



Media Release

Attention: Education Correspondents
Political correspondents

For immediate release

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As report shows an annual funding gap of at least £200 million, university leaders say responsibility for the Scottish solution must now pass to politicians

University stakeholders learned today that Scotland's universities will face a teaching funding gap of at least £200 million a year, as a result of changes to the way universities in England are funded.

The report of the Green Paper's expert technical group was published today (28 February) a day ahead of the HE Summit on 1st March in Glasgow which brings a range of stakeholders and all political parties together and will be chaired by Mr Russell, Cabinet Secretary for Education and Lifelong Learning. The expert group, co-chaired by the Scottish Government and Universities Scotland, has been working in parallel to the Green Paper consultation which closed on 25 February. The group, called for by Universities Scotland back in October, was assigned the task of modeling the scale of the funding gap and attaching figures to the six 'solutions' proposed in the Green Paper.

Speaking about the size of the gap and the challenge facing Scotland's politicians, Acting Convener of Universities Scotland, Professor Sir Tim O' Shea said:

"All of Scotland's political parties have made much valued promises to protect the quality and accessibility of university teaching and competitiveness of Scotland's universities. However, it has been important to Universities Scotland that before committing to a solution, politicians are aware of the scale of the financial challenge facing the sector and the viability of the options available to address it. We are very pleased to have had the opportunity to do this in such a robust way as the expert technical

group has allowed. It is important that we now have authoritative Scottish Government endorsement of the scale of the challenge.

“The figures presented today do not and cannot put a single definitive figure on the scale of the teaching funding gap, but they do show the scale of the challenge facing our universities. An annual funding gap of £200 million does not even represent the worst case scenario. This may be exceeded depending on English universities’ final decisions on fees.

“The need to find a Scottish solution is of national importance but it has always been and can only be a political decision. Now that politicians have robust figures on the scale of problem and on the range of options it is for them to propose a sustainable and long-term solution to maintain accessibility, protect quality and ensure our universities remain a national asset for Scotland.”

The report of the technical group models the size of the funding gap that will open up between Scottish and English universities depending on what the average level of fee charged by English universities is within the range £7,000 - £8,500 (in flat cash terms and indexed to inflation). The report acknowledges that the UK Government anticipates the average fee level in England to be around £7,500 per year. If this was to be the case, this would create an annual teaching funding gap of £202 million (if the £7,500 fee is indexed to inflation as expected. See table 1 on page 2 of the report).

The report also models how the potential revenue raised from a range of options can help close the funding gap including, increasing income from cross-border flows, introducing a fair and modest graduate contribution, a business contribution, increased philanthropic giving and increased efficiencies.

Alastair Sim, Director of Universities Scotland, said:

“We have said repeatedly that there will be no one solution to university funding. However, today’s report shows that even if you

were to increase income from cross-border flows by charging fees in excess of £6,000 to students from the rest of the UK, this still leaves an annual teaching funding gap of well over £100 million if English universities charge an average of £7,500.

“The size of this gap makes it hard to see how public funding alone would be enough to sustain Scotland’s universities without fairly significant reprioritisations from within the public purse. A fair and modest contribution from those graduates who see financial benefit from their degrees could help to maintain availability of places, assure quality of education and keep the sector competitive.”

The report makes no judgment on any of six solutions nor does it comment on the legal or operational implications of each of the options. Although people may draw different conclusions from the report’s findings, Universities Scotland stands behind the work of the technical working group. The report and the figures within provide a vital platform in terms of future discussion and decision around higher education funding. In its submission to the Green Paper, Universities Scotland argued that stakeholders should be conscious to potential unintended consequences of any one of the solutions. Increasing fees to students from the rest of the UK could have a negative impact on demand; a possibility that is modeled in the report. Other solutions such as increased efficiencies and revenue from philanthropic giving are limited in their ability to help close a funding gap between Scottish and English universities as universities south of the border are also energetically pursuing these options.

The technical group was co-chaired by the Scottish Government and Universities Scotland, however other key stakeholders such as NUS Scotland and UCU Scotland, both of whom had made strong representations for particular solutions, were invited to contribute to the group’s work throughout February.

Ends

NOTES:

- Link to the final report of the technical working group can be found at: <http://www.scotland.gov.uk/Topics/Education/UniversitiesColleges/16640/stakeholdergroups/ShortlifeWorkingGroup>
- It is important to remember that the report of the expert group considers only the teaching funding gap between universities in Scotland and England. Continued availability of research and capital funding, currently funded by the Scottish and UK Government respectively is not speculated upon at all. Figures previously released by Universities Scotland indicate that capital funding alone will see an annual shortfall of £54.4 million by 2014/15 as a result of funding cuts already made.
- Key findings of the expert technical group:

As English universities are not yet able to set their fee levels (in the range £6,000-9,000) for academic year 2012-13, the expert group had to model a range of scenarios to show the impact depending on what the average fee settled at. English universities are expected to announce their fee levels following access agreements with the Office for Fair Access in a couple of months time. Oxford, Cambridge and Imperial College London have already announced their intention to charge £9,000 per year.

The table below is taken from the report of the technical group on higher education

Table 1: Potential Funding Differences by 2014/15

Average English Fee	Annual funding gap by 2014/15	Comments
£7,000 (not indexed)	£96m	Assumes that the average English fee is set at the lower end of the £6,000 to £9,000 range and is not indexed in line with inflation.
£7,500 (not indexed)	£155m	Assumes that the average English fee is set at the level adopted by the Treasury and is not indexed in line with inflation.
£7,500 (indexed)	£200m	Assumes that the average English fee is set at the level adopted by the Treasury in 2012/13 and is increased with inflation.

£8,000 (indexed)	£263m	Assumes that the average English fee is marginally above the Treasury's assumptions and is increased with inflation.

Note: The figures take into account both the reductions in higher education funding in England announced by HEFCE on 2nd February 2011 as well as the 10% increase in teaching income by the end of Spending Review period which English universities have been promised

- Members of the expert group:

Technical group:

Dr Andrew Scott (Chair)	Scottish Government
Stephen Kerr	Scottish Government
John Ireland	Scottish Government
Alastair Sim	Universities Scotland
Phil McNaull	Heriot-Watt University
Dr Alexis Cornish	University of Edinburgh

Economist Panel:

Dr Andrew Goudie	Chief Economic Advisor, Scottish Government
Professor David Bell	Stirling Management School
Professor Neil Kay	University of Strathclyde
Professor Anton Muscatelli	Principal, University of Glasgow

The members of the economist panel were asked to test the appropriateness of the methodological approach taken by the expert group and to ensure the findings were robust.