

Education, Children and Young People Committee  
Wednesday 4 September 2024  
22nd Meeting, 2024 (Session 6)

## Pre-budget scrutiny 2025 to 2026

### Introduction

1. At its meeting on 17 April, the Committee agreed its approach to pre-budget scrutiny of the Scottish Government's 2025 to 2026 budget. It agreed to focus on college and university funding and will look at the current funding settlement. The Committee will also consider the sustainability of funding in the years ahead, taking into account the impact of tightening public spending and potential upcoming reforms.
2. This is the final session of its pre-budget scrutiny where the Committee will take evidence from the following witnesses:
  - Graeme Dey, Minister for Higher and Further Education; and Minister for Veterans
  - Stuart Greig, Deputy Director Governance and Assurance Division, Lifelong Learning and Skills, Scottish Government.

### Background

3. SPICe has prepared a background briefing note which is attached at **Annexe A**.

### Budget scrutiny

4. The Committee is required to carry out pre-budget scrutiny every year and to produce a letter or report six weeks before the publication of the Scottish Government's draft budget, which is normally published in mid- December.

### Evidence

#### Correspondence

5. On 9 May 2024, the Public Audit Committee wrote to the Committee on its scrutiny of Audit Scotland's briefing on Scotland's colleges 2023. [Read the Public Audit Committees letter on our webpages.](#)
6. Professor Mairi Spowage, Director of the Fraser of Allander Institute was unable to attend the evidence session on 5 June and provided written

evidence to the committee. [Read Fraser of Allander Institutes submission on our webpages.](#)

### Oral evidence

8. At its meeting on 5 June 2024, the Committee took evidence from the following witnesses:

#### Panel 1

- Mark MacPherson, Audit Director, Audit Scotland
- David Belsey, Assistant Secretary, EIS-FELA

#### Panel 2

- Dr Gavan Conlon, Partner, London Economics
- Ellie Gomersall, Scotland President, National Union of Students
- Mary Senior, Scotland Official, University and College Union

9. At its meeting on 12 June 2024, the Committee took evidence from the following witnesses:

#### Panel 1

- Shona Struthers, Chief Executive, Colleges Scotland
- Professor John McKendrick, Commissioner for Fair Access
- Gareth Williams, Head of Policy, Prosper
- Professor Iain Gillespie, Convener, Universities Scotland

#### Panel 2

- Karen Watt, CEO, Scottish Funding Council (SFC)
- Richard Maconachie, Director of Finance, SFC
- Lynne Raeside, Deputy Director of External Affairs, SFC

10. Meeting papers and transcripts from those meetings, including written evidence provided by witnesses are published on the [Education, Children and Young People Committees website.](#)

### Next steps

11. The Committee will write to the Scottish Government on the evidence heard during its pre-budget scrutiny.

**Committee Clerks**  
**August 2024**

## Annexe A



**Education, Children and Young People Committee**  
**Wednesday 4 September 2024**  
**22nd Meeting, 2024 (Session 6)**

## **Pre-budget scrutiny: College and university funding**

### **Introduction**

This briefing has been prepared to support the Committee's Pre-budget scrutiny of college and university funding. In June this year, the Committee held two evidence sessions exploring this topic. This week's session gives Members the opportunity to put questions to the Minister for Higher and Further Education; and Minister for Veterans, Graeme Dey MSP.

This briefing paper is arranged by themes arising from previous evidence sessions. SPICe briefings for the [Committee meeting on the 5 June](#), and the [Committee meeting on the 12 June](#) contain further information about the topic. A summary of reports and submissions received is also included in these earlier papers.

### **Budget context**

The Scottish Government allocates funding for colleges and universities to the Scottish Funding Council (SFC) via the Scottish Budget. SFC then allocates this funding to institutions. In 2024-25, the overall SFC budget was £1.9bn. A more detailed breakdown of the SFC's budget can be found in the Scottish Budget document at [Table A5.07: Scottish Funding Council Spending Plans](#).

The 2024-25 Budget set out a decrease in college and university resource budgets and an increase in capital budgets. Overall funding and SFC allocations to colleges and universities are discussed later in this briefing under the relevant headings.

The cut to resource budgets for 2024-25 follows tightening finances in recent years for both sectors. While the 2023-24 Budget initially provided for an increase of £20m and £26m for university and college resource budgets respectively, this increase was later reversed, primarily fund the [teachers' pay settlement](#). Further in-year savings of £56m across "[demand-led](#)" programmes were announced in November 2023. The reason given for this saving was "projected lower spending than forecast across a wide range demand-led programmes". In total, savings identified across the 2023-24

college and university resource budgets see colleges and universities receive £102m less than what was initially allocated to them in December 2022.

When asked at the [10 January 2024 meeting of this Committee](#) whether in-year cuts to the further and higher education budget would happen in 2024-25 as they had in 2023-24, the Minister for Higher and Further Education; and Minister for Veterans Graeme Dey said “external factors” meant he could not rule this out. He cited the implications of the UK Government budget as an example of external factors.

In its [detailed analysis of the 2024-25 Education and Skills Budget](#), the Scottish Government states that the reduction in college resource budget is likely to impact on course provision and poses an overall risk to the availability of education, skills and training places for “young people, and for older people seeking to upskill” and that “the full impact will not be known until it is understood how colleges and universities, as autonomous institutions, decide to manage their final budget allocations”.

Looking ahead to the 2025-26 Budget, the Cabinet Secretary for Finance and Local Government Shona Robison [wrote to the Finance and Public Administration Committee](#) on 23 August 2024 setting out that the Scottish Government and UK public sector as a whole faces a “very challenging environment”, with additional measures required to reduce public spending. The Cabinet Secretary intends to update Parliament in September.

