

Universities Scotland's submission to the Inquiry on Value for Money in Higher Education

Key points

- Scottish higher education is a high performing sector, delivering a strong return on the public investment in terms of student outcomes, impactful research and levels of engagement with the business community. Universities lever in £2.4 billion of investment using the £1.1 billion of investment from the Scottish Government, and universities contribute £7.1 billion of gross value added and 1.6 per cent of all Scottish jobs.
- The Auditor General concluded that teaching and research in Scottish universities is underfunded in her 2016 report. Audit Scotland found teaching funded at 94 per cent of cost (now more likely to be 90 per cent) and research funded at 86 per cent.
- The Auditor General found Scottish higher education institutions to have exceeded their efficiency targets but cautioned about diminishing returns in efficiency saying there is: *“less potential for the same level of efficiency savings...”*

Introduction

1. Universities Scotland welcomes the opportunity to submit evidence on the value for money offered by higher education in Scotland. The Scottish Government's policy of free higher education for Scottish and EU-domiciled undergraduate students means that Scottish higher education operates in a different context to that of higher education institutions in England. However, we are acutely aware of our responsibility to deliver value for money for the public investment we receive.
2. Our response follows the format of the Committee's questions however, we feel there are additional and important aspects of universities' activity that deliver value for money and are not covered by the questions. Given the significant differences between the funding models for higher education in England and Scotland, we make some initial points to address both of these things.
3. Universities Scotland is the representative body of Scotland's 19 higher education institutions. Whilst higher education is devolved to the Scottish Parliament, there are some matters that directly affect Scottish higher education, including research funding through UK Research and Innovation and immigration policy that are reserved. Other policy issues that relate only to English or rest of UK universities, like the fee regime in English universities, can have indirect effects on Scottish higher education.

Delivering value for money

4. Universities are a major industry in their own right and have a significant role in the creation of jobs. In Scotland, universities deliver £7.1 billion of gross value added to the economy and contribute £1.5 billion towards Scotland's total exports.¹

¹ Universities Scotland (2017) Going for Growth

5. Scotland's universities directly employ 42,900 people which equates to 1.6% of all employment in Scotland² and indirectly support another 142,000 jobs.³
6. We have an important role to play in Scottish society and culture. As an example, over 1.5 million people attended free exhibitions, museums, public lectures and arts performances put on by universities across Scotland in the last year.
7. We recognise the significant public investment that goes into university teaching, research and capital and we are proud of the rates of return we deliver. Scotland's higher education sector received a total income of £3.5 billion in 2014/15, of which £2.4 billion is levered in from external and competitively-won sources off the back of £1.1 billion of Scottish Government investment.⁴ When it comes to the university estate, universities return £5 for every £1 of investment in capital.
8. On the research side of our business, we are highly effective in making the public pound go so much further by leveraging in direct external investment. Scottish HE won over £1.5 billion of research funding and contracts from outside Scotland. 86 per cent of research in Scotland's universities, submitted to the 2014 REF, was found to have 'outstanding' or 'very considerable' impact.
9. Universities have a major role in delivering innovation and supporting existing business to innovate. Scottish universities work with 18,000 business every year and we have the highest level of spin-out company creation outside of London.
10. We are ambitious to do more and have delivered a programme of 12 actions over the last two years under the #business-minded heading to make it even easier for business to engage with us through streamlined process' and greater consistency in the experience.⁵ A new, single platform to reach over 1,200 pieces of university equipment and facilities has seen business use increase by 271 per cent. Scotland's 19 universities now have a shared set of principles for spin-out formation and a set of five common contracts for use on high-volume innovation interactions with Scottish businesses. Universities meet have bi-annual strategic communication meetings with business leaders involved in the eight Innovation Centres and have recently reviewed business need with many of Scotland's Industry Leadership Groups.

The funding context in Scotland and HE efficiency

11. Devolution has led to clear differences in the funding model for higher education north and south of the border. The decision on how to fund teaching in universities will always be a political one. Our interest lies in ensuring that we are funded at sustainable and competitive levels. The Scottish sector faces a number of sustainability challenges:
12. An independent assessment of funding in higher education in Scotland by Audit Scotland in 2016 found that Scottish universities recovered only 94.2 per cent of the full economic cost of publicly funded teaching in 2014/15.⁶ This figure includes the teaching of Scottish and EU students, as

² Oxford Economics (2017) The Economic Impact of Universities in 2014/15.

³ Biggar Economics (2016).

⁴ HESA Finance Record 2014/15.

⁵ Universities Scotland (2017) Business-minded.

⁶ Audit Scotland (2016) [Audit of Higher Education in Scotland's Universities](#)

funded by the Scottish Government, but also fee-paying students from the rest of the UK so is likely to understate the under-funding of Scottish and EU students. Further, as the teaching grant has received further real terms cuts since 2014/15, we estimate that this figure is now around 90 per cent of cost.

