



## Universities Scotland submission to the Education, Children & Young People Committee Budget 2023 to 2024 session on 17 May 2023

Universities Scotland is extremely disappointed by the Scottish Government’s decision to withdraw £20 million of resource funding allocated to the higher education sector for financial year (FY) 2023/24 and to reverse aspects of the budget decision as supported by the Scottish Parliament in the Budget Bill (now Act) as passed on 21 February 2023.

The choice to disinvest from higher education is a blow to our students, our staff, and our contribution to building a better Scotland, and a better world. The decision is short-sighted, divisive, and brings into question the true value the Scottish Government places on higher education.

**The decision to defund higher education by £20 million in 2023/24, as announced on 2 May 2023, means:**

- Universities will be cut in cash terms by £7.3 million between financial years, as opposed to the £12.7 million cash increase announced by the Scottish Government on 15 December 2022<sup>1</sup> (see Table 2 for a breakdown of the figures).
- This cut occurs in a wider context of challenging public finances but also in a context in which the overall Scottish Government fiscal resource budget for 2023/24 is increasing by 7% in cash terms and the capital budget limit is increasing by 1.9%<sup>2</sup>.
- The other critical contextual factor for FY/AY 2023/24 is continued high inflation facing all sectors, which means the cash cut becomes a very significant real terms cut for universities.
- The funding reversal may mean that students, who are often (through no fault of their own) now up to two years behind the levels of social confidence universities would expect in the wake of the pandemic, might not get the intensive support they need. Universities Scotland’s bid for investment in late autumn 2022<sup>3</sup> clearly briefed Scottish Government on the pressures facing students and universities due to lost learning, mental health challenges and the need to keep investing to support further success in widening access.
- We also advised Government that without further investment in research, Scotland’s decline in research competitiveness relative to the rest of the UK would continue and universities’ ability to contribute to economic priorities in the National Strategy for Economic Transformation would be compromised.
- The Scottish Government’s deprioritisation of funding for universities is not a new decision for FY/AY 2023/24. This is the latest in a long-term erosion of the real terms value of university funding. Before this decision was taken, university teaching funding had already been cut by the Scottish Government by 27% in real terms between 2014/15 and 2022/23. The main research grant had been cut by 31% in real terms over the same period.

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<sup>1</sup> It is a cash cut of £7.2 million across both the HE resource and HE capital (research and estate) budgets. Working from the December 2022 budget, the combined HE resource and capital budgets increased by a total of £12.7 million in cash terms (because capital funding was already being cut in cash terms). The removal of £20m erodes this overall increase to a £7.2 million cash cut. See Table 1 for more details.

<sup>2</sup> Scottish Government Budget 2023/24. Table 1.01, page 17.

<sup>3</sup> [Universities Scotland \(2022\) Time to Choose](#)



- This is simply not sustainable and led us to calling the situation a “managed decline” of the sector.

#### Further detail on HE funding:

- On budget day in December 2022, the then Finance Secretary chose to focus on the £20 million cash increase to the HE resource budget line (as opposed to the aggregate figure of a £12.7 million increase to HE resource and capital budgets) and stated: “*We must have a skills, training and research environment that enables our people and businesses to realise their potential. For that reason, we have increased the resources that are available to the college and university sectors by £26 million and £20 million to support that.*”<sup>4</sup>
- In April 2023 the Scottish Funding Council (SFC) confirmed that the £20 million cash increase to the resource budget would not go the core university teaching grant as expected but instead had been “*identified for strategic investment to support the transition to a financially sustainable system.*”<sup>5</sup> In the SFC’s words, that left universities with an overall “flat cash” resource budget for 2023/24.
- Given the decision to spend the £20 million in that way, the university teaching budget was not set to rise by 2.5%, as perhaps implied by the Scottish Government’s HE resource budget line. Instead, the SFC confirmed the unit of teaching resource (invested in HE students and staff) has risen by only 0.4% in cash terms (year to year).
- The HE capital budget (which has to cover research, innovation and the estate) had already been cut by £7.3 million as announced in December. That overall cut has been managed by significantly cutting funds available to maintain the university estate and keeping the most significant research grant (the research excellence grant) flat in cash terms overall. Instead, the choice was to increase the University Innovation Fund by £5.5 million.<sup>6</sup> Not enough is being invested in the Research Excellence Grant to reward institutions for their world-leading research performance in the Research Excellence Framework (REF) exercise last year. Scotland is investing significantly less in HE research than England. A flat funding pot for research in Scotland means most institutions are being cut in real terms, compromising the investment they can leverage directly and their impact on Scotland’s economy more broadly. Innovation depends on a bedrock of well-supported, excellent research.
- Managing such a tight funding settlement for universities within that overall spending envelope of “flat cash” has meant that *seven higher education institutions are seeing cash cuts to their teaching and research in AY 2023/24 without access to the separate “strategic investment”* the Scottish Government had earmarked to help them manage this situation.

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<sup>4</sup> [Scottish Parliament Official Report, 15 December.](#)

<sup>5</sup> [Scottish Funding Council Indicative Allocations for Universities 2023/24, 13 April 2023. Paragraph 13.](#)

<sup>6</sup> [Scottish Funding Council Indicative Allocations for Universities 2023/24, 13 April 2023. Paragraph 46-48.](#)



**Table 1: Original spending decisions for the higher education resource and capital budgets for FY 2023/24 as published by the Scottish Government, December 2022.**

|                                   | 2022-23<br>Budget £m | 2023-24<br>Budget £m | Percentage change<br>(cash terms) | Cash terms change<br>(£) |
|-----------------------------------|----------------------|----------------------|-----------------------------------|--------------------------|
| HE Resource (SFC)                 | 789.2                | 809.2                | +2.5%                             | +\$20 million            |
| HE Capital (SFC)                  | 348.0                | 340.7                | -2.1%                             | -\$7.3 million           |
| Aggregate HE Resource and Capital | 1,137.2              | 1,149.9              | +1.1%                             | +\$12.7 million          |

**Table 2: New spending decisions for the higher education resource and capital budgets for FY 2023/24 as extrapolated by Universities Scotland based on the Scottish Government's May announcement**

|                                   | 2022-23<br>Budget £m | 2023-24<br>Budget £m | Percentage change<br>(cash terms) | Cash terms change<br>(£) |
|-----------------------------------|----------------------|----------------------|-----------------------------------|--------------------------|
| HE Resource (SFC)                 | 789.2                | 789.2                | +0%                               | +\$0 million             |
| HE Capital (SFC)                  | 348.0                | 340.7                | -2.1%                             | -\$7.3 million           |
| Aggregate HE Resource and Capital | 1,137.2              | 1,129.9              | -0.64%                            | -\$7.9 million           |

**ENDS**

