing by 1.9%².
- The other critical contextual factor for FY/AY 2023/24 is continued high inflation facing all sectors, which means the cash cut becomes a very significant real terms cut for universities.
- The funding reversal may mean that students, who are often (through no fault of their own) now up to two years behind the levels of social confidence universities would expect in the wake of the pandemic, might not get the intensive support they need. Universities Scotland's bid for investment in late autumn 2022³ clearly briefed Scottish Government on the pressures facing students and universities due to lost learning, mental health

challenges and the need to keep investing to support further success in widening access.

- We also advised Government that without further investment in research, Scotland's decline in research competitiveness relative to the rest of the UK would continue and universities' ability to contribute to economic priorities in the National Strategy for Economic Transformation would be compromised.
- The Scottish Government's deprioritisation of funding for universities is not a new decision for FY/AY 2023/24. This is the latest in a long-term erosion of the real terms value of university funding. Before this decision was taken, university teaching funding had already been cut by the Scottish Government by 27% in real terms between 2014/15 and 2022/23. The main research grant had been cut by 31% in real terms over the same period.
- This is simply not sustainable and led us to calling the situation a "managed decline" of the sector.

Further detail on HE funding:

- On budget day in December 2022, the then Finance Secretary chose to focus on the £20 million cash increase to the HE resource budget line (as opposed to the aggregate figure of a £12.7 million increase to HE resource and capital budgets) and stated: "*We must have a skills, training and research environment that enables our people and businesses to realise their potential. For that reason, we have increased the resources that are available to the college and university sectors by £26 million and £20 million to support that.*"⁴
- In April 2023 the Scottish Funding Council (SFC) confirmed that the £20 million cash increase to the resource budget would not go the core university teaching grant as expected but instead had been "*identified for strategic investment to support the transition to a financially sustainable system.*"⁵ In the SFC's words, that left universities with an overall "flat cash" resource budget for 2023/24.
- Given the decision to spend the £20 million in that way, the university teaching budget was not set to rise by 2.5%, as perhaps implied by the Scottish Government's HE resource budget line. Instead, the SFC confirmed the unit of teaching resource (invested

in HE students and staff) has risen by only 0.4% in cash terms (year to year).

- The HE capital budget (which has to cover research, innovation and the estate) had already been cut by £7.3 million as announced in December. That overall cut has been managed by significantly cutting funds available to maintain the university estate and keeping the most significant research grant (the research excellence grant) flat in cash terms overall. Instead, the choice was to increase the University Innovation Fund by £5.5 million.⁶ Not enough is being invested in the Research Excellence Grant to reward institutions for their world-leading research performance in the Research Excellence Framework (REF) exercise last year. Scotland is investing significantly less in HE research than England. A flat funding pot for research in Scotland means most institutions are being cut in real terms, compromising the investment they can leverage directly and their impact on Scotland's economy more broadly. Innovation depends on a bedrock of well-supported, excellent research.
- Managing such a tight funding settlement for universities within that overall spending envelope of "flat cash" has meant that seven higher education institutions are seeing cash cuts to their teaching and research in AY 2023/24 without access to the separate "strategic investment" the Scottish Government had earmarked to help them manage this situation.

Table 1: Original spending decisions for the higher education resource and capital budgets for FY 2023/24 as published by the Scottish Government, December 2022.

	2022-23 Budget £m	2023-24 Budget £m	Percentage change (cash terms)	Cash terms change (£)
HE Resource (SFC)	789.2	809.2	+2.5%	+£20 million
HE Capital (SFC)	348.0	340.7	-2.1%	-£7.3 million
Aggregate HE Resource and Capital	1,137.2	1,149.9	+1.1%	+£12.7 million

Table 2: New spending decisions for the higher education resource and capital budgets for FY 2023/24 as extrapolated by Universities Scotland based on the Scottish Government's May announcement

	2022-23 Budget £m	2023-24 Budget £m	Percentage change (cash terms)	Cash terms change (£)
HE Resource (SFC)	789.2	789.2	+0%	+£0 million
HE Capital (SFC)	348.0	340.7	-2.1%	-7.3 million
Aggregate HE Resource and Capital	1,137.2	1,129.9	-0.64%	-£7.9 million