## Post-school reform

The Scottish Government is currently looking at reform of the post-school education system, following recommendations of reviews including the 2023 [Independent Review of the Skills Delivery Landscape](#) carried out by James Withers.

As an initial response to the reviews, the Scottish Government published ‘[Purpose and Principles for Post-School Education, Research and Skills](#)’ in June 2023. This is a framework intended to set the overarching policy direction for HE and FE. The [Scottish Government’s Initial Priorities document](#) was published alongside the Purpose and Principles document.

One year after the publication of the Skills Review and the Purpose and Principles, the Scottish Government launched the [Post-school education and skills reform legislation consultation](#). This focuses on simplifying the funding landscape and laying the groundwork for future plans. It sets out the options for bringing funding for learner support into one place and funding for apprenticeships, colleges and universities into one place. It considers potential changes to the functions of SFC, SAAS and SDS. Two options for change are proposed.

Currently, SFC and SDS are each responsible for delivering funding for different parts of the apprenticeship system and SFC and SAAS both deliver different elements of student support. Option 1 brings SDS’s current responsibilities for apprenticeship funding to SFC and gives SFC’s current responsibilities for administering further education student support to SAAS. Option 2 gives SFC responsibility for funding for all provision and student support. This would be in line with the Withers review recommendation for the creation of a single funding body.

In a [letter to the Education, Children and Young People \(ECYP\) Committee in June](#), the Minister for Higher and Further Education; and Minister for Veterans, Graeme Dey MSP, said that business cases for options 1 and 2 will be progressed. The Minister's letter updated on other areas of progress on reform, including:

- Cross-government work on national skills planning processes has begun and guidelines on regional skills planning are due by September.
- Work to further develop the apprenticeship models is underway.

The consultation closes on 20 September 2024. Further information on post-school reform is set out in the [SPICe blog 'Post-school reform: One year on from Withers'](#).

The Scottish Government is also currently [consulting on proposals to reform the Regional Strategic Boards for Glasgow and Lanarkshire college regions](#), with the preferred option being to dissolve both.

During [Education and Skills Portfolio Question Time on 16 May 2024](#), the Minister announced that SFC plans to carry out a review of its approach to teaching funding during the next academic year. At the [Committee's 12 June evidence session](#), SFC's Karen Watt set out this review is looking at how the funding model can take account of changing demographics and demand; price groupings of subjects and how premiums (e.g. for widening access) are paid; and what the tertiary education budget should be spent on (e.g. should it continue to be used to fund senior phase activities such as foundation apprenticeships). The Scottish Government's work on apprenticeship funding as part of the post-school reform consultation will also have an impact on SFC's work.

The need to accelerate planned post-school education reforms was highlighted by witnesses in written and oral evidence to the Committee. During the [Committee's 5 June 2024 pre-budget scrutiny evidence session](#), Audit Scotland's Mark MacPherson highlighted his organisation's view there is a "need to increase the pace of some of the changes". At the same meeting, UCU's Mary Senior highlighted concerns about reform in the context of real terms cuts over several years, stating "the funding does not really match what we want to deliver".

## Financial sustainability

### Colleges

For financial year 2024-25, the Scottish Government set a college resource budget of £643m and a capital budget of £84.9m.

Between 2023-24 and 2024-25:

- The resource budget fell by £32.7m (-4.8%) when the removal of the £26m initially announced for 2023-24 is factored in. In 2023-24 the resource budget was £675.7m and in 2024-25 it was £643m.

- The net college capital budget increased by £2.5m (3.0%) from £82.4m in 2023-24 to £84.9m in 2024-25.

**Table 1** below sets out college net resource and capital budgets from 2022-23 to 2024-25.

**Table 1: College Resource and Capital Budgets (Level 3)**

	2022-23 Budget £m	2023-24 Budget £m	2024-25 Budget £m
<b>Net College Resource</b>	675.7	<i>701.7 (675.7)</i>	643.0
<b>Net College Capital</b>	74.7	82.4	84.9

Source: [Scottish Budget 2024-25](#), Table A5.07 Scottish Funding Council Spending Plans Level 3

Note: The initial 2023-24 Net College Resource is in italics and the final amount following the removal of £26m is in brackets.

SFC published [College Final Funding Allocations](#) for 2024-25 in May this year; these are examined in more detail in the SPICe paper for the [Committee’s 12 June meeting](#).

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

During the Committee’s pre-budget evidence sessions, witnesses including Audit Scotland, Colleges Scotland, SFC, Prosper and EIS highlighted the effectiveness of the FWDF. Gareth Williams of Prosper gave an outline of the impact the closure of both the Upskilling and FWDF funds on businesses:

“Many employers and colleges had training ready to go, with agreements on what was needed, what was in place and how that would be supplied. The long period of uncertainty about last year’s funding and the decision whether it would continue into this year had an effect. In the short term, a number of employers were able to switch to working with colleges and universities by utilising the upskilling fund, but that was withdrawn. too. We are left in a position where that funding is not available, and what we are hearing from many SMEs in particular is that there is no way in which they can self-fund that important training.” – [Official Report, 12 June 2024](#)

The total figure for the student support budget in AY 2024-25 is £123m, down 9% on the AY 2023-24 figure of £135m. SFC states the budget had been adjusted to reflect demands and recent spend, and “the allocation for each college will cover at least what was spent last year”.

