OFFICIAL REPORT
AITHISG OIFIGEIL

Education, Children and Young People Committee

Wednesday 28 September 2022

Session 6

The Scottish Parliament
Pàrlamaid na h-Alba

Wednesday 28 September 2022

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EDUCATION, CHILDREN AND YOUNG PEOPLE COMMITTEE
23rd Meeting 2022, Session 6

CONVENER

*Sue Webber (Lothian) (Con)

DEPUTY CONVENER

*Kaukab Stewart (Glasgow Kelvin) (SNP)

COMMITTEE MEMBERS

*Stephanie Callaghan (Uddingston and Bellshill) (SNP)
*Graeme Dey (Angus South) (SNP)
*Bob Doris (Glasgow Maryhill and Springburn) (SNP)
*Ross Greer (West Scotland) (Green)
*Stephen Kerr (Central Scotland) (Con)
*Ruth Maguire (Cunninghame South) (SNP)
*Michael Marra (North East Scotland) (Lab)
*Willie Rennie (North East Fife) (LD)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Professor George Boyne (Universities Scotland)
Ellie Gomersall (National Union of Students Scotland)
Mary Senior (University and College Union Scotland)
Karen Watt (Scottish Funding Council)

CLERK TO THE COMMITTEE

Pauline McIntyre

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Education, Children and Young People Committee

Wednesday 28 September 2022

[The Convener opened the meeting at 09:15]

Interests

The Convener (Sue Webber): Good morning, and welcome to the 23rd meeting in 2022 of the Education, Children and Young People Committee. I welcome back to the committee Stephen Kerr, who is replacing Oliver Mundell. On behalf of the committee, I thank Oliver Mundell for his contribution to the work of the committee this session. Under our first item of business, I invite Stephen Kerr to declare any relevant interests.

Stephen Kerr (Central Scotland) (Con): I am delighted to be back on the committee. I have no relevant interests to declare.

The Convener: Thank you very much.

Universities

09:15

The Convener: Our next item of business is an evidence session on universities. We will hear from two panels today. I welcome the witnesses on our first panel: Mary Senior, from the University and College Union Scotland, and Ellie Gomersall, president of the National Union of Students Scotland. Thank you both for coming in this morning and for your time.

The committee has a lot of questions, so let us get started. I do not normally ask the first question, but I will today. There has been a lot of coverage in the press about student accommodation, particularly in relation to the University of Glasgow, but the situation is not unique to that university. What support do universities offer to students who are experiencing homelessness? How widespread an issue is access to student housing?

Ellie Gomersall (National Union of Students Scotland): As you say, at the moment there is a crisis relating to student accommodation. There is a real lack of quality, affordable accommodation for students. The key words are “quality” and “affordable”, because some rooms that are sitting there are of such poor quality that they are not fit for purpose for a student to live and study in, or they are so expensive that they are not affordable for students. The average rent in Scotland for a student is often higher than the student loans that students are given.

In relation to the support that universities can provide, there is discretionary funding—students can be given a small financial package to tide them over. That can sometimes help, particularly when students are struggling to afford to pay their rent, but it is often a one-off payment that is designed to tide them over for the next month or so, so that is not a long-term solution. If universities that provide student accommodation have rooms available, they are often able to offer them to students who are facing homelessness.

However, student numbers are increasing, particularly in Glasgow, Edinburgh and St Andrews. The number of students who are being offered a place at university is going up, but the accommodation provision that universities are offering is not increasing in line with increasing student numbers. That presents a real challenge.

In relation to support, we need a student housing guarantee from universities that are increasing the number of students to whom they are offering places. It is great to see more students going to university, particularly those from more deprived backgrounds who would not normally go to university. That is a really good

thing, but we need a guarantee that those institutions will increase the amount of accommodation that they provide.

We know that the Scottish Government has recently announced a rent freeze. I hope that that will have an impact on students who are worried about whether they will be able to pay their rent. However, there is a real worry about how the policy will apply to students who live in purpose-built student accommodation. It is important that all students are covered by the freeze under the rent control legislation that the Scottish Government is working on.

The Convener: There is a challenge in that we will not see that legislation until the very last minute. Would Mary Senior like to contribute?

Mary Senior (University and College Union Scotland): I agree with Ellie Gomersall that it is clearly good news that more people are going to university, and I absolutely agree that students should expect to have somewhere safe, suitable and affordable to live.

I want to talk about the consequences of the increasing number of students at university and the impact that that is having on staff. It has real workload implications. The convener mentioned the University of Glasgow. Over the past week, we have found out that the University of Glasgow has had to hire the Grosvenor cinema to provide lectures because it has such a large cohort of students. It is of concern that we do not have appropriate accommodation to deliver education. The situation is also creating massive workload issues for staff, who have to deliver lectures multiple times because there is pressure to deliver in-person teaching. One option would be to deliver lectures remotely and to save on-site accommodation for tutorials and more interactive sessions.

One reason why we see overrecruitment is that there is pressure on universities to take in more students from the rest of the United Kingdom and more international students in order to plug funding gaps. The reality is that international students subsidise the tuition and support that Scotland-domiciled students get. We have a perfect storm at the minute because of the cost of living crisis and the housing issues relating to the economy generally, and students are at the sharp end of that. Our members are suffering in relation to workload and the need to provide additional one-to-one support, which students need if they are to progress.

I have talked to our members in universities over the past week. Their concerns relate to homelessness and the worries that students have about where they will live. Sofa surfing and cost of living concerns are not conducive to progressing effectively through the system.

That is a really good question, which brings together many of the challenges that the sector is currently facing.

The Convener: You mentioned sofa surfing due to accommodation shortages, which has been widely reported. In Scotland, who is taking responsibility for ensuring that students, particularly those under 18 years old, have access to housing?

Ellie Gomersall: I think that the real challenge is that no one is taking responsibility. Twelve per cent of students in Scotland right now have been homeless at some point during their studies. That shows the scale of the crisis. The nature of that homelessness—it often presents itself in the form of sofa surfing and such things—means that students often do not register as homeless with their local authority. Institutions often do not know that students are homeless, because students do not know where to turn to, so they have to rely on things such as sofa surfing.

As I said, first, we need an acknowledgement from universities that, when they increase student numbers, they need to increase the level of quality, affordable student accommodation that they provide, in order to ensure that students have somewhere to live.

We also need support from the Scottish Government, particularly through rent freezes and rent controls, and we need the Government to increase the finance that is available through student support packages, because, as I said, the amount of student finance that a student receives is often lower than their rent for the year. We know that, if students have more money in their pockets and if rent is lower, students will be able to find places to live more easily. We need support from institutions and from the Scottish Government.

The Convener: The next questions are from Michael Marra. Quite a few members want to come in on this theme.

Michael Marra (North East Scotland) (Lab): It is my understanding that the Scottish Government has a legal duty to ensure, through the universities, that there is accommodation and support for students under the age of 18. Do you understand that to be the case?

Ellie Gomersall: That is my understanding. I would argue that not only does the Scottish Government have that legal duty but, in relation to the money that it gives to universities through the likes of the Scottish Funding Council, it is not currently getting value for the money that it is giving to institutions, given that we have students who are homeless and are often not able to focus

and complete their studies because of their situation.

Michael Marra: There is an emergency situation at the moment, with people not able to find accommodation and having to withdraw from courses. I think that most people would agree that that is completely unacceptable.

I want to ask a couple of questions about the longer term. Why are we here? Mary Senior has already touched on some of that in relation to the business model. It strikes me that universities are caught in a growth cycle—they have to continue to grow in order to plug funding gaps. Do you have any confidence that the situation will not get worse again next year? Is that just the path that we are on, or is there any sign that we can get off that escalator and deal with the problems?

Mary Senior: Michael Marra is correct. We have an unstable system in which there are winners and losers. We know that, for a number of reasons, including those relating to Covid, there was a high intake of students in 2020 and 2021 at the three institutions that Ellie Gomersall mentioned—the University of Glasgow, the University of Edinburgh and the University of St Andrews—but other institutions are worried about their student numbers. That does not seem right, because we want everyone who goes to a university or who is in higher education in Scotland to get a decent education, but the system is not fair. There are winners and losers, and there is competition.

We should remember that the Scottish Government's funding, which is vital because it covers the tuition for Scotland-domiciled students, is decreasing. It is a really challenging system. When inflation is at 12 per cent and is predicted to be at 18 per cent—or whatever it might be—next year, and given the turmoil that we see, the flat cash that is in the system right now will decrease in value. Institutions, students and staff are all facing significant inflationary pressures. If we think about how important institutions will be—students will want to go there to be warm, to charge their phones and to do their work, because energy is so expensive—we see that we are in deeply worrying times.

Michael Marra: In the years ahead, we are looking at very significant real-terms cuts to university funding on the teaching and research side. Ellie Gomersall, do you have hopes or signs from your members in the NUS that the situation might improve? What level of response do we require from the Government in order to change the situation?

Ellie Gomersall: Without a significant change in direction, I do not see the situation improving. I think that we will end up stuck in the same cycle that we have seen year after year.

We were talking earlier about housing and accommodation. That is not a new problem; we see it every year. It is certainly worse this year because of the cost of living crisis, but it is by no means a new problem, and it will only get worse without a change in direction. For instance, there will be, I believe, a 37.4 per cent real-terms cut in university teaching grants over 10 years. According to Universities Scotland, in this academic year, universities received £1,000 less than they did in the 2014-15 academic year to spend on each student's undergraduate education. That is a huge cut.

09:30

There are two key issues. First, as Mary Senior said, universities are having to look more to students from the rest of the UK and to international students—fee-paying students—in order to subsidise home students' undergraduate education. It is great to see more international students coming to Scotland to study, but not when they are being used as cash cows. That is the level of exploitation that we currently see.

The other key issue is that universities are being forced to make cuts to budgets for student associations, student support and so on. We know from the trade unions that staff pay and conditions are also going down or not increasing, which represents real-terms cuts. NUS Scotland understands that and stands in solidarity with the trade unions as they rightfully demand pay increases and improved teaching conditions, because we often say that staff working conditions are students' learning conditions, which is really important, and because a lot of postgraduates, who might be both students and staff, have tenuous contracts and work in horrific conditions.