13. Our research faces funding challenges too. Audit Scotland reported that university funding from all sources covered 84.8 per cent of the full economic cost of undertaking the research in 2014/15. This means that the funding received was less than the full costs incurred. Funding from the UK Research Councils covered 74.3 per cent of its full economic cost, and UK charity funding covered 65 per cent.
14. The Audit Scotland report on HE funding in Scotland noted the sector's strong performance on efficiencies remarking that: *"...bodies were required to achieve three per cent efficiency savings each year. The university sector reported savings of £200 million, which exceeded this target... As organisations with high staff costs, it will become more difficult for universities to make the same scale of efficiency savings in the future..."* It further stated: *"the gap between the target sustainability surplus to cover long-term costs for the sector and the actual surplus made in 2014/15 was 2.5 per cent, or 3.9 per cent excluding RDEC. This means the sector, as a whole, is not generating enough surplus to enable universities to invest in, and maintain their estates, in the medium to longer term. This is combined with increasing pressures from rising costs, possible reductions in public sector funding and less potential for the same level of efficiency savings in support services."*⁷

Graduate outcomes and the use of destination data

15. Graduate destinations are very positive with Scotland's universities delivering the highest average starting salary in the UK of £22,500 within six months of graduation. This summer's data showed that 91 per cent of graduates from Scottish universities were in positive destinations after six months and of those starting work immediately upon graduation, 72 per cent are in graduate-level jobs.⁸
16. Employment is one of many successful graduate destinations. Graduate entrepreneurship is a growing and shared focus in Scotland. There is now a culture of enterprise on campus that is producing results. The number of student start-ups coming from our universities increased by 28 per cent in two years, beating the target of 25% that we set ourselves in [Making it Happen](#) a year ahead of schedule.
17. Whilst destinations data is of clear interest, care needs to be given to avoid over-reliance on starting-salaries as a marker of value for money from higher education. Salary is not the only measure of the value of a career. Universities educate nurses, teachers, social workers, those with early-stage portfolio careers in the creative industries and a number of other professionals who play a vital role in our society but which are not highly rewarded in terms of remuneration.

⁷ Audit Scotland (2016) [Audit of Higher Education in Scotland's Universities](#)

⁸ HESA (2017) Destinations of Leavers of Higher Education.

Social justice in higher education and support for disadvantaged students

18. Scotland's universities want a fully diverse and inclusive student population in our universities; one that reflects every aspect of the communities, country and world that they are part of. Widening access (or widening participation as it is often referred) is fully devolved to Scotland and the key metrics used to assess performance are different. Scotland uses the Scottish Index of Multiple Deprivation (SIMD) and comparisons to other parts of the UK using UK-wide metrics are unreliable.⁹
19. Currently 14 per cent of Scottish-domiciled entrants to Scottish higher education institutions are from the 20 per cent most deprived data zones (SIMD20).¹⁰ Scotland's universities are making progress. This summer, an additional 470 SIMD20 applicants were placed in Scottish institutions by Higher results day. This is a 13% increase compared to 2016. However, we share an ambition to see a faster rate of progress.
20. The First Minister has set a target that by 2030, 20 per cent of entrants should be from SIMD20. Universities will play a full part in achieving this ambitious goal. It has the best chance of success if Scotland takes a holistic approach to access at all levels of education and society and is successful in closing the attainment gap in schools. At present, only 42.7 per cent of school-leavers from the most deprived 20 per cent of areas achieved one or more Higher qualification (or equivalent) compared to 81.2 per cent of school-leavers from the least deprived 20 per cent of areas.¹¹
21. In November this year, Universities Scotland will publish a set of 15 actions to widen access that we believe will remove as many obstacles to access and create as many opportunities as are in our power. Our work focuses in three broad areas of contextualised admissions, increasing articulation into university and increasing where full-credit can be given for existing qualifications and in bridging programmes from school. We believe this set of actions will go further than the 10 recommendations that the Commission on Widening Access intended for universities to deliver. We would be happy to share this work with the Committee when it is published.
22. It is important that the issues of widening access and retention are linked. The Scottish Funding Council's triennial report on widening access notes that the retention rate of students from the most deprived communities is lower but also states: "*but overall they are improving and the gap with other students is narrowing.*"¹² The retention rate of SIMD20 students has been a particular

⁹ Scotland is often compared to England on its performance on widening access using POLAR3, state school indicators or NS-SEC. However, these comparisons are unreliable and unhelpful. POLAR3 does not work for Scotland at all and its use has been discontinued for Scotland by HESA and UCAS. A significant minority of Scottish higher education is delivered in further education colleges which is not captured in cross-UK comparisons. SIMD covers seven domains of deprivation. The measure was updated in 2016. <http://www.gov.scot/Topics/Statistics/SIMD>

¹⁰ SFC (2017) for AY 2015/16. This measure is full-time, first degree entrants of all age groups. It is the measure supported by the Commissioner for Fair Access.

