

Efficiency and reform in Scotland's higher education sector

More than a decade of collaborative practice

The Scottish Government's 2022 [Resource Spending Review](#) (RSR) set out an intention to reform the public sector, to make it more efficient and help the Government realise its ambition for better outcomes.

We welcome the opportunity to engage with the Scottish Government on this agenda. Scotland's universities have led their own programme of efficiency and continuous improvement over the last ten years. As a sector in receipt of public funding, universities will always be committed to delivering best value for public investment. There is a lot of good practice in our universities and a decade of experience that higher education can share. Yet, universities' existing success in this agenda means only a narrow margin of efficiency remains. It will be important that the Scottish Government's renewed reform agenda recognises universities' starting position and the scale of efficiency and reform already delivered.

We have shared regular reports on this activity with Government, with annual *Working Smarter* updates between 2011 to 2015 ([2011](#), [2012](#), [2013](#), [2014](#), [2015](#)) and then again in [2018](#) and [2021](#).

The Scottish Government's 2022 RSR set out five areas of public sector reform, as below. Universities' existing achievements against four of the five areas set out below.

1. Digitalisation

- Jisc supports Scottish HE's efficiency through leveraging its digital, data and technology services to connect education and skills providers to people, places, and productivity. Jisc continues to improve cyber security within the Janet network and offers unrivalled support for to sector in dealing with cyber security threats and attacks. The savings and costs avoided by Scotland's higher education institutions collaboration through Jisc is estimated to be approximately £13.8 million per annum, based on 20-21 figures.
- Scotland's universities have a professional, UK-wide body to support collaboration in digital transformation and shared services in education called [ucisa](#). This is a partnership with colleges. Ucisa organises best-practice sharing events, year round, to support the sectors.
- A collaborative body like Ucisa wields more bargaining power with major software providers, securing better outcomes for universities.
- Scotland's universities are well-advanced on their digital journey and [ucisa's 2020 report](#) with Microsoft set the digital direction for universities as they emerge from the pandemic, which looks to move on from digitalisation (which is using digital technologies to transform operations) to digital transformation, which is about cultural change.
- Universities also have a shared services organisation for Technology and Information Services called HEFESTIS. HEFESTIS offers universities and colleges a number of shared services including Data Protection (via DPO-Share), shared service for Information Security (via CISO-Share) and services for project management and change management (via Change-Share).



2. Maximising revenue through public sector innovation:

- The balance of public-private income Scotland's universities rely on has continuously evolved, shifting to far greater reliance on private revenue as public investment in university teaching and research has declined in real terms since 2014/15. Such is the extent of the reliance on cross-subsidy, the latest data suggests that international fee income will overtake Scottish Government funding, via the SFC, as a percentage of total income in 2023/24.¹ Back in 2016, Audit Scotland warned: *"Universities are increasingly relying on income from non-EU students as part of their financial planning, but growing competition from the rest of the UK and other countries will make this increasingly challenging."*
- **International fee income.** Universities generate £1.94 billion of economic impact from international activity including international student recruitment (primarily), transnational education and international research, knowledge exchange and contracts. This is the economic impact that Scotland receives as a whole. It is not the income that universities generate for themselves. This is positive but the coronavirus pandemic showed just how vulnerable universities' international revenue can be to global (and geopolitical) circumstances.
- In England, international fees subsidise the cost of doing research (which is not funded at full economic cost). In Scotland, international fees subsidise the cost of doing research *and* subsidises the cost of teaching Scottish-domiciled students, both of which are substantially under-funded by the Scottish Government. In Scotland, international fees have to fill public funding short-falls of £157m in Teaching Grants and £340 million in research, as estimated by the Scottish Funding Council.
- **Competitively-won research income from the UK.** Scotland's universities brought in £1.8 billion of research grant revenue into Scotland from UKRI in 2019/20. This is 12.6% of the total resource available. A few years ago, Scotland was winning a much bigger percentage share, at over 15% of the UK total. Our declining success reflects our declining competitiveness relative to universities in England. Our loss has been their gain and that all stems from the relative investment levels in public funding for university research in Scotland and England. Every £100 million of university research crowds in £800 million of private investment, generating an economic return of 8:1.ⁱⁱ
- **Maximising revenue is based on excellence.** The core principle underpinning universities' ability to maximise their revenue is the ability to compete based on excellence. Without sustainable and competitive levels of core public funding, our ability to maximise revenue streams will decrease, not increase.