Of the AY 2024-25 capital budget of £84.9m, £30.5m of this is allocated to capital maintenance, £51.9m is allocated to Fife College new Dunfermline Campus and £2.5m is allocated to high priority needs, including health and safety. Audit Scotland's [Scotland's Colleges 2023](#) report found that colleges have a maintenance and lifecycle backlog:

- Since 2018-19 capital funding for the college sector was £321 million short of requirements for lifecycle and backlog maintenance.
- The 2023 report states that SFC set aside £4.7m in 2023-24 for urgent repairs, and this was in high demand with bids totalling £20m received from the sector. Bids had to be triaged "to a shortlist to fit the budget".

[Karen Watt told the Committee on 12 June](#) that SFC is currently reviewing college infrastructure and will produce a costed plan by the end of this year.

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

"There will be a significant leadership challenge for colleges to ensure that planned staff reductions do not adversely affect a college's reputation, student outcomes (quality, retention and other performance indicators) and the mental health, morale and turnover of remaining staff." - [Financial sustainability of colleges in Scotland 2020-21 to 2025-26, SFC](#)

SFC finds 24 colleges (92%) forecasting adjusted operating deficits in 2022-23, with 17% forecasting these to continue over the next three years. Cash reserves are also forecast to deteriorate: a reported aggregate cash balance of £141.1m at the end of July 2022 is forecast to be a deficit of £4.2m by the end of July 2026. Four colleges forecast a cash deficit by the end of July 2024, increasing to six by July 2026.

[Audit Scotland's 2023 report](#) also highlighted that the risk to the college sector's financial sustainability had increased. It found after taking account of inflation, the flat-cash settlements for college revenue budgets in 2021-22, 2022-23 and 2023-24 represented:

"...a reduction in real terms of 8.5 per cent from 2021/22 to 2023/24." – [Scotland's Colleges 2023, Audit Scotland](#)

At the [Committee's 12 June evidence session](#), SFC's Karen Watt said the sector faced a forecast operating deficit of £70m – 7% better than originally forecast. Karen Watt said SFC was working with four colleges facing cash-flow issues, and this work can include: bringing forward and rescheduling grant payments; provide repayable grants as temporary cash; funding voluntary exit schemes if a college did not have the funds to do so. The aim of these interventions is to enable the college to develop a recovery plan.



On action colleges are taking to become more sustainable, Karen Watt said curriculum reviews are being carried out by some. These reviews involve looking at which courses have fewer students and how the curriculum might be provided in a different way on these courses. Consolidation of curriculum is also being looked at, and SFC wants colleges to balance this with meeting regional need. SFC also expects colleges to review their estates.

Among measures that could help the sector, SFC's January report identifies multi-year funding settlements; reduction in fragmentation of funding streams, year-end flexibility, and national-level infrastructure planning and procurement. These are measures SFC has been suggesting since its [2020 Review of Coherence and Sustainability](#). At the [Committee's 12 June session](#), Karen Watt also said that work to review multi-college regions might present ways to develop the curriculum in ways that keep delivery local while being more cost effective.

In evidence to the [Committee on 15 November 2023](#), James Withers described the college sector as a "jewel in our crown" but a "burning platform in relation to finance and sustainability". He expressed concern that reorganisation of the sector might be "chaotic" and "based on the law of natural selection".

During the [Committee's 5 June evidence session](#), Audit Scotland's Mark MacPherson suggested that recommendations from the Withers report such as rationalising and simplifying the number of available funding pots and the creation of a single funding body may lead to opportunities for savings and efficiencies.

Mark MacPherson also said he was "not sure that there is an immediate risk of chaotic reorganisation" in the college sector, and that any opportunities for mergers, shared services and synergies could help some colleges. He also said that SFC's work with at-risk colleges "does not mean that those colleges will not continue in their current form".

At the Committee's 12 June meeting, Colleges Scotland's Shona Struthers said she had "never quite seen the college sector as it is now". She said Colleges Scotland would like a five-year support plan for the sector, setting out clearly what the Scottish Government wants colleges to prioritise. She later stated:

"If you are not going to invest, at least be clear about what it is that you do not want to be delivered...I would much rather see investment in colleges and colleges being let to thrive, so that the staff who are in them can thrive and the students can benefit. If you are going to keep cutting the budgets, it is just dire." – [Official Report, 12 June 2024](#)

During a [debate on college funding on 8 May 2024](#), the Minister said that putting colleges on a "sustainable footing" would not be done by way of "an injection of public cash that is not available to us". He said that the Scottish Government was acting on reviews recommending change, and that the programme of reform "will place colleges at the heart of post-16 skills delivery".

In its October 2023 report on the economic contribution of colleges, the Fraser of Allander Institute's modelling suggested that each graduation cohort of college



students adds an estimated £8bn to the Scottish economy over the course of their working lives. The report states:

“The Scottish Government's £4.1bn investment, via The Scottish Funding Council between 2016/17 and 2021/22, led to a £52bn boost to the GDP of the Scottish economy and a £18.2bn boost to government revenues. The investment in multiple years of college graduates therefore represented 8% of the return in terms of boost in GDP, and 22.5% in terms of the boost to government revenues.” - [The economic contribution of colleges in Scotland, Fraser of Allander Institute](#)

In written evidence to the Committee, the Fraser of Allander Institute stated colleges could maximise their overall contribution to economic growth by:

“...focussing on skills provision that is required by businesses in their region, through partnership working with businesses. Skills shortages are one of the main limiters to economic growth reported to us by businesses. There are many examples in the sector of this working well, so the Scottish Government may wish to consider how they can encourage such activity.” – [Fraser of Allander correspondence, 29 July 2024](#)

## Financial flexibilities

In 2023-24, in response to calls from the college sector, SFC introduced flexibilities around the [allocation and delivery of college credits](#).

New flexibilities include: 20% of teaching funding no longer being associated with the delivery of credit thresholds; and colleges can now claim credits for full-time students on courses lasting over 20 weeks if the students are still active five weeks after the course start date. Previously, students had to have attended for at least 25% of the course for credits to be paid.

