

## INQUIRY SUBMISSION

# Scottish Affairs Select Committee inquiry into Universities and Scotland

Alan Palmer, Head of Policy and Research

October 2020

## Introduction

1. MillionPlus is the Association for Modern Universities, and the voice of 21st century higher education. We champion, promote, and raise awareness of the essential role played by modern universities in a world-leading university system. All seven modern universities in Scotland, representing 37% of students at Scottish universities, are members of MillionPlus.<sup>1</sup>
2. Modern universities are a vital component of the higher education landscape in Scotland and their reach is wide in every possible sense of the word. MillionPlus universities have campuses that span the full breadth of Scotland from Ayr to Aberdeen, from Musselburgh to Moray and from Inverness to Island communities. They have been responsible for extending higher education in Scotland in both a geographical sense and with regard to communities without previous experience of higher education.
3. Modern universities teach a wide range of subjects, including those vital for our public services where students at modern universities develop the skills that have been critical during the Coronavirus crisis. They also offer innovative and entrepreneurial courses, and create important research and knowledge exchange partnerships, making distinctive contribution to the local economy, particularly in their work with SMEs.
4. MillionPlus institutions account for 57% of students at university from the most disadvantaged SIMD quintiles.<sup>2</sup> They also enable access to education for those in rural communities and as such address deprivation in these areas. A recent study concluded that these institutions collectively contribute over £2bn to their regional economies, supporting over 30,000 jobs.<sup>3</sup> The sustainability of these institutions is of utmost importance to Scotland as a nation and to the students and communities that they serve.

## Modern universities in the Scottish tertiary system

5. The Scottish tertiary education sector is typified by diversity and a variety of missions, giving it characteristic and unique strengths. Higher education is just one part of a whole system that seeks to support student journeys through secondary, further and higher phases, with articulation and progression strongly built in. A single ministerial portfolio in the Scottish Government is an important enabler in this.

---

<sup>1</sup> The seven modern universities in Scotland are: Abertay, Edinburgh Napier, Glasgow Caledonian, Highlands and Islands, Robert Gordon, Queen Margaret, and West of Scotland.

<sup>2</sup> SIMD20 students, according to Scottish Funding Council data

<sup>3</sup> UCU/Hatch Regeneris, *Analysis on economic contribution of universities*, (2020) <https://www.ucu.org.uk/article/10924/Study-shows-Scotlands-universities-support-tens-of-thousands-of-jobs-and-generate-billions-for-the-country?list=1676>

6. Scotland's universities are major contributors to the social, economic and cultural life of the nation, providing highly qualified graduates to drive forward businesses, public bodies, and third sector organisations to create platforms for innovation, research and knowledge exchange, while acting as vital civic anchors and major employers.
7. Modern universities have these goals at the heart of their missions, coupled with a fundamental commitment to increase access and widen participation to all who are able to benefit from higher education. In this activity, these are central to the Scottish Government's broader aims and desired outcomes as articulated in its National Performance Framework, and at an international level contribute to sustainable development goals.
8. It is essential to not just maintain the diversity and reach of Scottish universities, but to strengthen them as pivotal players in their regions and facilitators of knowledge creation and exchange. The Scottish Government has already made welcome investments to support the sector, but some of the fundamental structures that existed before Covid-19 require reform.

#### The scale and nature of challenges and opportunities around funding for Scottish universities including funding models, deficits, overseas and EU students' fees.

9. A major factor holding the sector back is levels of public investment, which has declined continuously in real terms since 2013, with funding per student now substantially less than in Wales and England. The Scottish higher education system has suffered from structural underinvestment in learning/teaching - as well as research - for some time. This has been demonstrated consistently in recent Audit Scotland reports and annual TRAC surveys: the funding received to teach Scottish/EU students and to conduct research does not meet the full economic cost of delivery. Compared to universities in England, the per student resource for teaching can be up to £3000 lower in Scotland. International student recruitment is therefore an important income stream for Scottish universities, though that in itself presents challenges due to the nature of global education competition in normal times, and the massive disruption currently being caused by Covid-19 restrictions on international travel.
10. The most recent Audit Scotland report – *Finances of Scottish Universities* – was published in September 2019.<sup>4</sup> It noted that funding from the Scottish Government to the Scottish Funding Council (SFC) reduced by 7% between 2014/15 and 2017/8 – from £1.2bn to £1.1bn. This decline in investment is most acute for Scotland's modern universities, which on average derive 70% of their income from the SFC.
11. Audit Scotland also noted that ten of the eighteen universities it analysed reported a deficit in 2017/18, up from eight in deficit in 2014/15.<sup>5</sup>
12. The short- and long-term model for tertiary education in Scotland must be based upon a sustainable investment model for these core functions. The Scottish Government is committed to ensuring that university education is fee-free to individual Scottish undergraduate students. This decision, along with the relatively low priority attached by the Scottish Government to providing public funding for higher education, in comparison with other areas of public spending, has led to underinvestment in teaching