¹¹ Scottish Government (2017) [School-leaver Attainment by SIMD](#)

¹² SFC (2017) [Triennial Review on Widening Access](#)

focus. This has been steadily increasing from 84.6 per cent in 2010/11 to 86.4 per cent in 2015/16 thus closing the gap to the average retention rate which was 90.5 per cent.¹³

Representation of other groups of students

23. Black and Minority Ethnic students in Scotland (BME) were 8 per cent of full-time, first-degree Scottish-domiciled undergraduate students in 2015/16. As context, 4% of Scotland's population was BME in the 2011 Census.¹⁴ This figure has risen steadily from 4.7 per cent in 2002/03.
24. Students declaring a disability were 11.5 per cent of full-time, first-degree Scottish-domiciled undergraduate students in 2015/16. This data has been consistently moving in a positive direction, with this group of students increasing steadily since 2002/03.

Senior management pay in universities

25. Principals fully accept that the process for determining the pay of Vice-Chancellors and other senior staff needs to have the confidence of all staff, students, Government and the wider public. New measures relating to remuneration committees in the 2017 edition of the [Scottish Code of Good Higher Education Governance](#) (published October 2017) will further increase transparency and accountability in the decision making process for senior pay in Scotland.
26. The 2017 edition of the Scottish Code makes new requirements of the membership of remuneration committees, including:
 - that no category of governing body member should be excluded from membership (which in Scotland includes staff, trade union representatives and students as well as lay members).
 - a new requirement to seek views from representatives of staff and students and recognised trades unions in relation to the remuneration package of the Principal and the senior executive team.
 - guidance that public sector on the kinds of evidence that remuneration committees should consider in its decision-making including appropriate comparative information on salaries and other benefits and conditions of service in equivalent positions in other organisations that also receive public funding.
28. It is worth stating, unequivocally, that Principals have no role in the discussion or decision-making process for their own pay. Good governance in higher education is the responsibility of the Chairs of Court. The Committee of Scottish Chairs meets as a network. It commissioned the development of the 2017 Code which was led by a steering group that included members from the STUC and NUS Scotland.

Quality and effectiveness of teaching

29. Scotland is very proud of its enhancement-led approach to quality in teaching and learning. Students have been a key partner in this system for over ten years. Student satisfaction is high in Scotland with 86% of respondents saying the course is stimulating, 90% saying staff are good at

¹³ SFC (2017) [Report on Widening Access 2015-16](#) This retention data from SFC are not comparable to the HESA non-continuation data for the UK.

¹⁴ SFC (2017) [Report on Widening Access 2015-16](#)

explaining things and 87% saying they have been able to contact staff when they've needed to.¹⁵ Recent [enhancement themes](#) delivered in Scottish higher education include employability, linkages between teaching and research and student transitions into, through and out of university.

30. Scottish higher education recognises the role that global citizenship contributes to our graduates' success. There has been a huge focus on outward mobility to encourage an historically reluctant Scottish-domiciled student population to study abroad. We're delighted to see a 33% increase in the number of students in Scottish universities taking-up Erasmus+ opportunities for outward mobility between the 2015 & 2016 calls alone. Nearly one in ten Scots now take up the chance of study abroad.

TEF

31. The introduction of the Teaching Excellence Framework (TEF) has not had the same impact in Scotland as in the rest of the UK. This is to be expected given Scotland already has a well-established and respected model for high quality teaching.
32. Five universities in Scotland chose to enter the Teaching Excellence Framework (TEF) in 2017. They were awarded [three gold ratings and two silver](#).
33. We have been pleased to have had close engagement with both the Department for Education and the Scottish Government throughout 2016/17 to explore how TEF can be sensitive to differences between the Scottish and English higher education contexts. We look forward to continuing that engagement as TEF continues to develop. We support Universities UK's view that it will be important that the independent review of the TEF, as required by the Higher Education and Research Act 2017, represents a genuine point of reflection for the development of the TEF. This is crucial given that only 2% of the UK higher education sector responding to Universities UK's survey believe that the TEF actually measures 'teaching excellence' for students.¹⁶

UK Quality Code

34. The Committee will be aware of the QAA consultation on the new UK Quality Code. Universities Scotland will make a full and considered response to the consultation. We value the distinctive approach to quality taken in Scotland but also value that this sits within a UK-wide structure. Our initial impressions are that the Code is England-centric with less focus on enhancement and on student engagement than we would like to see. Both are key elements of the Scottish approach.

The role of the Office for Students

35. The Office for Students does not have a remit for Scottish higher education. However, decisions taken in the English sector do often have a direct or indirect effect on Scottish higher education. Nicola Dandridge's appointment as Chief Executive, and her former experience as Chief Executive

¹⁵ National Student Satisfaction 2017 for Scottish HEIs.

¹⁶ Universities UK, 2017 Review of the Teaching Excellence Framework Year 2

of Universities UK, gives us every confidence that the OfS will be alert to cross-border implications of OfS policy and practice and look to engage Scottish HE.

ENDS