

By Email

Our Reference:

Wednesday 1 November 2023

Mr Pete Wishart MP

Chair, Scottish Affairs Committee
Houses of Parliament
St Margaret St
London
SW1A 0AA

Dear Mr Wishart,

Thank you for the invitation to Universities Scotland to give oral evidence at the first witness session on 23 October, as represented by Professor Boswell. We welcome this inquiry and appreciate the Committee's enthusiasm for both the higher education sector and for the protection of world class research and innovation.

The Committee has asked us to follow up with further information on two specific questions that came up during the evidence session on 23 October. They were:

A question from Mr Douglas Ross MP on the balance of international student recruitment in Scotland's universities and the relationship between that and the cross-subsidy of university research.

Our universities are proud to welcome international students to Scotland, where they make a an important cultural, social, educational and economic contribution.

The direct economic contribution international students make to universities through tuition fees, is significant and the reality is that this has now been baked-in to the Scottish Government's funding model for the undergraduate education of Scottish-domiciled students, as the amount of public funding made available per student has consistently eroded in real terms since 2014/15. Our estimate is that there is between a £4,000 - £7,000 funding gap per student (the range is due to subject studied) between what it actually costs a university to teach a Scottish-domiciled student and the level of funding universities receive from the Scottish Government in academic year 2023/23.¹

¹ These figures have been calculated replicating the data and approach of the Office for students in England, which publishes data on costs in higher education, drawing on TRAC data. The gap is shown as a range of between £4-7,000 because the cost to teach varies between subject, a factor that is partially recognised by having different teaching price groups (in both Scottish and English HE sectors).

Scotland's dependency on international fees has reached the extent that data from the Funding Council in 2022 showed that this source of revenue is forecast to overtake Scottish Government funding as a percentage of the sector's total income in 2023/24, reaching 27% of the sector's average income compared to 25% for SFC grants.²

International student numbers have grown at a greater rate than growth in our home undergraduate population in recent years. However, the growth of international students does not limit the expansion of funded places for Scottish-domiciled students in any way. Firstly, the number of Scottish-domiciled undergraduate students eligible for funding has expanded, from under 111,000 in 2018/19 to over 121,500 in 2021/2022 (FTE). Secondly, the growth in funded undergraduate places for Scots is determined by the Scottish Government, not institutions, within the funded places model, which is a capped system and is in no way correlated to the demand from international student markets. Finally, it is important to address a remains a misperception that still lingers about higher education; funded places for Scottish-domiciled students are ring-fenced and protected and can only be filled by a Scottish domiciled student. No international student can displace a Scottish-domiciled student in a Scottish HEI.

The extent of Scotland's reliance on international student fee income to fund home students is a serious concern given the perpetual risk of a geopolitical shock that could disrupt demand from one or more key countries, or on a global scale as it was feared the COVID-19 pandemic would do. Major disruption, or even a decline in Scotland's market share, could threaten the quality of education, experience and support that our universities are able to offer to all students. In our view, and to specifically address the question of balance within the student population, the solution is not to limit international student numbers; it is to fully fund the higher education of every one of our existing home students.

Returning to research, were it not for the extent of Scotland's reliance on international fees to cross-subsidise our home students, international fee income would also be supporting excellent research and development in our institutions, which feeds back into the higher education delivered to students, as well other major outputs. Universities in England have a more limited dependence on international fee income to support their home students and so are better able to use income from international students to support their research and innovation. This deepens the challenge Scotland's universities face in retaining their research competitiveness relative to the rest of the UK in what is unquestionably a UK-wide and global research ecosystem.

A question from Mr Alan Brown MP in regard to the UK's late association to Horizon Europe. Mr Brown was keen to know if we are able to attach a figure, in monetary terms, of how much research income has potentially been lost to Scottish HEIs during the years that the UK could not participate in Horizon Europe on the same basis as EU member states.

The most important thing from our perspective, is to focus on the future and that that in doing so, we'd like to see both Governments and all parts of the research community work together to maximise the opportunities that are now open following the association agreement. That collaborative action is important across all pillars of Horizon Europe but particularly important to Pillar Two (Global Challenges and European Industrial Competitiveness) and Pillar Three (Innovative Europe) where the multi-beneficiary nature of responses can make this more complex. To that end, we are currently

² Scottish Funding Council data using HESA. The remaining 48% of income is derived from rest of UK fees, from UK and privately-won research grants and contracts (including UKRI), from conferences/events and other income generating activities and endowments.

collating information on a range of action that universities feel would help to maximise Scottish engagement across all Horizon pillars. We'd be delighted to share this with the Committee when we have the data returns. We would expect to be in a position to share this with you before the end of 2023, so still within the timeframe of the inquiry.

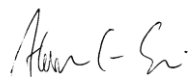
We don't believe it is possible to accurately quantify the loss of income to Scotland's universities or Scotland as a country due to the delay in full association to Horizon Europe. It would be, at best, a speculative assessment. However, we can offer the following contextual and balanced information and allow the Committee to draw its own inferences from this information:

- Up to 2021, Scotland secured 11.14% of the total Horizon 2020 funding awarded to UK organisations, the vast majority of which was won and brought to Scotland by her universities. Given that figure is a multi-year average, it is a useful indicator about the percentage of resources that Scotland is successful in winning from EU research programmes.³ This SPICe [blog](#) reports that "Scottish organisations secured a total of €852.6 million of the Horizon 2020 budget (up to July 2021). This represents 1.29% of the budget.
- In the interests of balance, it is important to note that the UK Government did provide a Guarantee to the UK's research community, in lieu of full membership to Horizon Europe. This has been consistently welcomed by the research community. The data show that Scotland's universities were awarded £161.2 million (to end Sept 2023) through the guarantee (which was in place for roughly 30 months. This was 11.6% of the UK total resource through the Guarantee.⁴

We hope this response is to the Committee's satisfaction. We will follow the remaining sessions with interest and would gladly provide further information, as needed. We have a tremendous asset in Scotland's excellent research and innovation and it is vital to Scotland's prosperity that we protect it and work to catalyse its future success.

We look forward to reading the Committee's findings and recommendations in due course.

Yours,



Alastair Sim

Director, Universities Scotland

³ [EU-UK relations – developments on the Horizon? – SPICe Spotlight | Solas air SPICe \(spice-spotlight.scot\)](#)

⁴ UKRI, [Horizon Europe Guarantee, data on application and grant offers](#).