The Convener: Some of the points that you have made, Ellie, will be brought up later, so do not think that we are discounting what you are saying. We have a flow today. I will move to Stephen Kerr.

Stephen Kerr: My question is for Ellie Gomersall and is on the subject that we have just been covering. What do you expect to happen with the rent freeze? Do you realise that all international studies and experiences show that the rental sector will shrink with a rent freeze?

Ellie Gomersall: I do not think that it is fair to say that it will have an impact on student accommodation provision. If there is a rent freeze and landlords cannot increase the amount of money that they currently take from students, who are in extreme poverty right now, they will not leave the sector. If they do—

Stephen Kerr: So you—

Ellie Gomersall: —those houses are not going anywhere.

Stephen Kerr: Thank you. So, you refute the evidence of international experience in relation to rent freezes—fair enough.

Universities Scotland says that there are 1,400 fewer Scottish students studying this year in Scotland's universities. What is your reaction to that?

Ellie Gomersall: Sorry, but could you repeat that, please?

Stephen Kerr: Fourteen hundred fewer Scottish students were able to get into university in this academic year because of the cap that universities have put on Scottish places. What is your reaction to that?

Ellie Gomersall: As Mary Senior addressed earlier, in some places, such as Glasgow, Edinburgh and St Andrews, we are seeing huge increases in the number of students, but elsewhere—

Stephen Kerr: No—that is the number of students. I am talking about Scottish students.

Ellie Gomersall: Either way, we are seeing increases in the number of students overall. If we are seeing a decrease in Scottish students, that is a shame that there are fewer—

Stephen Kerr: If 1,400 Scottish students who have qualified to go to university cannot go to university, that is surely more than a shame. The NUS must feel more strongly about it than that.

The Convener: I am sorry, Mr Kerr, but this section is on student experience and I am just—

Stephen Kerr: Well, that is what I am trying to focus on, convener, but I will take your guidance.

The Convener: If you do not mind, that is a little bit too pointy. We were looking at the student experience and dealing with—

Stephen Kerr: Well, I will ask about the reported stories from the University of Glasgow, where students have been told that they should pause or not turn up for their studies in this academic term. Is that true, and how many students are affected by that? How many took up the Minister for Higher Education and Further Education, Youth Employment and Training's offer to contact his ministerial office if they did not have accommodation?

Ellie Gomersall: I will briefly address your point about there being fewer Scottish students. We have talked a bit about the fact that universities have to look to international students and rest-of-UK students in order to subsidise Scottish, or home, undergraduate students. That is evidence of the wider problem with the marketisation of education and universities being forced to exploit international students ultimately as cash cows in order to be able to fund Scottish students.

On what we are seeing at the University of Glasgow, I do not have specific figures—

Stephen Kerr: Is it true?

Ellie Gomersall: I believe that it is true. I have heard directly from a number of students who say that they will have to drop out, because they just cannot find accommodation in Glasgow. That is anecdotal, and it is from students who have reached out to me specifically.

Stephen Kerr: What contact have you had with the Scottish higher education minister, Jamie Hepburn, whom I referred to earlier? I think that we all agree that the issue is a Scottish Government responsibility. What contact have you had with him, what has he said to you and how many people has he been able to help?

Ellie Gomersall: Incidentally, I am meeting Jamie Hepburn this afternoon, so I can certainly let you know after I have had that meeting.

Stephen Kerr: That would be helpful.

Ellie Gomersall: I certainly hope that he will give us some solutions to the issue. That is why I look forward to meeting him.

The Convener: Mr Hepburn now knows some of the questions that you will be asking, so he can be fully prepared.

Ellie Gomersall: Absolutely.

The Convener: Thank you.

We will move to questions from Ruth Maguire.

Ruth Maguire (Cunninghame South) (SNP): Good morning, panel, and thanks for being with us. I want to ask about the cost of living crisis. I have a specific example of a constituent of mine who is studying at the University of Dundee to be an educational psychologist. Students in that cohort receive a living costs grant, so the situation is slightly different from that of other students. However, he has spoken to me about the fact that students on the course work four days a week for a local authority. During that time, they are not classed as students, so they are taxed on their living support grant. They do not receive any other student benefits, such as a reduction in council tax. The bit that perhaps applies to all students in what he tells me is about students being forced to turn down placements and opportunities due to lack of funds for travel, petrol and so on. He says that some are choosing not to travel to lectures because of the financial hardship that they face.

I would like to hear from Ellie Gomersall first. What are your members telling you about the impact that it is having on their ability to study?

Ellie Gomersall: First of all, thank you for sharing that example. It absolutely breaks my heart to hear it, but it is not an isolated case, and it is something that we see across the sector with many students. Earlier this year, NUS Scotland did some research on the cost of living. We should bear in mind that it was done around Christmas last year, which was before the current cost of living crisis, so things are even worse now, but, at that time, 35 per cent of the students we spoke to said that they had considered dropping out of their studies because of their financial situation; 64 per cent said that they had experienced mental ill health as a result of financial pressure; and 31 per cent had to rely on commercial loans, credit cards and things such as Klarna—that sort of commercial debt. As you can see from those high percentages, that situation is not the exception; it is starting to become the norm.

Because student finance packages do not meet the cost of living for students, students are having to take up significant hours in part-time work alongside their full-time studies. Imagine that you are a student on a full-time course. The clue should be in the name—it is a full-time course. Usually, the expectation is that you will dedicate about 35 or 40 hours a week to that course, but many students have to work 20-odd hours a week just to make the money that they need to pay their rent.

You can imagine the stress of sometimes having to miss lectures because you have a shift. If you have to make a decision between going to a lecture or going to work and being able to afford your rent, you will always pick the shift. That means that students cannot dedicate the time that they need to their studies. It causes stress and burnout. It also means that students cannot have much of a social life alongside their studies, which we know is important for mental wellbeing and is part of the university experience that students sign up for.

The situation is really disappointing. We need to make sure that students have the money in their pockets to be able to survive their university course. That is absolutely key if we want to make any sort of long-term difference.

Ruth Maguire: That is helpful.

Mary Senior: I agree with everything that Ellie Gomersall said.

Students in the widening access cohort need additional pastoral support and one-to-one support. The pressure on students to have multiple jobs to support their studies adds to the challenges that we face in meeting the widening access targets and successfully getting people through university. That is an issue when students are worried about what they will eat, how they will pay the gas bill and so on. The situation is deeply worrying.

Ruth Maguire: Ellie Gomersall spoke about the impact on mental health and wellbeing, which will go for staff as well. What are the barriers to supporting students through that? What help is available and what are the barriers?

Ellie Gomersall: As with many things, funding is a significant barrier—for example, there is an issue with staff having training to be able to support students and just to have an awareness of what students might be going through. In relation to mental health crises, we first need to ensure that support is available on campus and that it is not only available but easy to access and well signposted so that students know that it exists and is effective.

However, we also need to tackle those mental health crises at the roots, because, otherwise, as with a lot of this, it will just get worse and worse year after year. We know from our research that the biggest cause of mental health problems for students right now is that they worry about their financial situation.

You can see how student mental health ties together with the cost of living crisis. If students were able to dedicate their time to their full-time course and did not have to stress or worry about whether they can keep a roof over their head for the remainder of their course of studies, we would see a natural improvement in student mental health.

Ruth Maguire: That is helpful.

Mary, are your members finding that they have to provide more support? You spoke about the widening access agenda, but, with mental health and wellbeing, that support will be across the board. Are your members having to do more?

Mary Senior: I will make a couple of points in response to your general question. The first is that staff mental health is also an issue. Research that was done last year by the Education Support Partnership found that more than half of academic staff were showing signs of depression. When you are vulnerable yourself, it is incredibly difficult to support other people who are vulnerable. I think that there has been a promise to have more mental health counsellors in universities and colleges. We need more work on that.

The other point on staff is that workloads are incredibly challenging. The workloads for staff in delivering lectures and tutorials are already spiralling. Our members absolutely want to give additional one-to-one pastoral support to people

but, all too often, they just do not have the capacity to do that. That applies especially to our members who are on fixed-term or guaranteed-hours contracts. If you are on a guaranteed-hours contract, you will be allocated a rigid amount of time to deliver a tutorial or lecture and do a wee bit of prep. However, emails will come in or people will stay behind, asking for additional support, and, for all too many people on guaranteed-hours contracts at universities, dealing with that will be totally unpaid. That is one of the big issues that we have.

09:45

Ruth Maguire: I think that colleagues will ask more about that later.

The Convener: We are getting some super contributions and evidence, for which I thank you, but can we try to keep everything a bit more concise? I am very aware of the time.

Ross Greer (West Scotland) (Green): One reason why we are hosting this session is the correspondence that committee members received from university staff—UCU members—back in the spring about their working conditions. Given that national bargaining takes place UK wide, how can we improve conditions for university staff in Scotland through Scottish Government initiatives or directly at an institutional level?

Mary Senior: That is a really good question. I know that our members are heartened to know that this session is happening today. Shining a light on the plight of workers in universities is helpful in itself. I know that part of your session will look at funding. Although I do not want to give universities an excuse for not dealing with the pay, working conditions and pension situation, the fact that the sector is suffering real-terms cuts is hampering it. It is incredibly worrying looking forward.

In May, we had the comprehensive spending review. One of the recommendations in last year's SFC review of coherence and sustainability was about getting certainty and multiyear settlements to help institutions to plan. We thought that we might get that in May. However, the spending review sets out top-line funding, so it is post-16 education all together, and it is flat cash, which is incredibly worrying. Anything that the committee can do to make the case for effectively funding universities would be key.

Another point is that the Scottish Government is really big on fair work, and this Parliament has an interest in that concept. We need to look at how we can do better, because universities should have the best practice on employment, but the fact is that we have a proliferation of casual contracts in the sector. We gave the committee some information—it was a bit late, because it was being verified by the Higher Education Statistics Agency—that showed that we are actually doing worse in Scotland in relation to casual contracts. If the committee sent a message to institutions that they should employ people on better contracts, that would really help us in our negotiations locally and at a national level.