The [Committee's pre-budget scrutiny letter to the Cabinet Secretary](#) ahead of the 2024-25 Budget requested an update on how new financial flexibilities requested by the college sector regarding the allocation and delivery of credits were being used. The [Cabinet Secretary's response](#) stated it was too early to provide detail on this, but feedback from the [Colleges Tripartite Group](#) suggested colleges “are already seeing the benefits of the changes”.

However, during the [Public Audit Committee's 30 November 2023 evidence session](#) on colleges, the College Principals Group said the flexibilities were “very minor”, while EIS said it was not clear what the impact will be. Colleges Scotland said it wanted to see the new funding flexibilities embedded, but the “more fundamental point is about examining the underlying funding model” and considering fundamental changes.

During this [Committee's 5 June evidence session](#), David Belsey of EIS-FELA stated that SFC removing the ability to claw back funding where activity dropped by 10% “invites some colleges to drop activity...without any comeback from the Scottish Funding Council, and 10% less activity means a 10% reduction in staff”.

In addition, during [the Committee's 10 January 2024 evidence session](#), the Minister said colleges had not been able to utilise credit flexibilities as expected, and this had been down to a lack of understanding and explanation about what the changes would mean. The Minister said:

“In essence, the colleges had asked for a one-size-fits-all approach that did not entirely suit all the individual colleges.” – [Official Report, 10 January 2024](#)

During the [Committee's 5 June evidence session](#), EIS-FELA's David Belsey said the ability for colleges to carry over reserves from one year to the next would be welcome in the longer term. Audit Scotland's Mark MacPherson said it was difficult for colleges to explore alternative measures for raising revenue in the current economic climate.

At the [12 June evidence session](#), Colleges Scotland's Shona Struthers said that many of her members wished to see a review of the funding model for colleges, and a less restrictive scrutiny model. SFC's Karen Watt reiterated SFC's call for multiyear financial settlements.

During a debate on college funding on 8 May 2024, the Minister said colleges were to be given further flexibilities around disposal of assets:

“Following advice from the sector on the assets that are likely to become available for disposal, the Cabinet Secretary announced at the recent Colleges Scotland annual conference that we will embed changes so that colleges can retain a significant proportion of the value of any sale to invest locally.” - [Official Report, 8 May 2024](#)

## Universities

For financial year 2024-25, the Scottish Government set a university resource budget of £760.7m and a capital budget of £356.9m.

Between 2023-24 and 2024-25:

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

**Table 2** sets out university (HE) resource and capital budgets from 2022-23 to 2024-25.

**Table 2: HE Resource and Capital Budgets (Level 3)**

	2022-23 Budget £m	2023-24 Budget £m	2024-25 Budget £m
HE Resource	789.2	809.2 (789.2)	760.7
HE Capital	348.0	340.7	356.9

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Source: [Scottish Budget 2024-25](#), Table A5.07 Scottish Funding Council Spending Plans Level 3  
Note: The initial 2023-24 HE Resource is in italics and the final amount following the removal of £26m is in brackets.

SFC published [University Final Funding Allocations](#) for 2024-25 in May this year. This is examined in more detail in the SPICe paper for the Committee's [12 June](#) meeting, and key details from the publication include:

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

During the [Committee's 12 June meeting](#), Prosper's Gareth Williams said that the removal of SFC's University Upskilling Fund meant that addressing weak long-term productivity in the Scottish economy, particularly among smaller businesses, will become harder.

SFC's [Financial Sustainability of Universities in Scotland 2020-21 to 2025-25](#) report, published in January this year, looks at the latest forecasts up to academic year 2025-26 but does not take into account the 2024-25 Budget announcement.

While the financial position can vary considerably by institution, the report finds a 41% reduction in the underlying operating surplus of universities, down from £385.2m in 2021-22 to £226.5m in 2022-23. An adjusted deficit of £3.3m is expected for 2023-24, going back into surplus of £44m for 2024-25. Net liquidity days are also expected to fall to 125 in 2024-25, from 156 in 2023-24 and 187 in 2022-23.

On sector income, SFC found reliance on SFC grants had reduced from 31% in 2020-21 to 27% in 2021-22 and is expected to reduce to 23% by 2024-25. Tuition fees represent the largest source of income for the sector. The proportion of international fee income was expected to exceed SFC grants in 2023-24, however the final figures are not yet available. International student numbers are explored in more detail in the 'Student numbers' section of this briefing.

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

The principals of the University of Aberdeen and Robert Gordon University wrote to MSPs in April calling for funding cuts to the sector to be reversed. In [May, the Scottish Chambers of Commerce warned](#) that “cuts to the education budget and changes to the UK immigration system are placing our world-leading university sector at risk.”

## Future funding

The [Institute for Fiscal Studies \(IFS\) published a report on Higher education spending](#) in February 2024. The report provides an overview of higher education funding in Scotland and concluded that:

“There are no easy answers to increasing university funding, without increasing Scottish Government spending on higher education or requiring some contribution from students towards the costs of their tuition.” - [IFS Higher education spending report, February 2024](#)

At the [Committee’s 5 June 2024 evidence session](#), Mary Senior highlighted recent [UCU-commissioned research carried out by London Economics](#) (LE) looking at the impact of a 1% employer levy operating in the same way as National Insurance contributions or a 3 percentage point increase in the rate of Corporation Tax. This is part of UCU work at UK level looking at moving away from tuition fees.

LE modelled the removal of fees for UK domiciled students and a corresponding increase in public teaching grant funding. The impact of a potential employer levy to generate funding for the necessary increase in teaching grant was then explored. The LE modelling took Scotland’s current model of publicly funded tuition fees into account, and as a result of this, the employer levy would cost 0.07% and bring in an estimated £64m (see LE report page 9).

