Universities Scotland

Universities Scotland: Update to budget bid for FY/AY 2025/26

In an unprecedented move, we have had to increase the budget bid we have made to the Scottish Government on behalf of Scotland's 19 higher education institutions for financial year (FY) 2025/26.

There are two main factors driving this:

- **The increase in employer national insurance contributions (ENIC).** Which we estimate will add an additional £45 million to university expenditure in Scotland in the next full financial year. £45m sits within a range of what it could be. The IFS has described our ENIC estimate as a "reasonable figure" and estimated it could cost actually Scottish HEIs as much as £57 million.

- **Inflationary uplift to tuition fees in England from academic year 2025/26**

  The UK Government's decision to allow tuition fees to rise by inflation in 2025/26 to £9,535 will generate around £390 million for higher education institutions in England, which is an increase of £285 for every English student. Effectively, this action covers the cost of the ENICs for English institutions in 2025/26 (estimated to be £372 million) a situation which has been remarked upon by Minister Janet Daby MP on 8 November. Before the uplift in fees in England, there was a 21% gap, or £2,020, between what is invested on a per student basis in Scotland and England. We do not want to be in a situation where the level of resource invested in the higher education of our Scottish students in Scotland falls even further behind that experienced by an English student in England.

What this means for our budget bid for 2025/26.

Originally, Universities Scotland made a very measured ask for teaching and research in 2025/26, acutely aware of the fiscal realities facing the Scottish Government. We asked for:

1. A 1% real terms (GDP deflator) increase to the teaching grant.
2. coupled with the budget-neutral proposal that the £14 million of resource linked to the 2,500 "SQA places" which are expected to exit in 2025/26, is fully retained in HE and redirected into the unit of teaching resource per student.
3. We asked for a 3% cash terms increase on HE capital, which covers university research and buildings. This figure matches the proposed budget level for 2025-26 that Scottish Government published in its most recent Targeted Capital Spending Review.

Together, that pitch was as low as it could be. Whilst we are clear it would not have addressed the substantial challenges due to a decade of cuts to funding per student and to research, it would have offered the sector some stability in tough times. However, the ENIC increase changes things. We find ourselves in an impossible position. Objectively, an analysis piece by the IFS on 19 November said the various factors facing Scotland's universities represent "challenging headwinds" and "present major risks this academic year".

The reality is that even if the Scottish Government delivered on our original bid in full, the NIC change means the sector would be in a worse financial position than in 2024/25. In ***addition*** to our original ask (points 1-3 above) we have no choice but to seek:

- An additional 3% real terms uplift (using GDP deflator at 2.39%) to the SFC Resource Budget (a £41m uplift).
- Altogether, we are asking for £49 million more than our original bid (which also reflects an increase in the GDP deflator figure for 2025/26, as updated at the autumn budget).

It is important to contextualise our increased budget ask. A settlement of this scale for 2025/26 would still leave the SFC's HE resource budget substantially (£20m) below the level it would be if it had been maintained in real terms since 2023/24.

ENDS