Another thing that should be of concern is pensions. For me, that issue could be more easily fixed. In the older universities—the pre-1992 universities—the main pension scheme for academic and related staff is the Universities Superannuation Scheme, which is a private scheme. It is a massive scheme, because it covers most of the universities in the UK. In April this year, the scheme and employers pushed through cuts to the pension scheme, which mean that, on average, people are losing 35 per cent of their pension each year when they are in retirement. That is a massive slash, and it will mean pensioner poverty for many people. People will be discouraged from moving into the sector.

The UCU argued against that at the time. We were in dispute and we took industrial action over the issue. We argued that the cuts did not need to happen, because the scheme was not in the poor health that the employers and the pension scheme said it was. The valuation of the scheme was done on 31 March 2020, which was the point at which the markets were at their lowest—Covid had just hit, so it was not a good time to value a pension scheme. Therefore, the cuts did not need to happen, but they were forced through. In subsequent health checks on the scheme, we have seen that it is actually in good health. In August, there was a £1.8 billion surplus in the scheme.

There is a dispute. All the members who wrote to the committee earlier in the year were angry about their pension, and they are getting angrier because they saw in August that the pension scheme was £1.8 billion in surplus and so the cuts did not need to happen. We are balloting our members over those continued cuts, but to me the issue could easily be resolved. Indeed, our branch at the University of Glasgow had constructive discussions with the principal. He recognises that, if the valuation that is due in 2023 is as it is now, the employers should return members' benefits rather than take a slash and burn approach to the pension scheme.

Ross Greer: I am conscious of the time, so I will be brief. You mentioned the Scottish Government sending a signal to universities about fair work. Are you talking about a soft power, lobbying approach or using SFC conditionality to take a harder approach to forcing change? I am

interested in identifying what specific steps the UCU would like to see us try to take.

Mary Senior: We could discuss how all those approaches would work. I am clear that we have local disputes and a national dispute, we negotiate with the employers, and we ought to be able to do better. It is disappointing that we have a proliferation of casual contracts in the sector. Signals from the Government and the Scottish Funding Council about better employment practice would therefore be incredibly welcome.

Ross Greer: I have a final question for both of you. Do you think that we have the right funding model? Essentially, we fund all universities on the same basis—on a per student basis. The University of Glasgow has around £1 billion in its reserves while the University of Edinburgh has around £1.8 billion in its unrestricted reserves and about £2.8 billion in total. A number of other universities, such as Glasgow Caledonian University, Abertay University and Edinburgh Napier University, do not have those amounts. Given the monumental pressure on Scottish Government finances at the moment, is it right that all universities are funded on the same basis, or should we expect institutions that have larger reserves than the Scottish Government has to take a bit of money out of their own pockets to help through what will be a very difficult couple of years?

Mary Senior: I think that our funding model is failing. You mentioned the University of Glasgow and the University of Edinburgh. I suppose that they are getting more international and rest-of-UK students to subsidise the rest.

We want to see teaching funded in accordance with the cost of delivering that teaching per student. Currently, that is not happening. We possibly need a bigger debate about how the system works, because it is not fair—you are right about that. There are winners and losers. However, as I said earlier, it is absolutely unsustainable that we are getting flat cash when inflation is at 12 per cent. I know that representatives of Universities Scotland and the Scottish Funding Council are on the next panel, and those organisations are pointing out how that is problematic.

Ross Greer: You mentioned that flat cash is unsustainable. The Scottish Government's settlement for the next couple of years is also a flat cash one. Therefore, it is a question of priorities for the Government.

Mary Senior: The Scottish Government and this committee need to think about what higher education delivers. It contributes to so much else in the public sector and in the economy at large—it contributes teachers, doctors, nurses and scientists. We saw the role of the university sector in the Covid pandemic in respect of the science, the testing, the personal protective equipment and so on. The graduates who come out at the end of the day contribute to the economy.

We have not had serious discussions about taxation in this country. The decision that the chancellor made last Friday is, obviously, deeply worrying to the trade union movement. Everybody should be contributing to society, and we think that universities are fundamental. They make the economy and society better, and people are healthier because of them.

You are right: universities have to be paid for. However, we would say that progressive taxation should pay for education. A UK Government is giving more money to the wealthy and making the poor poorer, and it is horrific to think about public services in England and the knock-on effects for Scotland on the back of the fiscal event that happened on Friday.

Ross Greer: Is there time for a response on reserves from Ellie Gomersall?

Ellie Gomersall: I can only echo what Mary Senior has already said.

The Convener: If you were just going to echo what Mary Senior said, what you have said is fine, if you do not mind.

I want to move back to pay. Will the failure of university workers' pay to keep pace with inflation along with the deterioration of working conditions lead to an exodus of staff from universities? Do you get a sense that that is happening? What impact would that have on the quality of education and student experiences?

Mary Senior: We are certainly worried. We hear from members and workers in the sector that they are concerned about the drop in pay and are considering moving to other sectors. That is a real worry. As we have said in our written evidence, pay has lost value by up to 25 per cent since 2009. That is hitting people acutely now, with inflation so high, and it will inevitably have an impact.

Some institutions are already saying that it is difficult to recruit staff, particularly in professional support services, but in other areas, too. We are seeing more students and fewer staff in staff to student ratios. That will also have an impact on the student experience.

Obviously, it is entirely possible to give a lecture to a large group of students, but one-to-one support and tutorial classes are vital, particularly in getting widening access students to university in the first place, keeping them there, keeping them engaged and ensuring that they are successful.

The cuts that our members are seeing are therefore deeply worrying.

The Convener: That takes us nicely to questions on widening access from Bob Doris.

Bob Doris (Glasgow Maryhill and Springburn) (SNP): This will sound a bit counterintuitive. There are some good stories to tell about widening access, which could, of course, be under threat because of the cost of living crisis and the financial constraints. However, I will put a couple of those on the record.

We are ahead of our target of getting 20 per cent of those in higher education to be from the most deprived areas, as measured by the Scottish index of multiple deprivation. The interim target of 16 per cent was exceeded ahead of time. I know that we are talking about universities, but I think that colleges were the biggest contributors to that. Some 40.9 per cent of the progress came through the college pathway. Record numbers of young people from the most deprived backgrounds are at university.

Without putting words in your mouth, are those young people under more financial pressure than students more generally? I see that the minimum income guarantee for the most deprived students is £8,100 a year, but there will be other students out there who do not get those guarantees. Do you have any comments on how universities are taking steps to improve widening access to education, despite the current financial climate? What are the dangers to ensuring that that is sustainable and that we build on that progress?

Ellie Gomersall: The statistics on the number of students from widening access backgrounds who are going to university are positive. This year, we saw a significant increase in the number of students from widening access backgrounds being offered places at university.

The difficulty is in keeping those students and in their completing their studies and having a positive and fulfilling university experience. That is where the real concern is, as those students are naturally going to be hit harder by things such as the cost of living crisis. They are likely to have to work more hours on top of their studies in order to be able to pay their rent. A student might not have the lifeline of parents who are able to fund things such as their cost of living if they get into financial difficulty, for instance. There is a real worry there. Although we are seeing more students from those backgrounds going to university, seeing them go through the process and completing their studies is a different thing.

10:00

Bob Doris: Mary Senior, it would be helpful if you said whether you are aware of anything that universities do to target young people from the most deprived areas to support them through their education path. There are really good statistics, but Ellie Gomersall is absolutely right that the initial outcome is getting them into university. Overall, what we are looking for is a successful first degree.

Mary Senior: The comment that I will make is about how challenging the situation around widening access is right now. I know that the Commissioner for Fair Access has said that the last bit is the toughest, but I think that things are really tough because of where we are with the cost of living and on the back of the pandemic. We have not spoken very much about people's lost learning. People who have started university or are starting university just now have had an incredibly disrupted school education because of the pandemic and their absences.

There is a lot of learning that universities will need to deliver to replace learning that did not happen in schools for whatever reason because of the pandemic. It seems to me that some of the widening access students will have been at the sharp end of that. There is also the mental health crisis that we are experiencing.

Successfully supporting widening access students through university takes a lot of resources. It takes a lot of people power. That is at a point when student to staff ratios have increased workload pressures. Universities are trying to do more with less, and that is a real worry. At the end of the day, students are the ones who will lose out.

Bob Doris: I absolutely get that.

Since 2019, there has been a 32 per increase in the number of 18-year-olds from the most deprived backgrounds who have been offered a university place. That is a staggering figure—although not all those places will have been accepted, of course. That is a large cohort of young people, a lot of whom are without a history, culture or tradition of going to university. They will be the first in the family—in the household—to do that.

You are right about the strains that will be put on university staff, student support organisations and everything else. Are you aware of anything bespoke that universities are trying to do to support that particular cohort? I absolutely acknowledge the financial challenges, which we will talk about in the next evidence session. However, are you aware of any specific initiatives at the university level that are trying to drill down into that particular cohort to offer extra support?

Mary Senior: I am sure that there are such initiatives. In my role as a trade union official, given all the things that we are dealing with, I am sorry that I do not have the details on that to give to you. Universities Scotland might be better placed to answer that question today or at another time.

Bob Doris: I will ask Universities Scotland that question in the next evidence session.

The Convener: That is great. Thank you.

We will move on to questions from Graeme Dey, please.

Graeme Dey (Angus South) (SNP): Good morning. I think that we have covered many of the questions that I wanted to ask, but I want to touch on this from a perspective that we have only fleetingly engaged with. I do not doubt the merits of the cases that both of you make on behalf of your members, nor do I question your right to come here today and call for greater funding for those interests. However, I would contend that with rights come responsibilities. We have heard asks for better pay for staff and increases in grants and bus fares, but all of those have to be paid for. We have acknowledged that there is considerable pressure on the Scottish Government's budget, which will only increase in the years to come.

Can I ask each of you where the funding would come from to meet those asks? Are we talking about looking elsewhere in the education budget and making cuts there? Are we talking about cuts to the budgets for social security, justice or net zero, for example?