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

“Businesses should contribute to the costs of higher education because they receive one third of the benefits.” - [Official Report, 05/06/24](#)

NUS Scotland’s Ellie Gomersall said that as businesses are a main beneficiary of higher education they should contribute, but this should be done in a way that protects the independence of institutions.

On the financial sustainability of individual institutions, LE’s Dr Gavan Conlon said data from the Office for Students showed institutions in England running unsustainable deficits, and he speculated the situation in Scotland may be worse given the lower level of average funding per head. He said “there is a very significant risk” of a university having to shut down and questioned what the Scottish Government response to this would be. He later said that current “salami slicing” at

institutions will likely move to the stage where whole subject departments are cut and “ultimately, an institution is going to fall over”.

However, at the Committee’s 12 June evidence session, Universities Scotland’s Professor Iain Gillespie said he believed institutions would adapt, and while this would have impacts on the provision of education:

“I personally see no risk to the viability of universities going forward. However, there is a clear and present—and, in the future, increasing—risk to the quality and scope of provision.”- [Official Report, 12 June 2024](#)

Also at the [12 June meeting](#), SFC’s Karen Watt cautioned against making comparisons with England regarding risk and funding models, stating that in Scotland: “...the sector is not particularly overexposed on debt at this time”.

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

“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.” – [Official Report, 5 June 2024](#)

In Northern Ireland, students can be charged [tuition fees of up to £4,750](#).

To raise revenue, Dr Conlon suggested options including expansion of spin-out and start up activities, a deferred fee and the introduction of real interest rates to the loan repayment system. When asked about the potential for recouping payments from graduates who leave the country, Dr Conlon said it was challenging to do but pointed to the system in New Zealand as an example of what could be done. In New Zealand, a graduate leaving the country faces higher interest rates on their student loan repayments.

NUS Scotland’s Ellie Gomersall cited 2020 UCU research finding two thirds of university applicants would be put off going to university if fees were introduced. She suggested progressive taxation and focusing on the wealth that exists in universities for “vanity projects” could be considered as options to help achieve sustainability.

Mary Senior said UCU continued to support free tuition, though this must be fully funded through the public purse. She also said the Scottish Parliament and Scottish Government could do more with the tax and revenue raising powers it has at its disposal and cautioned against using revenue from spin-outs and start-ups to subsidise core teaching budgets.

Prosper’s Gareth Williams told the Committee at its [12 June meeting](#) that there are potential opportunities for research funding arising from the UK’s association with

Horizon Europe. This will require industry and education working closely together to maximise these opportunities.

## Student numbers

### Colleges

The latest [college statistics from SFC published in March 2024](#) showed the number of enrolments and students at colleges in Scotland increased between 2021-22 and 2022-23. The number of FTEs fell by 4,521 over the same period.

Student headcount was 248,907 in 2022-23, up from 236,730 the previous year. This is an increase of 5.1%.

A total of 124,654 FTE places were delivered in 2022-23, compared to 129,175 the previous year. This is a fall of 3.5%.

The SFC report explains the rise in student headcount but fall in FTE numbers as follows:

“The rise in student headcount and enrolments but fall in the total FTE is driven by an overall increase in the number of enrolments on part-time courses but decrease in enrolments on full-time courses.” – [SFC College Statistics 2022 to 2023](#)

Broken down by mode and level of study, the number of FTEs in full-time Further Education (FE) has fallen slightly (-1.3%) between 2021-22 and 2022-23 and the number of FTEs in full-time Higher Education (HE) has fallen 16.5% between 2021-22 and 2022-23.

During the [Committee's 5 June meeting](#), EIS-FELA's David Belsey said the increase in part-time students meant colleges providing more flexibilities in platforms used for teaching and training and increasing evening and weekend provision.

David Belsey also raised concerns about the impact of staffing reductions and course cuts on learning provision, stating that reductions to the college budget “disproportionately affects working-class communities” and stated that any moves to increase the involvement of the private sector in the college sector needed to balance the needs of individuals and communities with those of employers and businesses. NUS Scotland's Ellie Gomersall later echoed this view.

## Universities

### Funding for teaching of students

Funding for teaching of [Scottish-domiciled university students](#) is provided to Higher Education Institutions (HEIs) via a combination of teaching grant funding from the Scottish Funding Council (SFC) and tuition fee income from the Student Awards Agency Scotland (SAAS):



- A block teaching grant is provided to each HEI by SFC to support delivery of agreed teaching delivery as set out in institutions' published [Outcome Agreements](#).
- A [tuition fee of £1,820](#) for undergraduate (first) degree courses or Professional Graduate Diploma in Education (PGDE) courses is paid by SAAS to the institution for each eligible Scottish-domiciled student accepting a full-time place.

SFC allocates funding provided by the Scottish Government through the university resource budget to institutions. SFC provides for around 120,000 full-time equivalent (FTE) funded places for eligible students each year. Each university is allocated a number of these FTE places and can recruit up to 10% over allocation. This is set out in the [SFC's Conditions of funding](#) for 2024-25.

While universities are not subject to a formal cap on student places, institutions pay the tuition fees of students recruited over and above the 10% threshold in any subject. The [Conditions of funding document](#) states SFC "may recover funding if universities under-enrol against funded places or over-recruit...subject to the tolerance thresholds".

[Scottish Government figures](#) show the average expenditure per university place (Teaching Grant plus assumed tuition fee income) for 2023-24 was £7,613 in cash terms; ten years ago [in 2013-14 it was £7,175](#).