3. Reform of the public sector estate:

- **Maintenance.** Universities have estates maintenance bills running into the multi-millions. In 2019 Audit Scotland estimated the value of the backlog at £937 million, with £139 million of maintenance labelled as "urgent".
- **Rationalisation and collaboration.** Institutions have taken a number of actions to rationalise their estate or identify opportunities for collaboration. Examples include:
 - Dundee University's co-location of the School of Humanities in 2018, generating a space saving of 40% and repurposing 37 teaching rooms for elsewhere.
 - Glasgow Caledonian estimates it saves £1m a year from a space-saving exercise as part of a wider estates review (which cost a total of £32million) to do. This makes an important point that very often it is necessary to spend to save.
 - Space optimisation at the design stage of Heriot-Watt's Discovery and Innovation Centre (opened in 2019) saved over 2,000m² of building without any loss of functionality.

¹ SFC forecasts.

- Universities and colleges have shared a data centre since 2012. It is based at King's College at Aberdeen University but is shared between four institutions with the City Council increasingly making use of the Centre too. The capital funding came entirely from partners. As well as financial efficiencies, it's estimated that the shared centre has reduced the carbon footprint by >1400 tonnes per annum.
- The [Arrol Gibb Innovation Campus](#) launched in 2022 is a collaboration between the universities of Edinburgh and Strathclyde, Fife College, Fife Council, Scottish Enterprise, SDS and industry. The Innovation Campus shares physical space and focuses on transforming large-scale manufacturing which supports Scotland's economic priorities in sectors such as big-data, artificial intelligence, robotics and energy.
- **Sharing facilities with SMEs.** Since 2013 SMEs have had a single point of access to university facilities, lab equipment and other resources that would support the SME with innovation. Run by Interface Online, over 1,200 university facilities are itemised and available for SMEs to use. Over the last two years there was a 33% increase in the number of SMEs using the shared facilities service as part of their collaboration with Interface/universities.
- **Climate responsibilities.** Between 2019/20 and 2020/21 total reported emissions for the Scottish HE sector reduced by 52,099 tonnes of CO₂e, or 15%.
- **Lean practices.** Universities have driven forward more efficient business practices on a collaborative basis, using LEAN processes. Higher education has a Scottish HE Improvement Network (SHEIN), which brings together practitioners of 'Lean' business improvement techniques and helps spread expertise. Such measures are focused on productivity and effectiveness as well as efficiency.

4. Improving public procurement:

- The Advanced Procurement for Universities and Colleges (APUC) It is a national leader in collaborative procurement. It is jointly owned by all Universities and Colleges in Scotland.
- APUC secures for over £25.5 million of savings every year, relative to market prices or, £13.1 million relative to prices previously paid.
- APUC agreements cover over 40% of the procurement spend of Scottish HE and FE. This gives member institutions and wider collaborative partners considerable leverage in their dealings with suppliers, on matters such as modern slavery and fair work, thereby giving institutions assurance in relation to ethical supply.
- Scotland's universities were one of the first in the UK to establish a cost-sharing group to remove VAT as a barrier to greater collaboration.
- APUC has made 175 collaborative framework agreements available to the sector.

Universities Scotland and institutions are exploring what further priorities there are for efficiency and reform in the light of the challenging Resource Spending Review outcome. We will share further thoughts about that in due course, including ideas for policy and regulatory changes by SG and its agencies that can help. However, this paper demonstrates the major programme of work on efficiency and reform that is already being taken forward across the university sector.

ENDS

Universities Scotland

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ⁱ [Audit Scotland \(2016\) p 50](#)

ⁱⁱ London Economics for Universities Scotland (2022)