Mary Senior, to be fair, you indicated that a progressive taxation approach would be the answer to this, but you will appreciate that there are other areas of education that would contend that they are worthy recipients of the fruits of that approach. At our previous meeting, on 21 September, colleges told us that less money comes to them per student than goes to the university sector. It is a difficult question, but I want to pose that to both of you because, in the real world, the money has to come from somewhere.

Mary Senior: I would say that it is not really our role to say that. You are right to say that I would look to taxation. I would also say that the Scottish Government has tax-raising powers and it can look at other priorities. I would also look at the small business bonus scheme, the merits of which have been questioned by the trade unions.

I think that universities could make better decisions on their own spending. Certainly, with regard to the salaries of those at the top, we could make better choices. That is also the case with some of the overseas campuses, such as those in New York and Dubai.

It is absolutely right that the Scottish Government has taken the decision to provide tuition fees for Scotland-domiciled students. I absolutely—100 per cent—support that decision. However, it needs to be properly funded and, at the minute, it is not funded. That is a real cause of concern.

Graeme Dey: I suspect that the Federation of Small Businesses might have a different view on the small business bonus scheme.

Ellie Gomersall: I once again echo what Mary Senior said, particularly the point about universities having a responsibility to think about their priorities. The Scottish Government has those same decisions to make, but we are here to advocate for our members. When you look at the number of students who, for instance, have been homeless and the depressing figures around mental health, you can see that those issues absolutely have to be a priority for the Scottish Government.

Graeme Dey: But you are not telling us what you would deprioritise to meet those priorities.

Ellie Gomersall: I think that it is the responsibility of the Scottish Government to make those decisions. Perhaps—

Graeme Dey: In other words, it should just find the money from wherever.

Ellie Gomersall: No. We have talked about things such as progressive taxation. Ultimately, we are talking about prioritisation, and I would advocate that education should be a very high priority for the Scottish Government, as should student mental health and homelessness. I am not going to sit here and tell the Scottish Government what decisions it needs to make and what else it should do in areas that are not related to education; I am here to talk about education, to advocate for our members and to say where that money needs to go.

The Convener: Keeping on this theme, we have some questions from Willie Rennie, who will be followed by Stephanie Callaghan.

Willie Rennie (North East Fife) (LD): I was impressed with those answers to Mr Dey's questions. Our witnesses are quite right to put him in his place. It is up to the Government, not the union representatives, to come up with the answers to these things.

The situation does not seem to be very happy. This morning, you have talked about homelessness, a shortage of student accommodation and very expensive student accommodation. We have talked about severe

problems with student finance, staff pay, staff pensions, staff contracts and staff ratios. This is quite a dark place for universities to be in. We have prided ourselves on having some of the best universities not just in Britain but across the world. Do you think that that status is under threat if these issues are not resolved?

Ellie Gomersall: I think that it is under threat. We can rightly be proud of policies such as free undergraduate education for Scottish students. That is very positive.

Willie Rennie: Is it free?

Ellie Gomersall: This is the point. The tuition is free but, in reality, a lot of those students—more than a third of all students—have considered dropping out because of their financial situation. That is an embarrassingly high statistic, as is the 12 per cent figure for students who have been homeless. It is also embarrassing that universities are having to make money by charging ridiculously high tuition fees to international students. If we want an education system that we can be proud of, it has to be one that is accessible to anyone who wants an education, because, ultimately, education should be a right that anyone can access throughout their lives.

The situation that we are in right now presents a real threat to many students who should rightly be excited to be going to university for the first time but who will instead be met with an experience that is shaped by poverty, stress and mental health problems. That is a very grim situation for Scotland's students to be in.

Mary Senior: You make a good point. The failure to value staff in the sector is deeply worrying and has the potential to undermine that reputation. The work that universities do in teaching, education, research, knowledge exchange and student support—everything that is key to what they do—is delivered by people. Therefore, to not invest in people and instead to see real-terms pay cuts, slashed pensions, greater workloads, pay inequality and gender and race pay gaps as well as casualisation will undermine what universities do.

Stephanie Callaghan (Uddingston and Bellshill) (SNP): Mary Senior, you have already spoken about inflation, meaning that flat cash is decreasing in value. Like Ross Greer, I have huge sympathy with that point, but there is no getting away from that fact that the Scottish Government's budget is also fixed. In reality, the Scottish Government's limited powers over taxation mean that increasing university budgets means cutting other budgets. Wider cuts to health, social care, transport and so on will have an impact on student health, mental health and wellbeing, as well as on the rest of society.

You also spoke about the reality of international students plugging the funding gap. What are the biggest risks around that shift in majority funding from SFC to international and UK student fees? What risks does that present for Scotland's universities and students?

Mary Senior: The staff student ratio issue is important, as we have fewer staff delivering education to more students. Inevitably, there is a tipping point at which the quality will not be as good. Students are expecting one-to-one support and that their lecturer or tutor has the time to mark their essays. When we have to tell them that some of the people who are employed to teach them and to mark their work do not have enough time to spend reading the work that they do, that will be a problem. If that happens, the reputation of the sector will dip and international students will ask themselves why they should come here if they are not going to receive the high-quality education that they expect.

Clearly, we do not want that to happen. Our members want to deliver high-quality education, but they are under pressure with regard to workloads and, for example, the guaranteed-hours contracts that do not give them sufficient time to deliver all the support that students expect. It is tough to spare time for a 15-minute chat after a lecture or tutorial when you are not paid for that. I think that international students will start recognising what is going on and will ask why they are backfilling and backfunding the education of Scotland-domiciled students.

10:15

Stephanie Callaghan: I would say that our statistics on international students are pretty good at the moment. Ellie Gomersall mentioned earlier—I think that it was in her opening statement—the increase in overall student numbers. At point 22 in its written submission, the SFC accepts that the increase in teaching budgets

> "is largely as a result of increases in funded places rather than increases in the average price we pay per funded student."

However, it also suggests that protecting the price per place would impact the number of funded places. What changes, if any, would you recommend within the current fiscal constraints for the SFC to get the balance right between the price per place and the number of funded places?

Ellie Gomersall: At the moment, as Mary Senior noted, international students paying sky-high fees subsidises the cost of Scottish student places. Although there are requirements from the Home Office around the amount of finance that international students have to have to come here, we see a lot of international students facing a lot of

the same challenges around the cost of living, particularly with the recent huge increases. There is a reliance on international students coming and paying extremely high fees for their education, but we believe that education should be a human right for all—not just for Scottish students, but for international students too. It is a positive thing for international students to come to Scotland and get their education but, right now, the fact that the entire funding model relies on those fees is unfair to Scottish students as well as to those international students. Clearly, we need to move to a model in which all places are fully funded by the Scottish Government, regardless of whether someone is an international student or a Scottish student.

Stephanie Callaghan: I appreciate what you are saying about the cost of living crisis, which has been such a huge issue, too. However, that does not answer the question about what we do to get the balance right between the price per place and the number of funded students we have in the current fiscal constraints.

Ellie Gomersall: We have talked about the fact that there are significant financial constraints on everyone, but I think that we need to look at increasing the amount of investment that we are making in education. Mary Senior touched earlier on how significant and important education is as a sector. When you think about things like healthcare and primary and secondary teaching, all those teachers, nurses and doctors are going through education, so, clearly, it needs to be somewhere that we are investing money in the first place. We need our education system in Scotland to be as fantastic as it should be.

Mary Senior: I do not have anything to say about how the Funding Council allocates funding. I will not criticise what it does, but I will say that the UK and Scottish Governments need a reality check around their expectations of universities, public services and public service workers, what they are expecting them to deliver and the resources that they are giving them, because the situation is absolutely unsustainable. I do not want to sit here and argue for cuts to other vital services for the benefit of universities. The fact is that we need a bigger pie.

The Government needs a reality check if it expects all these things to happen in universities and is making similar demands on the national health service but is not drawing in the funding to deliver those things. We saw last week, in the fiscal event, the Chancellor of the Exchequer making tax cuts and borrowing money, which does not seem to add up. If we want a decent university system, we need to fund it properly and value the people who deliver that education.

The Convener: Stephanie Callaghan has a question. Please be concise.

Stephanie Callaghan: Certainly, I agree that the Scottish Government could do with a much bigger pie, too—that would be a huge help.

The Convener: Please be concise, Stephanie.

Stephanie Callaghan: How helpful is the resource spending trajectory for the next four years? Is there anything around climate that you want to mention?

Mary Senior: The resource spending review was really brutal and deeply worrying. I said earlier that one of the good recommendations from the Funding Council's review last year was this call for multiyear spending allocations to help universities to plan. After all, the average degree in Scotland takes four years. For the last decade, we have had only annual funding settlements, so it has been incredibly difficult to plan. Multiyear spending allocations could be helpful for universities and could help in terms of pay settlements, because we could explore doing them on a multiyear basis. However, in May we saw top-line figures, covering universities and colleges, which means that we did not get greater clarity. Further, it was flat cash, so, given that inflation is 12 per cent, the sector is really worried. Just at the time when we get increased pressures, we see that funding is dipping.

The Convener: Michael Marra has a supplementary question, after which we will move on to Kaukab Stewart.

Michael Marra: I agree with the comments about the doomsday cult at Westminster and the budget approach that the UK Government is taking, but one reason for the Scottish Government having a big gap in its funding is its failure to grow the Scottish economy, which means that there are hundreds of millions of pounds in lost tax revenue. You talked about the need for a bigger pie. How important are universities to growing the size of the Scottish economy and growing our tax receipts?

Mary Senior: I would say that they are fundamental. My colleagues in Universities Scotland have much more evidence on that. A thriving university contributes a huge amount to the local economy in terms not only of the staff and students, but of its wider reach. As has been said, universities train and educate the teachers, the lawyers, the nurses, the doctors and the architects, who are the people who keep society going. Investing in universities is investing in the long term.

Kaukab Stewart (Glasgow Kelvin) (SNP): I would like to celebrate the amazing work that universities do in the area of research, in

particular, so I will ask a couple of questions about research. I want to get an idea of what the experience of postgraduate researchers is in the current climate. As we know, the SFC has identified a gap in research funding. Initially, I would like to hear about the postgraduate experience of that. Perhaps Ellie Gomersall could go first.