In its [February 2024 report, the IFS](#) compared data over a ten-year period and found that funding per student was around 19% less in real terms than in 2013-14. This is down to the tuition fee per student remaining at £1,820 since 2009-10 and the main teaching grant per student rising by less than inflation.

During the Committee's [12 June session](#), Karen Watt said SFC and the Scottish Government needed to look at whether funded places are "in the right place" and "how we pay and how much we pay for those places". She said that there are more funded university places being provided than pre-Covid, and fewer students to fill them given EU students are no longer eligible for home fee status. Karen Watt suggested:

"The question might be, what do you want to do with the funding that is in those funded places? Do you want to redistribute it? Do you want to think more imaginatively about that unit of resource? That might be important, because there has been a real-terms decline in that resource over the past 10 years." – [Official Report, 12 June 2024](#)

During the Committee's [5 June evidence session](#), NUS Scotland and UCU stated that the model for funding higher education was not the issue; the issue was the cuts to funding per student over the last ten years.

Expanding on this, NUS Scotland's Ellie Gomersall said:

"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...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.” – [Official Report, 5 June 2024](#)

Dr Gavan Conlon of London Economics said that, when compared to England and Wales, there is a funding shortfall of about £1,500 per student in Scotland.

At the [Committee’s 12 June session](#), Universities Scotland’s Professor Iain Gillespie also stated that the Scottish Government needed to pay the costs of tuition in order to be “meeting its part of the deal for funding of domestic students”.

## Cut to funded student places

The [SFC’s University Final Funding Allocations](#) set out that the number of FTE funded student places will fall from 120,829 in AY 2023-24 to 119,385 in AY 2024-25. This is due to the removal of 1,289 FTE funded places for non-controlled subjects initially introduced in AY 2020-21 following revised 2020 SQA results. The final allocations also set out a reduction of 155 funded places for controlled subjects (nursing, paramedic education, teaching, medicine, dentistry, prosthetics and orthotics). Allocations by institution can be found in [SFC’s Final Allocations Table 3](#).

The final allocations document explains that institutions reporting the highest levels of under-delivery of funded student places in AY 2023-24 have had the most places removed. In its submission to the Committee, Universities Scotland raised concerns about post-1992 universities being more negatively impacted than others as a result of this.

SFC’s Final Funding Allocations document states that the changes to funded places for AY 2024-25 will not adversely impact Scottish students:

“Given that we are removing some funded places that have not been filled, and that European Union students are graduating from the system, this will not reduce places or opportunities for Scottish students. In addition, as we are not removing the full level of under-delivery, universities that have had funded places removed will need to increase their intake for AY 2024-25 to fill their overall number of funded places.” – [University Final Funding Allocations 2024-25, SFC](#)

In its [submission to the Committee](#), Universities Scotland states that the removal of the additional funded places was an opportunity for the Scottish Government to start to address the under-funding of undergraduate places by reinvesting the funding in the price per student:

“...our estimate suggests it would have made the difference between flat in cash terms (which was the outcome) or a 1% cash increase, without

additional cost to the Scottish Government.” – Universities Scotland submission

## Placed applicants

While final data on placed applicants will not be available until later in the year, UCAS data from SQA results day on Tuesday 6 August shows that 31,220 Scottish applicants had been accepted onto courses at Scottish universities in 2024 – up from 29,220 at the same point in 2023. **Table 3** sets out accepted applicants on SQA results days since 2019. It is important to note that the table provides a snapshot of application data at a particular point in time.

**Table 3: Scottish domiciled applicants accepted by Scottish universities (SQA results day)**

2019	2020	2021	2022	2023	2024
27,880	28,240	31,070	29,630	29,220	31,220

Source: [UCAS Daily Clearing Analysis, SQA results day 2024](#)

The [SPICe briefing for the Committee’s 5 June meeting](#) contains a table looking at Scottish domiciled placed applicants and acceptances to Scottish universities between 2018 and 2023. The data up to 2023 shows that the proportion of placed applicants was 75.7% in 2023 – the highest proportion in recent years.

Applicant numbers have fallen in recent years: from a high of 53,920 in 2021 to 46,655 in 2023. Despite this fall, the total number of accepted applicants has remained somewhat steady at 35,320 in 2023, 35,690 in 2022 compared to 37,520 in 2021.

## International students

The [universities sector has stated for a number of years](#) that the funding provided for each ‘home fee’ student does not fully cover the costs of teaching. This has resulted in many institutions using the income generated from international student fees to ‘cross-subsidise’ research funding and the teaching of ‘home fee’ students. It is important to note that not all institutions attract international applicants, and so the cross-subsidy option is not available to all. A breakdown of students at Scottish institutions by domicile can be found in the [SPICe briefing for the Committee’s 12 June meeting](#).

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

“According to forecasts, international fee income is expected to increase from £1,144m in 2021-22 to £1,289m in 2022-23 and to £1,617m in 2024-25, a 41% increase on 2021-22. Universities rely on this source of income to remain financially sustainable and to support other areas of their operations such as

research which can be a loss-making activity. But international fee income is an area of significant fluctuation and risk due to the competitive nature of international markets and geopolitical changes. As noted above, early data on international recruitment shows a less positive position in 2023-24 than expected.” - [Financial Sustainability of Universities report, SFC](#)

In its [response to the Scottish Government’s 2024-25 Budget](#), Universities Scotland raised concern about a possible fall in international student numbers. In its [submission to this Committee](#) ahead of the 12 June session, Universities Scotland stated data from November 2023 and February 2024 showed a fall of 20% in international postgraduate enrolments, with 12 institutions reporting lower than forecast intakes. The collective impact of such a fall was estimated to be £100m, and the biggest fall for a single institution was 79%.

