Impact of the 2022/23 budget allocation for universities

- The HE resource line in the budget for 2022/23 suggests a £21 million uplift but this funds an expansion in 2,797 undergraduate places (to accommodate the increase in eligible school-leavers due to SQA exam results during the pandemic). It does nothing to the unit of resource invested per student, which has fallen by £869 since 2014/15. The budget will be another real terms cut in funding, compounding the overall pattern of real term cuts since 2014/15 (more on this below). This is now reaching a critical point.

- **Funding for graduate apprenticeships gone after one year.** The 2022/23 budget sees universities lose £7.4 million in COVID consequentials which funded 1,378 graduate apprenticeships and which are a multi-year commitment. Universities are seemingly expected to absorb the £7m cost themselves in order to honour students’ education and the relationship with employers. Doing so takes further resource away from students on undergraduate programmes (and exacerbates the situation described above).

- More broadly, during the height of the pandemic universities received COVID consequentials to support many student, teaching and research-focused activities. None of this funding has been continued and none of these sums have been listed in budget lines which makes the steep fall in resource between 2021/22 and 2022/23 less apparent. Where COVID funding from the Scottish Government addressed a COVID-specific pressure point due to lock-down (such as £10million to cover student rent rebates or to address students’ digital poverty) the non-continuous nature of this funding makes sense. Where COVID consequentials covered universities’ long-term commitments to students, to research and other stakeholders, it leaves universities in a vulnerable position going forward. The comparative drop in funding between 2021/22 and 2022/23, as experienced by universities, is much greater than appears from looking at the budget in isolation.

- The full impact of the budget for universities won’t be known until the Funding Council does the financial year (FY) to academic year (AY) conversion for 2022/23 which is due in March 2022.

Data highlighting the longer-term financial pressures facing Scotland’s universities:

- **Borrowing to keep going.** University borrowing has increased to £1.7bn. This sum is £556.3 million more than the total sum of public investment in universities and equates to a sum of £12,281 of borrowing per Scottish-domiciled student (which is considerably more than the average for public funding per student). Universities have also had to offer increased covenants to manage the stability of the Universities Superannuation Scheme (USS). These commitments, giving the USS pension scheme security over a proportion of institutions’ assets, further constrain universities’ borrowing power.

---

1 Scottish Government (2021) *Scottish Government Budget 2022/23*. Table 7.06.
3 Graduate apprenticeships were funded from COVID consequentials in 2021/22 so this funding line did not appear in the budget lines for universities for 2021/22. The loss of this funding is less obvious from looking at the budget for 2022/23.
4 Scottish Funding Council (2021) *Review of Coherent Provision and Sustainability*. 
• **Record deficits.** 50% institutions are forecasting deficits in 2020-21. At the sector aggregate level there is only a 1% surplus for re-investment, far below the prudent minimum needed to support investment (para 6.37).  

• **Chronic under-investment.** Teaching is funded at £157 million per year below cost.

• **Less for every student.** Prior to the 2022/23 budget, the unit of resource for teaching activity in the university sector has reduced in real terms by 13% compared with 2014-15. This means there is £869 less going into every year of an undergraduate’s degree now (2021/22) compared to in 2014/15.

• **Over 18,000 “fees-only” students.** There are 18,680 “fees-only” students in the university sector as of 2020/21- who receive only a fraction, at £1,820 per year, of the average funding level per student.\(^6\) The SFC Review notes that the “fee element” of university teaching funding, which accounts for around 24% of the public investment universities get for their teaching, has not increased with inflation in over a decade, staying at £1,820 since 2009/10, reducing its real term value by over 20%.

• **Under-investment makes higher education an outlier in the education sector.** The pattern of under-investment in higher education is at odds with the Scottish Government’s level of investment in other parts of the education sector since 2014/15. In contrast to a 13% decline in teaching funding for universities since 2014/15, investment in pre-school education has increased by 85.4% to £7,397 for pre-school learners; primary school investment has increased by 10.4% to £6,143 for primary school learners and investment in secondary school learners has increased by 4.2% to £8,278.

• **Research underfunded.** The Funding Council confirms that its level of investment in research is at £328 million below the full cost.\(^9\) Funding for SFC’s Research Excellence Grant has declined 13% in real terms since 2014/15.

• **Funding cuts impacts on research competitiveness.** This grant is the backbone of the competitiveness of Scottish research and as the grant has fallen, there has been a corresponding fall in our competitiveness in winning UKRI research grants, thus bringing a lower proportionate share of UK resource into Scotland. Scotland’s percentage share of UKRI income has fallen from 15.4% in 2013/14 to 12.96% in 2019/20. Every percentage point lost equates to a loss of £20 million that could have come into Scotland, supporting the economy and jobs.

---

\(^5\) SFC Review (2021) para 6.44.

\(^6\) Scottish Funding Council Students Eligible for Funding 2020-21 (sfc.ac.uk) para 34

\(^7\) “fees only” does not mean that the student pays fees. The student is still funded by the Scottish Government but at a level considerably lower than the average funding per Scottish-domiciled student.

\(^8\) SFC review. Para 6.25. The fees element is paid to universities via SAAS rather than the SFC due to historic policy/funding decisions by Scottish Government.

\(^9\) SFC Review, para 6.41