Ellie Gomersall: I feel for a lot of our postgraduate students, because they are bearing the brunt of the worst of both worlds. They are experiencing the same cuts and the same horrific pressures in the cost of living as other students and are finding it difficult to secure accommodation and so on. The mental health statistics, which include postgraduate students, are really difficult to see.

Equally, a lot of those students are on precarious contracts and are not receiving the pay that they need in order to be able to survive. They are stuck in a situation in which they face many difficulties. Earlier, I raised the difficulties around the cost of being a student; there are also the additional difficulties of being a worker on a precarious contract. A large number of postgraduate students have to find other, part-time work in addition to their research.

We have discussed the resource spending review. I am sure that Universities Scotland will say more about this later, but, according to its statistics, by 2024-25, there will have been a real-terms cut of 37.8 per cent in the research budget. That is a horrific cut. We have talked about the value and importance of education and about its being an investment in the long term. Research is absolutely key to that, so it is really worrying to see that figure.

Mary Senior: I echo some of the comments that Ellie Gomersall made. Too many postgraduate researchers are in that vague space in which they are not entirely students and are sometimes also not considered to be staff, which is really challenging. Making ends meet is really challenging, as is dealing with the pressures of delivering teaching or other aspects of work if you are not being fully paid to do that.

That said, I have a good news story for the committee. In October, United Kingdom Research and Innovation will increase the PhD stipend by 10 per cent on the back of campaigning that the UCU has done. However, that increase is for PhDs that are being done under UKRI, so it is not across the piece. The UCU currently has a big campaign to get postgraduate researchers fully recognised as staff, so that they get more benefits and protections. The issue that you raise is an important one.

Kaukab Stewart: Could the universities provide any more support to research students? I have visited facilities at the University of Glasgow where some amazing joint work is being done in partnership with charities. Could that be expanded?

Mary Senior: I think that we could do a lot more. That links into the comments about addressing casual and precarious contracts and ensuring that people are paid for the work that they do, are clear about that work and are paid for the development work that they do. There is a lot more that could be done to support postgraduate researchers.

Kaukab Stewart: Thank you.

The Convener: That is super timing. I thank Ellie Gomersall and Mary Senior for giving us their time today.

We will have a 10-minute suspension to allow for a changeover of witnesses.

10:27

Meeting suspended.

10:42

On resuming—

The Convener: Welcome back. We will now take evidence from our second panel of witnesses this morning. I welcome Karen Watt, chief executive of the Scottish Funding Council, and Professor George Boyne, principal of the University of Aberdeen, representing Universities Scotland. Stephen Kerr will kick off our questions.

Stephen Kerr: We have already heard about the importance of the revenue that comes into the sector through international students. In stark terms, what is the financial impact of the 17,000 additional students we now have in Scottish universities compared with 2016?

Karen Watt (Scottish Funding Council): International students are an incredible part of the dynamic mix of a university. They add significantly to student experience and they are part and parcel of many of the internationally and globally significant institutions we have in Scotland.

In terms of finances and budgets, we have seen a steady increase in the amount of income that is being generated from international students. That varies very much across the sector, so some universities are more reliant on SFC funds than they are on international fees, but we are getting to a point where there is a crossover between the amount of public funding that we put in for learning and teaching and the model in some universities,

which are becoming more reliant on international fees.

We will always see an element of cross-subsidisation. We will always see some universities generating that kind of income to fund a range of research activities. Also, there will be an element of cross-subsidy for public teaching and funding Scottish students, so I would say that we will see an increase.

Clearly, one of the risks in all of that is that global markets change and international markets change and each university will have to come to its own view about its business model, how it wants to fund its activities and how it sees itself on the global competitive stage. Scotland is not alone in this. Many universities across the globe are reliant on that flow of international students and compete on a regular basis.

10:45

Stephen Kerr: You used the word "reliant", so how fundamentally important are international fees and, in particular, the increment? What would be the impact of going back to the 2016 numbers of international students?

Karen Watt: We have seen a significant increase. I do not have the figures to hand, but we are seeing a very significant increase. It is important that, every year, as part of our recent work to delve more significantly into the forward projections of universities, we are seeing many universities projecting an increase in that income.

Stephen Kerr: A further increase?

Karen Watt: A further increase over time. It is not in every institution, but it is in many. That is partly because of the strategies that institutions apply themselves and what their appetite is for increasing their research base where they will—

Stephen Kerr: Is it to do with the business model? Does the business model collapse without an on-going increase in the number of foreign students in Scotland?

Karen Watt: I would say that it is an integral part of the business of most universities that they will look for international students and international income, such as research fees. In the round, that is very attractive for Scotland. It is bringing in talent and we would like to see that talent stay, and we would like post-study work visas that enable those students to stay and contribute more to the economy. Yes, we are seeing an increase in international student fees.

Stephen Kerr: George Boyne, I am quite interested in finding out how dependent the viability of our current business model is on international students. I am hearing that they are critically important.

Professor George Boyne (Universities Scotland): Let me first reinforce the point that we are proud to have so many international students in Scotland. That contributes to our international reach or soft power. We contribute across the world by educating so many international students. It is also critical, as you rightly say, to our financial viability. The financial sustainability of Scotland's universities depends on the cross-subsidy from international students.

You have seen the numbers and have discussed them briefly already this morning. You know that funding per undergraduate student from the Scottish Government has gone down by almost £2,500 per student in real terms since 2014. Our research funding has also gone down in real terms; therefore, we are compensating for that through the fees paid by international students.

Stephen Kerr: And capping the number of Scottish students, obviously.

Professor Boyne: To be clear, individual universities are not capping the number of Scottish students we take. That is a Scottish Government cap to ensure that undergraduate education is affordable within the Scottish Government budget, so that is a Scottish Government cap and we recruit to the cap. We take as many Scottish students as we are allowed to take.

Stephen Kerr: But you need the revenue from the international students to compensate for the fact that you are not getting the full cost of the teaching.

Professor Boyne: That is correct. That has been true for some time and it happens in other education systems, not only in Scotland. For example, in England, our closest rival in education terms and our comparator, for some time international student fees have cross-subsidised research. The difference in Scotland is that international student fees are cross-subsidising not only research but undergraduate education, so that puts us under greater financial pressure.

Stephen Kerr: Let us explore the vulnerabilities of the situation that we find ourselves in. Karen Watt mentioned it in passing, but how many Chinese students do you have at Aberdeen?

Professor Boyne: About 700.

Stephen Kerr: We are dealing with real-world politics. We know that the situation with China is very precarious and very difficult. In a worst-case scenario, we might not have our Chinese student contingent in Scotland's universities. What is your reaction to that? I hope that the university sector is planning for such contingencies.

Professor Boyne: Global markets are unstable, for a variety of reasons, such as Covid-19, the war in Ukraine and the cost of living crisis, and therefore our reliance—to use your term—on international fees introduces more uncertainty into our financial situation. It makes it harder to plan and to be confident about what we can afford from one year to the next and certainly over a period of five years. When we see what looks like a cash settlement, we need to pay very close attention to what is happening in international markets. It becomes more difficult to put in investment that would be sustainable over a five-year period to invest in our students and staff, who are our two main priorities.

Karen Watt: Each institution needs to think about how exposed it is to particular markets. They will look at diversification strategies where they need to, and we are tracking that as well because, as you say, there are volatilities in the wider international environment. We are seeing a number of institutions looking at where they have particular concentrations in particular countries, and they are, as we understand it, diversifying into a range of other countries as well.

Stephen Kerr: I am anxious about that exposure. For example, Aberdeen has a Confucius Institute. How much income comes to Aberdeen through hosting that Confucius Institute?

Professor Boyne: Very, very little. A couple of posts are funded from China, so the funding for those posts comes in.

Stephen Kerr: Those are teaching posts for teaching Mandarin.

Professor Boyne: Yes. As you have raised the issue of Confucius Institutes, I have never experienced even a hint of an attempt to influence university policy, either in Aberdeen or in my previous institutions. I have experienced no attempt to put any pressure on us to do one thing rather than another from a Confucius Institute.

The Convener: Thank you. I think that we can take that.

Stephen Kerr: I do not want to go down the Confucius Institute rabbit hole.

The Convener: I do not want to go down that rabbit hole either this morning.

Stephen Kerr: However, it is a very important subject that I hope we will return to at some point. The University of Aberdeen has strong financial links with Qatar as well, which—dare I say?—is not the most attractive of regimes. Can you talk us through the ethical dimension of the revenue streams that you secure from international marketplaces?

Professor Boyne: There are ethical challenges in any international joint venture. It is not our purpose in Aberdeen to stay in a little corner in the north-east of Scotland and interact only with people whose values are identical to ours. Our purpose is to interact and educate and enlighten, and we think that through international collaborations we contribute to that.

Stephen Kerr: In the answers that you have given to my questions, you have fully explained the vulnerabilities and how precarious the current business model is for Scotland's universities, so I thank you for that.

The Convener: Thank you, Mr Kerr. There are some supplementaries on this, as you can imagine.

Willie Rennie: Karen Watt, you have said on a number of occasions that the universities would come to a view and make an assessment about their exposure to international students. Do they have a choice? When funding over the 10-year period has been cut or will fall by 37 per cent and when student places in Scottish universities are underfunded by between £4,000 to £7,000, depending on the course, do they really have a choice? Do they not have to do this to survive?

Karen Watt: Talking as a funder, we look at a range of different indicators about whether our public money is working to best effect. We look at the financial sustainability of the sector and individual institutions. We look at the quality of outcomes for students. We look at how well those students are doing and at what experience they have in their learning and teaching. We look at the contribution that institutions make across the range of social and economic indicators and we look at their international reach and their reputation. All those factors suggest that we have a sector that is, yes, under a lot of pressure and looking at where its income comes from but also one that is thriving. We have thriving institutions, both individually and collectively.

At some level, the answer to your question is that, yes, there is an inevitability about universities looking for additional sources of income that will generate surplus for them, and they will always cross-subsidise their activities. If you are looking at whether we think that we have reached a point where we are at risk in the university sector, I suggest that we still have a thriving sector, which is continuing to deliver across a range of different important indicators for us.

