

By Email

Our Reference: 22-033

26 October 2022

Sue Webber MSP
Convener
Education, Children and Young People Committee
The Scottish Parliament
Edinburgh
EH99 1SP

Ecyp.committee@parliament.scot

Dear Ms Webber,

We welcome the Committee's pre-budget scrutiny inquiry into universities and the session to be held with Minister Hepburn MSP early next month.

We note that Professor George Boyne has followed up separately, writing to offer a full response to the question asked by Ruth Maguire MSP in regard to student support on a specific taught postgraduate degree programme.

There are a few issues arising from the evidence session on 28 September that we wanted to take the opportunity to raise or reaffirm in light of developments in the wider political and policy landscape since then.

Scotland's universities as a means of economic growth

The university role in supporting the delivery of sustainable economic growth is really important in the current context and a significant issue to explore with the Minister in regard to the Scottish Government's priorities and level of investment in higher education.

University research, and the international excellence and competitiveness of that research is instrumental to this role. Last year, London Economics estimated the economic impact of universities' research, staff and non-staff costs at £15.3 billion based on data from 2019. This economic contribution does not include the considerable economic impact of international students or the lifetime productivity gains and tax premium of graduates.

Since the evidence session on 28 September, the Scottish Government has published *Building a New Scotland: A Stronger Economy with Independence*. Universities are cited throughout the paper as both a direct and enabling force for sustainable economic growth. Putting the constitutional question to one side for this purpose, we welcome the Scottish Government's rhetoric about valuing universities'



role in creating the Wellbeing Economy. That being the case, and given that growing a stronger economy was one of the stated priorities in the 2022 resource spending review exercise, we find it hard to understand how higher education can be deprioritised for investment, as indicated in the budget lines in the May 2022 resource spending review. Further underinvestment will significantly reduce universities' ability to support and enable economic growth across their teaching, research, innovation and international activities.

Reliance on international student fee income to address the underfunding of Scottish domiciled places.

This was discussed at some length during the Committee session. We thank members for their focus on this aspect of funding and policy, which we believe has reached a worrying tipping point, as international fee income is projected to have overtaken public funding as the largest source of income for universities at sector level by 2023/24. This is based on Scottish Funding Council projections as per paragraph 17 in its written submission.

The Funding Council was clear in its written evidence that: "*international tuition fee income continues to be an area of significant fluctuation and risk due to the competitive nature of the international market and exposure to external shocks...*". Domestically, political events since the 28 September give a clear indication of the level of risk facing institutions due to necessary reliance on international student fees to compensate for the shortfall in government funding of Scottish undergraduates. The Home Secretary, Ms Braverman MP, was clear about her intention to reduce international student numbers into the UK whilst serving in Ms Truss' Cabinet. We are not yet clear what direction a UK Government, as led by Prime Minister Sunak will travel on this. This is just one example of the range of political and geopolitical events that can destabilise the international student market, and which are wholly beyond the control of institutions. On occasion, such as the COVID-19 pandemic, these events are also beyond the control of Governments.

Universities have always valued the very broad and deep contribution international students make to institutions, and to Scotland, far more than as an income stream or because of the economic impact. International students enrich the educational experience for all students and add diversity and an international outlook to the culture of our communities on and off campus. Scotland has always been outward-looking and open to the rest of the world. Our universities are proud to be a major part of that two-way flow of talent and the retention of that talent, here in Scotland. We want international recruitment to continue as motivated by this set of values.

The suggestion to move away from a funding model for undergraduate students that funds every Scottish-domiciled place at the same level of funding (according to subject price group) and vary this by institution.

We wish to reinforce, for the record, the response Professor Boyne gave to Ross Greer MSP's question about a funding model that would involve variable levels of public funding support for Scottish-domiciled student places, depending on the institution attended.

We do not support a change to the funding model that would see different levels of teaching funding invested in Scottish domiciled students, determined by the financial health of the institution at which they study. This would be a major shift in the principles and values that underpin the higher education sector. We believe it would similarly be a shift away from the principles informing the Scottish

Government's longstanding commitment to free undergraduate education for Scottish-domiciled students. This approach would be unfair to students and institutions. It could distort student choice, it misunderstands the role of reserves in higher education and it would expose some institutions to even greater risk due to over-reliance on international students by embedding cross-subsidy and marketisation as a defining structural element of Scotland's higher education funding model. It would raise very serious alarm bells in the sector if the Scottish Government took measures that would knowingly accelerate individual institutions' exposure to market volatility and geopolitical events.

We would welcome assurance from the Minister that this not under consideration by the Scottish Government.

Very many thanks to the Committee for its time and energy given to this inquiry. We would be delighted to provide further information should this be helpful.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Alastair Sim'.

Alastair Sim
Director
Universities Scotland