However, [UCAS figures, released on 6 August \(SQA results day\)](#), show the number of international students accepted at Scottish universities and colleges increased by 3% this year; from 3,370 in 2023 to 3,480 in 2024.

During the [Committee’s 5 June evidence session](#), NUS Scotland, UCU and LE all stated the need to reduce reliance on international student fees for the purpose of cross-subsidising teaching of domestic students.

During the [12 June meeting](#), Commissioner for Fair Access Professor John McKendrick said the of the income brought into the system via international students:

“...I do not think that it is an unproblematic resource, because we have a quantum of resource for developing universities and, if that resource has been used to support international students, we have less scope to be innovative and focus on widening access.” – [Official Report, 12 June 2024](#)

Prosper’s Gareth Williams stated his organisation hoped the post-study work opportunities “will be retained by the next UK Government”, and Universities Scotland’s Professor Iain Gillespie said his sector was waiting to see the impact of changes to the post-study work visa.

## **Widening access**

Universities are currently [working toward a target to widen access](#) so that by 2030, students from the 20% most deprived backgrounds should represent 20% of full-time, first-degree entrants to Higher Education. Further background information is available in the SPICe briefing for the [Committee’s 12 June meeting](#).

While [SFC’s 2023 report on widening access](#) found the interim target of 16% of full-time, first degree entrants being from SIMD1 backgrounds by 2021 had been met, the percentage of entrants fell slightly from 16.7% in 2020-21 to 16.5% in 2021-22.

In his submission to the Committee, Commissioner for Widening Access John McKendrick stated concerns about meeting the next interim target of 18%:

"...there are indications that the rate of progress may not be sufficient to meet the next interim target in 2026." – Commissioner for Fair Access Submission to ECYP Committee, 4/06/24

The [Scottish Government's detailed analysis of the 2024 to 2025 Budget](#) highlighted there is "significant risk" that the reduction in HE resource budget will increase competition for university places and disadvantage learners from socio-economically disadvantaged areas. The analysis stated this requires monitoring of widening access requirements on institutions.

At the [Committee's 5 June meeting](#), UCU's Mary Senior raised concern that a reduction in staff headcount puts progress on widening access at risk, increases "unsafe" staff workloads and will have an impact on the student experience.

[UCAS figures, released on 6 August \(SQA results day\)](#), published in August this year, suggest this has not been the case so far. The figures show a 12% increase in acceptances to university across all age groups from the 20% most deprived backgrounds (SIMD1). The number of 17- and 18-year-olds accepted from SIMD1 has increased by 9%. In addition, the proportion of SIMD1 18-year-olds getting a place has risen from 14.6% in 2023 to 15.4% in 2024.

During the [Committee's 12 June evidence session](#), Commissioner for Fair Access Professor John McKendrick emphasised that universities choose which students to accept and: "If those schemes are working properly, there should not be an adverse impact on the direction of travel for widening access". However, Professor Iain Gillespie stated that there could be costs associated with supporting widening access students once enrolled in university. He also stated the attainment gap in schools "remains stubborn and needs to be addressed".

On the relationship between cuts to student places and the impact on widening access, SFC's Karen Watt said:

"None of the cuts that we made have taken out the widening access premiums. Many of those have been protected, because we recognise and accept that students from disadvantaged areas require additional support to succeed. Those premiums are being delivered largely through the post-1992 universities. We have taken out a small proportion of their unfilled places. That does not affect their intakes, and it should not affect their widening access targets." – [Official Report, 12 June 2024](#)

## Staffing

## Colleges

## National bargaining

The [National Joint Negotiating Committee \(NJNC\)](#) was established to jointly agree terms on issues including pay and conditions. It brings together colleges with unions EIS-FELA, GMB, Unite and UNISON and secretariat is provided by College Employers Scotland. The [National Recognition and Procedure Agreement \(NRPA\)](#)

was agreed by all parties and endorsed by the Board of Colleges Scotland in January 2015.

In the years since the establishment of the NJNC and the NRPA, pay negotiations have been challenging. While the Scottish Government does not have a direct role in negotiations, it commissioned the [Lessons Learned – resetting national collective bargaining in the colleges sector report](#) seeking recommendations to improve the process. This is known as the Strathesk report and was carried out in 2021-22.

The report found the issue of low trust between negotiating sides required to be addressed to make progress. It also found the “absence of a commonly accepted evidence base” posed a problem. It recommended that the national bargaining process should be reset, the Bargaining Agreement reviewed, a protocol on information sharing should be agreed, negotiating skills should be improved via training and behaviour should be reset away from “ill-tempered exchanges”.

The Scottish Government has not formally responded to the Strathesk report. [The Minister told Parliament during a Member’s Debate on Further Education Pay](#) on 7 May 2024 that the report stated Scottish Government intervention in past disputes had not been helpful. He encouraged employers and unions to “find a resolution and, more generally, try to facilitate an improvement in the approach to interaction between them.”

During a [Ministerial Statement to Parliament on 30 May 2024](#), the Minister said:

“There are those who have demanded direct intervention by the Government in the dispute, despite the financial position being crystal clear, the Strathesk Resolutions report being candid in branding previous interventions “unhelpful” and the national bargaining processes excluding such a role.” – [Official Report, 30 May 2024](#)

## Industrial dispute

There is currently an ongoing industrial dispute in the college sector surrounding pay negotiations. The current round of negotiations began in 2022. The initial pay offer was rejected by unions. Following this, a number of renewed offers have been made by College Employers Scotland and rejected by the unions.

The [current offer being put forward by employers is £6,500 over four academic years](#). At the time of writing, [EIS-FELA has suspended strike action and has opened an indicative ballot to members](#), recommending they accept the deal.