Willie Rennie: You may have heard the evidence earlier about student homelessness and a shortage of accommodation, staff pay, pensions, short-term contracts, staff ratios and huge stress. Now we hear that we have massive cross-subsidy, which is greater than it is in England, where the

funding from international students helps with research. Here, it helps with Scottish students. Is it not a little bit complacent to say that the sector is thriving when we have heard that pretty dark story this morning?

Karen Watt: Do not misunderstand me. There is no complacency, particularly from a funding body that is effectively here to champion the best in our college and university sector. Our advice to Government is based on the indicators that I talked about before, such as sustainability and the balance in funding—the number of funded places and how much we pay for a funded place. For example, we have increased the number of funded places over the past five years, so that we have 5,000 additional opportunities for people in Scotland to study at a Scottish university. Those are funded places. It is always a balance and there is always a negotiation with the Government and with the university sector about what the balance might be between how much we pay for each unit of learning and teaching and how much demand in the system we can meet. There will always be a difficult set of choices around all this.

Last year, we were able to increase the price that we pay per unit of learning and teaching, albeit that the increase was about 1.5 per cent. There are cost pressures on the sector and inflationary pressures. The pressures that students are facing on a daily basis around mental health and wellbeing and the accommodation crisis are all things that we absolutely understand are there. As a funding council, our job is to work with the Government about what quantum it is willing to invest in the sector and, when we have that quantum, how best to distribute it.

Willie Rennie: I have one final question. Are we comfortable that we are asking students from some of the poorest parts of the world to subsidise Scottish education to such an extent? We are asking African countries and south Asian countries—some of the poorest countries facing the greatest struggles—to subsidise Scottish education. Do you feel a bit uncomfortable about doing that?

Karen Watt: We are investing in Scottish education. We are funding places for Scottish students.

Willie Rennie: It is subsidised.

Karen Watt: It is cross-subsidy across a range of different—

Willie Rennie: It is still subsidy.

Karen Watt: Yes, and of course there will be an element of a moral dilemma, if you put it in those terms, but we have to hang on to the fact that these are international students who benefit from a very high-quality opportunity at a Scottish university—it is very research intensive, with great learning and teaching opportunities. We need to put it in that context. We also benefit from having students from a range of countries at Scottish institutions.

There are pressures and strains and we are all trying to balance them. As we distribute those resources, the SFC, universities and the Government are wrestling with issues—not just annually, but regularly—such as the decisions that we are being asked to make about demand, widening access and ensuring that institutions are sustainable.

11:00

The Convener: Do you want to contribute, Professor Boyne?

Professor Boyne: Yes, please. It is right to say that Scottish universities have been thriving. The most recent university league table, which was published last weekend in *The Guardian*, shows that there are five Scottish universities in the UK top 20. We have been thriving despite inadequate public funding for our undergraduate students and our research. We have been thriving through cross-subsidy from international students. Public funding has helped us to thrive. It is not as much as we would have liked, of course, but we recognise the budgetary challenges.

If public funding falls significantly over the next five years and we get flat cash funding when inflation is in double figures, how can we possibly continue to thrive given such a cut in the real value of our funding? That is our concern. We want to be able to continue to thrive and contribute to Scotland's economy, to society and to tackling the climate emergency, given all the wonderful things we have done so far. However, that will become much more difficult with a significant cut in the real-terms value of public funding. That is our concern. That is why we are here today.

Michael Marra: During the years I taught at universities, international students made an unbelievable contribution in the classroom, to the richness of the learning and to diversity. Frankly, as a teacher, it is a pleasure to have international students in the room, contributing to those conversations.

I worry that we are not planning. It is difficult to plan for volatile markets and the pressures that colleagues have told us about this morning around the housing market and school places for the children of students coming into the country. You tell us now that those pressures will continue to increase given the demand and the need for universities to increase the numbers. Are we planning our social infrastructure to cope with those pressures?

The Convener: Who would like to go first?

Karen Watt: That is an absolutely core question for us, although clearly it is slightly beyond our remit. When we look at the issue, we need to look at the institutions in terms of place. They are in geographical places and they need to think about the broader community impact and the contribution that they make.

There is a broad set of issues for us around how we support students more generally. When we talk about social infrastructure, we look at whether there is sufficient support for learners who are dealing with a range of difficult pressures at the minute. There is a constant need to balance housing supply, housing demand and place in a city. That is why universities are so integral to regional planning, which needs to be much broader than the discussion about Scottish students getting a place.

Michael Marra: It does not feel as if that balance works at the moment, given some of the evidence we have heard today. I understand that the issue does not sit on your desk, however.

Professor Boyne: On institutional infrastructure at the university level, we see the level of need for support rising per student because of the consequences of Covid. Mental health pressures accelerated during Covid and were deepened by it.

We have more widening access students, and we are delighted to have them. We are pleased with the progress that we have made, but they also need more support per student. On the one hand, we have support need per student going up and flat cash funding meaning that, in real terms, funding is going down. It is an almost impossible problem to resolve.

Michael Marra: On the pressure on social infrastructure—housing for students who have come to Aberdeen and primary school places for their children—are you planning? It does not feel to me as if those pressures are being planned for appropriately.

Professor Boyne: To be fair, we work closely with the council, the health board and the other organisations around us to try to co-ordinate the existing infrastructure. You are asking an interesting longer-term question about whether investment in that infrastructure is being made. That is also a challenge for the Government and its priorities.

The Convener: Let us remember that Professor Boyne is here not just from the University of Aberdeen but to represent all the universities.

We heard a little bit about mental health challenges in some of the comments that have just been made. The mental health counsellor funding for colleges and universities is about to run out this year. Future funding is not confirmed, and if it is not confirmed, the sector could lose 80 trained counsellors.

Given the pressures that you have spoken about, is there adequate support for those students who struggle and who perhaps need a bit more support than others do? What potential solutions or options are there?

Karen Watt: The Scottish Government committed additional funding for mental health counsellors, which we distributed as part of the four-year funding settlement. Probably just shy of £12 million has been spent on that. As you say, convener, about 89 additional mental health counsellors were provided through that.

At this point, we are still in negotiation with the Government about that programme. Institutions have often employed people in their support services to provide that service, and we are discussing with the Government whether the programme can continue. I understand that the Government is putting together a student mental health action plan, which it plans to publish in spring next year. It is being done in that way partly because there are many avenues in Government funding portfolios that might be relevant to the challenges that students face. We are still in discussions with the Government about whether that funding will continue.

The Convener: Thank you for clarifying that. I will hand over to Ruth Maguire.

Ruth Maguire: Thank you, convener. I thank the witnesses for being with us—I have appreciated their contributions so far.

I asked the first panel about the cost of living crisis and the specific impact on students. I highlighted an example of a constituent and the impact on the university experience of their cohort, with placement opportunities being turned down and occasionally students not being able to travel to lectures. Could George Boyne respond to that? Do you see that impact in your own university and among the universities that you represent?

Professor Boyne: I have not heard of an example exactly like that one, but I am not surprised to find that students are under those pressures. All universities in Scotland have hardship funds specifically for such circumstances. In addition, during the pandemic, some of us raised extra funding from our alumni communities to support students in financial difficulties. I record my thanks to the graduates of Scotland's universities for their generosity in stepping in and helping when students were in that position.

Support is available, especially for those in greatest need. Of course, in the context of a tight

budget, it is difficult to ask for too many things simultaneously, but it would be welcome if financial support for students were stepped up in line with inflationary pressures.

Ruth Maguire: The specific example that I raised was of a cohort that receive living cost grants, and the issue was about them not being classed as students when they are on their placements. Have you come across that situation, and can you think of any potential solutions?

Professor Boyne: I have not come across it, but after the meeting I will check with my Universities Scotland colleagues whether it is a problem that is arising across the sector.

Ruth Maguire: Thank you. That is helpful. I will move on.

I am interested in hearing your reflections on the impact of the cost of living crisis on staff.

Professor Boyne: The impact on staff in universities is similar to the impact on employees across the economy. Wages are not keeping pace with rising prices. We are not comfortable with that, but we have to deal with what is affordable. As a sector, we are able to offer a pay rise only according to our means. I link back to the discussion about funding. If funding is flat in the years ahead, that will make affordability even more difficult and bring extra pressures for institutions and for our staff, because it will be hard for us to get anywhere close to the rate of inflation in the pay deals that we are able to afford to offer.

Ruth Maguire: I am not in any way diminishing the financial challenges, but is there more that universities could do to support staff through the crisis as they deliver increased support to the widening access students that you have mentioned, for example?

Professor Boyne: We are all in constant discussion with our trade union colleagues and with staff more broadly about how to adjust workloads to relieve the pressures. However, the greatest difference that we can make to workloads is to have more people to share the work. The argument is exactly the same as it is on pay: with flat cash funding, it is correspondingly more difficult to recruit more staff.

Ruth Maguire: Does Karen Watt wish to say anything?

Karen Watt: It is a difficult one because, as a funding body, employer-employee relations are not our thing. However, we look carefully at the cost pressures across each institution from the perspective of sustainability and looking at the future. There are clearly big pressures around the cost of living, pensions and salaries, and we look at those on an on-going basis to see the overall effect on the sustainability of an institution. It is a difficult time.

The Convener: Michael Marra has a supplementary question.

Michael Marra: We had a series of college principals in front of us last week who told us that the SFC was asking them to assume that there would be a 2 per cent uplift in pay. In their view—in everyone's view, I think—that is deeply unrealistic; it is not happening. You are not making the same assumption about universities, are you.

Karen Watt: I watched the session with college principals and I heard them talk about our unrealistic assumptions. We work with college finance staff and principals to agree what kind of assumptions they should put into their forward projections. At the time—we are talking about probably the summer time—2 per cent was what we agreed with the sector.

However, the sector is modelling more significant and different kinds of assumptions now, so the projections that we will get in the next few weeks will have a range of different scenarios. It is our expectation that there will be more cost pressures and other constraints on pay and pensions that all institutions will be dealing with. We have looked again at our work with institutions on the underpinning assumptions, given the shift in cost assumptions. That is incredibly important.