---

<sup>4</sup> [https://www.audit-scotland.gov.uk/uploads/docs/report/2019/nr\\_190919\\_finances\\_universities.pdf](https://www.audit-scotland.gov.uk/uploads/docs/report/2019/nr_190919_finances_universities.pdf)

<sup>5</sup> Although there are 19 universities in Scotland Audit Scotland excludes the Open University from its analysis because its financial statements do not differentiate operations in Scotland from the rest of the UK.

and learning, which risks the quality of the student experience and threatens to undermine the sustainability of Scotland's universities.

13. The different approaches to funding higher education tuition in England and Scotland mean that Scotland receives funding from the UK Government via Barnett consequentials as a result of the UK Government's decision to lend money to English domiciled students for the cost of the university courses. This specific aspect of Barnett has led to a rapid rise in 'financial transactions', between the Scottish Government and Scottish universities. This lending is being used in Scottish higher education primarily for capital funding for university infrastructure. This lending has partly compensated for the near collapse in dedicated capital funding for Scottish universities, however, it means that Scottish university capital investment is particularly reliant on the approach taken by the UK Government in supporting English domiciled students.

#### How Scottish university research fits in with UK university research

14. Scottish universities are importers and exporters of global talent – both through learning and teaching and through research and innovation. As with other nations within the UK, the strength of the research and innovation produced by Scottish universities is to a large extent due to the dual funding approach to research – an approach that should be maintained.
15. In research and innovation, Scotland and the UK more generally have been disproportionately successful in securing research funding in partnership through the Horizon 2020 programme and other EU projects. These partnerships can be sustained but require UK Government support to enable engagement in future EU funding schemes or for UK Government to financially support ambitious, impactful funding streams to draw talent into Scotland.
16. The end of the Brexit transition period marks the end of the country's participation in a series of programmes that collectively invested nearly €16.5bn into the UK since 2014.
17. These programmes – the European Regional Development Fund, the European Social Fund, the European Maritime and Fisheries Fund and the European Agricultural Fund for Rural Development – have been of huge value to the UK, in particular to the areas of the country outside the growth engines of London and the south east. Like Wales, Northern Ireland and the English regions, Scotland has benefited enormously from this investment, which has led to the implementation and completion of major projects, as well as significant regional economic development. As such, there is huge concern about how this investment may continue from January 2021, and the risks to the Scottish higher education sector if it is reduced.
18. A key component of the UK leaving the European Union is the notion that the UK Government will be better equipped to target capacity building and infrastructure provision currently funded under the European Structural and Investment Funds. The UK Government has long discussed diverting the investment in these programmes into a new Shared Prosperity Fund. There remains little information on the shape, structure, and purpose of this new fund. For example, will its value be equivalent to what is spent now, or will it receive additional investment from the UK Government. It is also unclear how the Shared Prosperity Fund will be managed. Will it be a reserved matter, or will investment decisions be devolved?
19. This is a huge unknown, but something that will have a significant impact whatever is decided. Regardless of these specific decisions it is vital, however, that Scotland continues to receive at least the same amount of investment in absolute terms as it does now, and that any increases to the fund are

shared throughout the UK proportionately, whether actual investment decisions are reserved or devolved. There is also a need to ensure that there is appropriate distribution of funding within Scotland – that is, place-based funding that recognises the different needs of different regions. Modern universities are well placed to support place-based initiatives

20. This new Shared Prosperity Fund investment will, much like with other UK wide investment such as for research or capital infrastructure, have Barnett consequentials. Funds that flow to the Scottish Government due to Barnett consequentials are not hypothecated, and this should continue to be the case.

