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Friday 19 May 2023

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

Dear Ms Webber,

Education, Children and Young People Committee session with Minister for Higher and Further Education and Minister for Veterans, 17 May 2023

Universities Scotland followed with interest the Committee's oral evidence session with Minister Dey.

We thought we should follow up with supplementary information on some of the issues raised in the Committee's discussions.

Decline in universities' position in an international context

While we welcome Mr Dey's affirmations of the strengths of Scotland's university sector, we are seriously concerned at the accumulating impact of nearly a decade of decline real-terms core public funding.

While this decline is concerning in itself, our principal concern is that it constrains what universities can do to invest in giving students the best possible learning experience and support, and in generating research and innovation to drive sustainable growth.

As we have set out in our [Response to the Scottish Government's consultation on post-school education, research and skills: interim purpose and principles – Universities Scotland \(universities-scotland.ac.uk\)](#) when the sector in Scotland is compared to those in the countries in the Scottish Government's 'Building a New Scotland' papers, it is clear that:

- other countries have invested significantly in their universities over the last decade whilst in Scotland investment has declined; and
- those other countries have seen a strengthening of their position in world rankings whilst Scotland has seen a decline.

All but one of the Scandinavian nations, Austria, Belgium, the Netherlands, and Switzerland have increased investment in higher education by 20% or more in real terms between 2008 and 2020/21. (See the Figures on page 5 of our response for more details.)

Calculation of 'real terms' decline in public funding

Mr Dey questioned the basis on which Universities Scotland calculates the real terms decline in public funding.

Following the pandemic period, Universities Scotland has chosen to use RPIX to calculate real terms change. This is an approach adopted by stakeholders in many other sectors due to the fact that the GDP deflator (the factor used commonly across government) has differed significantly in recent years from the real profile of cost increases faced by organisations. The use of the GDP Deflator is therefore currently a poor choice to consider the impacts of funding decisions on the financial stability of organisations and the resultant impacts on the breadth and quality of services that they can offer. The following table gives the time series for both measures. It also highlights the year-to-year volatility in the GDP deflator since 2020-21:

Table 1: Annual percentage change in the GDP deflator and RPIX series since 2014-15

	'14-15	'15-16	'16-17	'17-18	'18-19	'19-20	'20-21	'21-22	'22-23
GDP Deflator (%)		0.8	2.05	1.67	1.79	2.6	6.27	-0.69	5.68
RPIX in Q3 of every given year (%)		1	2	4	3.3	2.6	1.3	4.6	12.3

Sources:

GDP Deflator (Financial Year): [GDP deflators at market prices, and money GDP November 2022 \(Autumn Statement\) - GOV.UK \(www.gov.uk\)](#)

RPIX: [Inflation - Office for Budget Responsibility \(obr.uk\)](#)

Using either the GDP Deflator or RPIX, the sector has faced substantial real terms cuts.

Working with RPIX for the reasons given, the university Teaching Grant has been cut by 27% in real terms between 2014-15 and 2022-23. The main research grant (REG) has been cut by 31% in real terms over the same period. We have not included the most recent cut to funding that will take effect in 2023-24 (as published in the Scottish Funding Council's indicative allocations) in these calculations because the actual rate of inflation in 2023-24 is not yet known. However, it is clear that academic year 2023-24 will mean another substantial real terms erosion of university funding.

Moreover, it should be noted that Scottish Government decisions over this period have placed particular pressure on the level of funding available per student when compared to other parts of the education portfolio. Answer [S6W-01165](#) to a question from Michael Marra MSP revealed that universities were unique across the Scottish education sector in seeing real-terms cuts in the amount invested per learner since 2014/15. These data reinforce our view that the Scottish Government has deprioritised investment in our universities.

Rises in the cost of Purpose-Built Student Accommodation (PBSA)


In the course of the Scottish Government's PBSA Review Universities Scotland has shared with Scottish Government officials data on the increase in the cost of halls accommodation that is provided directly by universities.

In each year universities will reach different judgements on any increase that they wish to apply to their halls' fees. This is because, whilst always focusing on minimising the cost to students, institutions must also consider costs such as staffing, energy, consumables and cycles of refurbishment/ investment and loans, all of which have been impacted by high levels of inflation since early 2022.

If one takes the median increase applied across the sector for each year then, over the period 2017-18 to 2022-23, university hall fees have increased by an average of 3% per year in cash terms (or 15% in cash terms over five years). This is below indicators such as RPI and compares to an increase over the same period in the overall cost of renting in Scotland of 27% and the cost of renting 3-bedroom dwellings of 44%.

I hope this supplementary information is useful to the Committee.

Yours sincerely,

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

ALASTAIR SIM
Director, Universities Scotland