It is a dynamic and fluid situation. If you had asked me at the start of the summer where I thought some of the assumptions might lie and then asked me the same question now, my answers would be quite different. That is why we work closely with each institution.

We are also looking at what that might mean in the longer term. If we get a flat cash settlement, we have those assumptions, but at this point we do not yet know how the Government will respond to the range of pressures; we will know that over the next few weeks. There will be an emergency budget after the UK Government's fiscal event, so we will see what comes from that. Clearly, there is normal budget setting—

Michael Marra: It has been pushed back a month—it is not that much of an emergency, by the sounds of things.

Karen Watt: There is also the usual annual budget settlement. We will recalibrate as we go.

11:15

The Convener: Thank you very much for those responses. We move on to some questions from Bob Doris.

Bob Doris: I want to touch on funding later on in my questioning. I make that point to Ruth

Maguire and colleagues at the start because, in asking about the widening access agenda, I appreciate the significant challenges that exist.

There is a good-news story to tell. I gave this figure in the earlier session. Since 2019, there has been an increase of 32 per cent in the offers made to 18-year-olds from the most deprived backgrounds. That is a staggering figure. Obviously, they will not all take up those offers, but it means we are now well ahead of our target of 20 per cent of students in university coming from the SIMD20 most-deprived areas. We are at 16.7 per cent, so we met our 2021 interim target early. There is a lot of good news there.

The concern is that those from the most-deprived backgrounds may be those who are most susceptible to the cost of living crisis. What can be done to identify those young people—without stigmatising them, of course—and offer them whatever support we can through their learning pathway? I appreciate that the first outcome that ticks the box is that there are more first-year, full-time students from deprived areas in universities. However, the outcome that we want to see is those students being successful learners, graduating and entering positive careers. The input is only half of the story; the real outcome is the successful securing of the degree. Could Professor Boyne say a little bit more about what support is being deployed right now, despite the financial challenges?

Professor Boyne: Across the sector, we provide support with the transition to university, and our widening access students potentially benefit from that. You are quite right that it is important not to stigmatise the widening access students by separating them out, but we know through our systems who they are, so we try to ensure that they get the right pastoral support as well as educational support during their degrees.

This links nicely to previous points that we have been discussing, because, of course, it requires extra resource to provide that extra support. We are happy to provide it because we are delighted to be on track towards the widening access target, but extra resource is required to ensure that those students progress, continue and complete their degrees successfully. I say that as someone who was a widening access student decades ago—the first in my family to go to university—so I perhaps understand what it is like to need to work part time to complete a degree successfully.

Bob Doris: I will come on to funding, but I am interested in Karen Watt's reflections on that success story and how that important support is offered through the learning journey. Her comments on that would be welcome.

What monitoring might take place through the course? I am sure that, in four years' time, our successor committee will want to know what percentage of those young people from SIMD20 entering university this year successfully graduated in comparison with average graduation levels. We will want to look at that to see whether there has been actual success.

Karen Watt: You touch on a hugely important and significant aspect. The achievement of the interim target is phenomenal—it is fantastic. We know that the out-going widening access commissioner said that the next bit is the hard bit and that there is significant work still to do.

We have premiums and additional support that we put into our funding model to support widening access students. Whether that is sufficient is another question, but we recognise that there are additional costs, not just in supporting students from more deprived areas when they get to university, but on the journey to accessing that opportunity, on which we spend a lot of time and effort. We have at least £30 million or £35 million-worth of programme money wrapped up in how the senior phase transition and the pathways through into college higher education work. We are focusing on widening access for university students, but a significant number of students go through the college route and access higher education, and get extremely good-quality higher education, at college and can transition into a university in either year 2 or year 3. We are interested in those transition points. How successful are they? What is the longer-term success rate? We will track that and work with the new widening access commissioner closely on how we can monitor it proportionately to get the outcomes and learn how it is working.

Bob Doris: It is almost as if you anticipated my final question. The convener will be glad to hear that, given the time constraints.

The committee is conducting an inquiry into the success of college regionalisation thus far and next steps. You were right to mention colleges in relation to widening access. Some 40.9 per cent of all full-time first degree students are studying in colleges or came through a college pathway into a university education. College principals have told us that they get a lower reimbursement rate for higher national certificate and higher national diploma year 1 and year 2 than universities get. You will understand that they are seeking parity of financial support.

I address that question to Professor Boyne. I do not expect him to argue for a smaller slice of the cake going to universities, but it is a real issue for college principals, who might not think that the funding system is equitable.

Professor Boyne: I am happy to pick up that issue, although perhaps not quite in the way that you anticipate. There is an important point here: funding per student in almost every part of the Scottish education system, including colleges, secondary schools and primary schools, has gone up in real terms. The only part of the Scottish education system that has seen a real-terms cut per learner is higher education.

Bob Doris: That helpful answer still acknowledges the funding gap between universities and colleges. I am not trying to create division; I am merely mirroring the comments that we heard from college principals—I think that that is reasonable as part of our inquiry and our overall budget scrutiny in relation to the sector. Karen, is the narrowing of the gap deliberate? Will the end point be parity of funding?

Karen Watt: We did a review of tertiary education and research over the past couple of years and explored all the different options for funding. Again, it is an on-going dynamic for us now, and we are looking at it quite closely.

When we fund colleges and universities, we look not just at the funding per student, but at the infrastructure that supports that quality of learning and teaching. In some universities, learning and teaching are more expensive because there are lab costs and a variety of different infrastructure costs. Our funding partly recognises those different costs. We work closely with colleges on the issue—for example, when we review our funding models. There are opportunities to look at it again.

I would not want us to lose sight of the fact that colleges play an incredibly important role in higher education in ways that provide pathways to university or into a job below degree level or at a higher national qualification level. Those qualifications will be increasingly important for the economy. When we look at our funding formulas, we are aware of the pressures on colleges and we are open to looking at how we fund in the future.

Bob Doris: Colleges talk about the infrastructure costs of doing a lot of community work to bring those least likely to ever set foot in any further or higher education setting into that setting. They bear a significant cost to get people into the system in the first place. When you look at the additional wider infrastructure costs that universities sometimes have, do you also look at the same costs for community work that colleges have?

Karen Watt: In our funding, we recognise that there will be programmes for people who take that first step across a threshold to get into some form of education. We recognise that funding will be required. Part of our funding goes into and acknowledges that work.

Parity of esteem involves a much broader set of issues than the funding model. We look at how parents think about colleges, how students come to college and how employers value the different kinds of qualifications that come out of colleges. You are right to say that we look at all of our funding now, and we will look at that issue not just in light of the budget and the spending review, but in terms of how we help the pathways between colleges and universities and the collaboration that we encourage at a regional level.

The Convener: Thank you. You will be here next week, Karen, so we might get the chance to investigate that further with our colleges inquiry hat on.

We now move to questions from Graeme Dey.

Graeme Dey: I have two questions, one for each of the witnesses. The first one is for Karen Watt. At budget scrutiny time, parliamentary committees are invariably confronted with a list of demands from various stakeholders and dire warnings about the consequences of not having those asks met. I am looking to get your view, Karen, assuming that you come at this from a balanced perspective. Professor Boyne earlier said that, given the flat cash settlements that are predicted, universities will be unable to continue to thrive. Is that a fair assessment?

Karen Watt: I would not want to minimise the challenges that are faced here and the squeeze that is going on, or the cost of living crisis for both staff and students and what that means for institutions. We live in an incredibly pressured time for colleges and universities.

However, if you were to ask me about the most recent set of consolidated accounts that we had from universities, for example, I would say that, for the academic year 2021-22, we would see a huge underlying operating surplus—something like £370 million. That might give you the impression that we have an extremely well-placed university sector, but everything happens below the line. We know that two universities, Edinburgh and Glasgow, make up the vast majority of that surplus whereas probably half a dozen universities are currently looking at underlying declines in their surpluses and are posting deficits.

We also know that that surplus of £370 million is going to decline very sharply. We have had predictions from all Scottish universities, and their surpluses will go down quite significantly because of staff pay and pension costs and because big capital projects that universities got funding for will start spending out—city deals or whatever it is. So, the trends are looking like there will be a tighter

squeeze. That is absolutely our judgment on all things.

At this point, we have a remarkably resilient sector. Two years ago, at the start of the Covid period, we genuinely thought that we would see not just a fairly significant shock in university finance but some kind of chaotic collapse. We were genuinely concerned, because we had no international students coming in and the conference stuff stopped. The residential model is based on students coming and staying. Labs also stopped doing research. Of course, that shock to the system was significant. We put additional money in and we worked with the sector on all of that, but universities themselves adapted astonishingly well in a very difficult situation.

I am not for a second suggesting that there is not a difficult set of spending review, budget and public expenditure issues coming up, but there is a significant track record of universities being rather brilliant at adapting to difficult circumstances.

Graeme Dey: In the interest of balance, and to be fair, there is always a limit to the resilience that they will show.

Karen Watt: That is completely understood. For us, the issue is about how we run close to the assumptions that institutions make, which is why our advice to the Government about how much public money is required at different points in time for the university sector matters.

11:30

Graeme Dey: Okay. Thank you.

I have a different question for Professor Boyne. In the submission that we received, Universities Scotland indicates that it is looking for a minimum of £171.1 million. The only identification of where that might come from is a fleeting reference to some small Barnett consequentials. You heard my questions to the previous panel, and I am sure you know exactly where I am going with this. I am not in any way diminishing the validity of what you are looking for or why you are looking for it. However, in what you have acknowledged are difficult financial circumstances, where do you suggest the Government ought to find the sums that you argue for?

We have already heard about the situation with the colleges, which have a claim on any money that can be generated. Have you identified something in the education portfolio budget that you think could be redistributed? Are we talking about raiding other budget lines? To be fair, the UCU talked about adjusting the taxation system and looking at the small business bonus, so it has at least made suggestions. What would you say to me on that?