#### UK Government policy and how it effects universities, students, employees and research in Scotland

21. There are two particular areas of UK government policy, both related to the post-Brexit environment, that risk negative impacts on Scottish higher education. The first is that there remains no decision yet on whether the UK will associate with the European Union's Horizon Europe programme.
22. As noted in paragraphs 15-19, Scotland's universities have benefited significantly from participation in and investment from European Union research investment. It is still unclear whether the UK will associate with Horizon Europe, as a decision cannot be taken until the UK-EU negotiations have been completed. Were the UK not to associate with Horizon Europe, it would have damaging consequences for Scottish universities, removing opportunities not just for investment, but also for hugely important research collaboration.
23. The second area of UK Government policy that presents a challenge is the tension between the Scottish Government's preferred approach to immigration and that of the UK Government. The new tradable points system<sup>6</sup> and the graduate route may reduce some of this tension, however, there remains a de facto salary threshold in place which may still impact upon the ability of Scottish universities to recruit, especially in comparison to institutions in other areas of the UK.
24. Many of the conditions for international connectedness and competitiveness are created by the UK Government, for example through rules on immigration and decisions on engagement with future European programmes such as Horizon Europe. As the recent Muscatelli report (2019) points out, one of the great strengths of the Scottish university sector is that it is outward-looking and global in its reach and influence.<sup>7</sup> It is therefore vital that the Scottish sector is enabled to reinforce this strength in the post-Brexit scenario, and not hampered by UK Government decisions.
25. It is vital that the needs of Scotland and Scottish universities are factored into all discussions in this policy area. Arguably, there needs to be a greater focus on regionality when setting salary thresholds, and in allowing regional variation when considering needs based on skills shortages. This is complex, so needs specific focus by the Home Office and UKVI to ensure that no decisions are taken without properly evaluating the impact on Scotland and Scottish universities.

---

<sup>6</sup> <https://www.gov.uk/government/publications/uk-points-based-immigration-system-employer-information/the-uks-points-based-immigration-system-an-introduction-for-employers#a-total-of-70-points-is-needed-to-be-able-to-apply-to-work-in-the-uk>

<sup>7</sup> Muscatelli, Anton (2019), *The Muscatelli report: driving innovation in Scotland – a national mission* [https://www.gla.ac.uk/media/Media\\_700300\\_smx.pdf](https://www.gla.ac.uk/media/Media_700300_smx.pdf)

26. The decision to discontinue financial support for EU/EEA students from January 2021 provides the Scottish Government with an opportunity that is rarely available to governments – that is the ability to significantly increase the per student investment in Scottish higher education, without creating an additional burden on the taxpayer, or requiring budget reductions elsewhere. There is a strong argument for the Scottish Government allowed the funding that is currently allocated to support EU/EEA students to be retained by the Scottish Funding Council to increase the base price per student and to invest in ‘bottom-up’ strategic initiatives to enhance teaching and learning. Such a move would significantly improve the unit of resource for teaching, without reducing opportunities for Scottish domiciled students.

### Conclusion

27. It is essential to not just maintain the diversity and reach of Scottish universities, but to strengthen them as pivotal players in their regions and facilitators of knowledge creation and exchange.
28. A major factor holding the Scottish higher education sector back is levels of public investment, which has declined continuously in real terms since 2013, with funding per student now substantially less than in Wales and England. The Scottish higher education system has suffered from structural underinvestment in learning/teaching - as well as research - for some time.
29. As with other nations within the UK, the strength of the research and innovation produced by Scottish universities is to a large extent due to the dual funding approach to research – an approach that should be maintained.
30. The UK Government has long discussed diverting the investment in EU programmes into a new Shared Prosperity Fund. There remains little information on the shape, structure, and purpose of this new fund. For example, will its value be equivalent to what is spent now, or will it receive additional investment from the UK Government. It is also unclear how the Share Prosperity Fund will be managed. Will it be a reserved matter, or will investment decisions be devolved?
31. It is vital that the needs of Scotland and Scottish universities are factored into all discussions in immigration policy, particularly student and academic visas. Arguably, there needs to be a greater focus on regionality when setting salary thresholds, and in allowing regional variation when considering needs based on skills shortages.
32. There is a strong argument for the Scottish Government allowed the funding that is currently allocated to support EU/EEA students to be retained by the Scottish Funding Council to increase the base price per student and to invest in ‘bottom-up’ strategic initiatives to enhance teaching and learning. Such a move would significantly improve the unit of resource for teaching, without reducing opportunities for Scottish domiciled students.