The [BBC Scotland News website reported comments](#) from the Minister stating that the Scottish Government is to make provision for “an additional £4.5m to support the cost of this pay deal” available in the 2025-26 college budget.

## Redundancies

The latest [SFC college staffing data was published in March 2024](#). This found that there were 10,957 FTE staff employed in the sector in 2022-23. This was a decrease of 120 (1.1%) on 2021-22, but an increase of 160 (1.5%) since 2014-15. In 2022-23,

49% of staff were teaching and 51% non-teaching. Since 2014-15, full-time staff numbers have decreased by 2.3% while part-time staff numbers have increased by 11%.

[SFC's Financial sustainability of colleges report](#) identifies staff costs as the main focus of savings in the sector, as options for non-staff savings are limited due to "previous cost reductions and current inflationary pressures".

The report states that staff reductions of 2,387 FTEs are projected over the period 2022-23 to 2025-26. This equates to the removal of 21% of FTE staff employed in the sector. These reductions are expected through: vacancy management (1,130 FTEs); voluntary severance schemes (1,103 FTEs); and compulsory redundancies (154 FTEs).

During the [Committee's 5 June evidence session](#), Audit Scotland's Mark MacPherson said staffing costs were the most significant element of colleges' cost base and 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".

EIS-FELA's David Belsey said:

"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." – [Official Report, 5 June 2024](#)

During the [Committee's 12 June evidence session](#), Colleges Scotland's Shona Struthers described the impact of a 21% reduction of FTE staff as "catastrophic, including on students".

## Fair work

The position of the college sector in relation to the Scottish Government's fair work and public sector pay policies has been an area of ongoing interest for this Committee. The [Minister wrote to the Committee in June 2023](#) stating that he had highlighted the importance of fair work practices in a letter to College Principals, making clear that "every effort should be made...to protect jobs".

In [July 2023, the Minister wrote again](#), stating that while Public Sector Pay Policy did not directly apply to colleges, it "acts as a benchmark", though "SFC requires assurance that any compulsory redundancies are a last resort and colleges must notify SFC of such intentions."

The [Cabinet Secretary stated in a letter to this Committee](#) in December 2023 that operational decisions around staffing were a matter for colleges and the Scottish Government does not have access to data on this. On compulsory redundancies, all options should be considered before turning to compulsory redundancies. While SFC should be informed at the "earliest opportunity", colleges are not required to seek



approval or submit a business case. At the [Committee's 12 June session](#), Karen Watt stated SFC is currently reviewing guidance on voluntary severance.

[SFC's Conditions of college funding document](#) for AY 2024-25 sets out that colleges should have a statement on fair work practices and should be "exemplars" of fair work practices and colleges must "have regard to public sector pay policy set by Scottish Ministers".

During the [Committee's 5 June evidence session](#), EIS-FELA's David Belsey said he had written to SFC to ask for clarification on their role in relation to enforcement of colleges' fair work obligations.

At the [Committee's 12 June session](#), SFC's Karen Watt said her organisation's role on fair work is to promote good practice and this may include exploring particular situations at institutions. She said SFC's new outcomes and assurance model is intended to set issues such as fair work obligations out more clearly and SFC will ask Audit Scotland to consider fair work statements in their audit of colleges. Karen Watt said as a funder, SFC was reluctant to claw back money from colleges where fair work obligations were found not to have been met, but that SFC can "publish material that ensures that colleges improve and do things differently".

Regarding SFC's powers, Karen Watt said that, following the Withers review, SFC had outlined to the Scottish Government ways in which the Further and Higher Education (Scotland) Act 2005 might be updated to better reflect the current landscape.

## Universities

[HESA data](#) on academic staff at universities in Scotland shows that headcount numbers have risen in the past three years, from 24,940 in 2020-21 to 26,745 in 2022-23. However, concerns about the impact on financial pressures on the sector were highlighted by UCU in evidence to the Committee. [UCU's submission](#) states that a "decade of underinvestment" in university education is "inevitably impacting upon staffing levels, jobs and workload, and on the student experience".

UCU states that voluntary severance schemes have been open at four universities, jobs have been lost elsewhere and non-renewal of fixed-term contracts is also an issue. Remaining staff face an increased workload and the ratio of students to staff is increasing.

## Scottish Teachers Superannuation Scheme (STSS) funding

STSS is administered by the Scottish Public Pensions Agency (SPPA) on behalf of the Scottish Government. The scheme covers academic staff mainly in the post-92 sector in Scotland. [Further information about the scheme can be found on the SPPA website](#).

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



agreement with the Scottish Government. [Further information about the funding can be found on the SFC website.](#)

From 1 April 2024, employer contributions increased to 26% following valuation of the scheme. As SFC's latest funding allocations do not provide funding for institutions, money will have to be found from existing budgets.

In evidence to the Committee on 5 June 2024, Mary Senior of UCU said that the UK Government is providing funding for the additional contributions for schools and colleges, and as a result of this there are Barnett consequential for the Scottish Government. UCU wrote to the Scottish Government in October 2023 asking for funding to continue and increase in line with the increase in contributions, however there was no response. Mary Senior told Committee members:

“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.” – [Official Report, 5 June 2024](#)

Mary Senior added that the increase in contributions coupled with the removal of SFC funding “has put so much pressure on the post-1992 institutions and staff”.

At the [12 June evidence session](#), Universities Scotland’s Professor Iain Gillespie also said universities impacted by the changes to STSS should be provided with support. SFC’s Karen Watt said that £4.8m was provided up until 2023-24, and SFC had been clear this was not a long-term contribution.

**Lynne Currie, Senior Researcher (FE/HE, Children’s social work, child protection and adoption)**

**28 August 2024**

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