Professor Boyne: There are two points to make about that. First, we are asking for investment because universities produce a fantastic rate of return on the money that is funded to them already, and they will produce an even better rate of return if our budget ask is met. You mentioned the Barnett consequential, and we have included in our paper figures for the rate of return to Scotland. If that Barnett consequential comes through to universities, there will be a fantastic rate of return to the Scottish economy, because we are able to pull in more money from UKRI and other funders. Extra money comes into Scotland because that Barnett consequential comes through to us. This is about investment in our students, in our staff and in the rate of return for the Scottish economy and for society in Scotland. That is my first point.

Secondly, in a large budget there is always some flex and room to focus on priorities. I will give you one example of that. We heard in the previous evidence session about the extra 10 per cent that comes from UKRI for PGR PhD students. However, not all our PhD students are funded by UKRI. So, in the University of Aberdeen, we have matched that funding for all our PhD students. That has taken out of my fixed budget roughly the same percentage that we are asking for from the total Scottish budget. We felt that it was appropriate to invest in our PhD students—in their future, in their contribution to science, in their contribution to discovery and in their contribution to Scotland—so we found that money. A tiny percentage of my budget, which is equivalent to a tiny percentage of the total Scottish Government budget, is what we are asking for. There is always flex.

Graeme Dey: In other words, somebody needs to look down the back of the sofa to meet the ask that you have made.

Professor Boyne: Or achieve some efficiency gains elsewhere.

Graeme Dey: You will appreciate, Professor Boyne, that everyone will be making that argument in a time of straitened financial circumstances. Everyone can make a case. You make a valid case, but it is not as easy as that to find the moneys that you are looking for.

Professor Boyne: I have complete confidence that the Scottish Government will look for value for money in the investments that it makes, and our case sits close to the top of the list—if not at the top of the list—in terms of the return on the investment.

Graeme Dey: That is very well argued.

The Convener: Thank you very much for that, Professor Boyne. I now hand over to Ross Greer.

Ross Greer: I will continue the line of questioning around finances. I accept absolutely the economic and social return on investment in universities. The Scottish Government is currently—quite rightly—under pressure to expand the provision of free school meals, to increase devolved social security payments to something approaching the level of inflation and to keep public sector pay in line with inflation. The Scottish Government is experiencing all those pressures while its settlement is a flat cash settlement for the coming years. At the Finance and Public Administration Committee yesterday, we had eight organisations around the table that collectively asked for billions of pounds in spending, and all of them had good cases to make.

Going back to the questions that I asked the previous panel, how can we justify giving Glasgow and Edinburgh universities large sums of public money when their reserves are considerably larger even than that which the Scottish Government is allowed to hold? The University of Glasgow has £1 billion in its reserve, whereas the Scottish Government's reserve is capped at £700 million—not that there is anything in it at the moment—and the University of Edinburgh has £1.8 billion in its unrestricted reserve and £2.8 billion in total reserves. The University of Glasgow's reserve has gone up by about £150 million, according to the latest report, and the University of Edinburgh's has gone up by about £240 million.

Why should we give Glasgow and Edinburgh universities the same amount of money per student in the period of the spending review? I accept that, in the long term, it is not sustainable or fair to give them less than other universities, but for the period of the spending review, while the Government has flat cash, should we be giving every university the same amount of money per student when some universities have so much down the backs of their own sofas?

Professor Boyne: I will comment on the reserves issue first. The reserves are not free money. I will not comment on Edinburgh and Glasgow universities specifically, but on the sector as a whole. We hold reserves as a buffer against a rainy day, and there have been a few of those in the past few years. Any well-run organisation holds reserves to deal with uncertainties that may arise.

In addition, we held back a lot of our operational spending during Covid, in particular, as an extra buffer against the difficulties that we were facing. Some of that operational spending will be released now, but that cannot all happen quickly.

Thirdly, money has been borrowed for big capital projects but has not yet been spent, so a lot of that money is actually committed. You described some of it as uncommitted, but I cannot check that without looking at the detail of Edinburgh and Glasgow universities' finances, which I do not intend to do—I need to clarify that. A lot of that money will already be committed to stepping back up the operational spend as a buffer against further turbulence or to major capital projects that are in the pipeline but that have not yet started and that will, in fact, cost a lot more at current prices than was originally envisaged. Therefore, you may find that those reserves diminish or deplete very quickly.

I want to bring in a second argument here. Every Scottish undergraduate student deserves to be fully funded regardless of where they study. We should not distort their choices by deciding to fund some undergraduates at some institutions to a higher level than we fund those in other institutions. We need fairness and parity, and every Scottish undergraduate needs to receive the same support regardless of where they study.

Ross Greer: That is a perfectly compelling case, and you are right in saying that, in the overall picture, substantial sections of those reserves are restricted. The University of Edinburgh has £1 billion of restricted reserve. It has £1.8 billion of unrestricted reserve, though.

Do you accept the principle of what I am saying? When the Scottish Government is under so much financial pressure across the board, particularly given the cost of living pressure on families at the moment, it is a big ask for the university sector to be given a substantial amount of additional money when some organisations in the sector hold in their bank accounts far more than what is available to the Scottish Government in terms of discretionary spend.

Professor Boyne: The point of the ask is the rate of return on that investment, as I have explained. I absolutely hold to the position that every Scottish student deserves to be treated equally.

Ross Greer: Karen, does the SFC do any monitoring of university reserves? Does that come under your remit at all?

Karen Watt: We look generally at the financial health of an institution, and we have a range of indicators, including what we loosely term "financial ballast"—that hinterland of reserves. Professor Boyne is right in saying that quite a lot of those reserves are held for particular purposes. However, your question is a fair one to ask at a time of extremely difficult financial pressures.

In a way, it is difficult for us, as a mass funder of education, not to have some kind of transparent funding algorithms that we would adjust every year. At the minute, we do not means test each individual university, for example, and try to get a negotiated outcome with each university for a

certain number of funded places. That would be not only extremely complex to achieve but extremely untransparent about how we fund. So, there are real challenges to addressing the point that you make.

The general point about how we engage collectively at a time of peak challenge for public investment is about holding the balance of demands and desires that we have for the system to achieve what it needs to achieve. You might assume that we would not be looking to increase some of our funding prices at this particular time, and we may well hold to a position that we still want a significant number of Scottish students to be funded at the current level. However, means testing on the basis of individual institutional financial viability is extremely complex and possibly not quite a philosophically fair approach to take.

Nevertheless, I take the challenge in the round about how we hold all the different competing budget challenges.

Ross Greer: I have one final question for Professor Boyne. You will have heard in the previous evidence session discussion around my questions to the panel about working conditions in universities, so it is only fair that you have the opportunity to lay out Universities Scotland's position on that issue. Why is there a relatively high prevalence of casualisation, zero-hours contracts, short-term contracts and so on in the sector?

Professor Boyne: It looks to me as though the figures are not that different from those elsewhere in the UK. If there is increasing prevalence over time, it is because of the uncertainty associated with the funding flows from international markets, which makes it more difficult to commit to a particular level of long-term investment. More stability in the revenue arrangement would make it easier for us to plan further ahead in the knowledge of what our funding would be.

The Convener: I have a quick question about capital funding. We just heard from Professor Boyne about reserves, but we heard this morning that the University of Glasgow is having to use a cinema for a lecture theatre, and we have heard about the increase in student numbers and the capital investment that is required to facilitate that. I am curious about your comments about the pressures on your capital budget and how that might not support the increasing number of students that we are looking for in the sector.

Professor Boyne: To respond to those pressures in recent years, we have borrowed money to fund our capital programmes. That will become increasingly difficult as interest rates go up, so the capital programmes will be under pressure and under threat. We borrowed when interest rates were low, for the most part, across the sector. To maintain that level of investment through borrowing will now be commensurately more difficult.

The Convener: Thank you.

Karen Watt: There is a real squeeze on capital more generally. We provide a certain level of infrastructure capital funding for universities, but it is relatively low at £37 million. That is to cover some of the research infrastructure. We also have what we call financial transactions, which are low-cost capital loans to universities. At the minute, we have about £30 million-worth of those, but they are, of course, loans. The interest rates are very low and the loans are for particular purposes—particularly to help universities to think about their green energy and low-carbon transition costs.

There is an on-going challenge around how infrastructure—not just physical, but digital infrastructure—works for universities in the round and how it supports the modern university environment.

The Convener: Thank you very much for those responses. We will move on to questions from Kaukab Stewart.

Kaukab Stewart: Research excellence framework results for 2021 show that Scotland's universities presented research that was judged to be world-leading or of four-star quality; 86 per cent of what was submitted was world-leading or internationally excellent. Could either or both of you share some examples of good practice and of what has led to that success, so that we can learn from that and build upon it? If anything can be done better, it would be helpful for us to hear about that.

Karen Watt: Shall I start?

The Convener: Please do, Karen.

11:45

Karen Watt: One of the fundamental success factors is the long-term investment that we have made in the research base in Scotland. You would expect a funder to say that, but currently about £247 million of our funds goes to university research. We top that up with postgraduate grants and the university innovation fund, which takes funding to just shy of £300 million. That infrastructure investment enables universities in Scotland to bid for research projects in the dual funding system that we have through the research councils, with UKRI and Innovate UK.

Scottish universities have been very successful in securing that additional funding; they have been extremely good at raising that research money.

Scottish universities are extremely successful per researcher and per head of population. The outcome of the research excellence framework evaluation process shows not just excellent and world-leading research, but that we are world leading in every single one of our institutions. That is not similar to the elements of the system in the rest of the UK. It is phenomenal that Scottish institutions are at that level of true excellence.

We have seen brilliant ability to attract excellent researchers. Research is done by people and not just by shiny labs and equipment, and all the rest. We have been extremely good at attracting good-quality researchers; we have been good at pulling the thread through—from undergraduates to postgraduates to supporting people into early research careers. We have become increasingly good at looking at how we use infrastructure investment so that research has an impact and is useful more generally.

However, we need to think quite carefully about how research money will work in the future, because our funding is still relatively flat and we still need to make sure that there are competitive aspects. We would like to see more collaboration in research; institutions are good at collaborating. We need to see scale and we need funding bids coming in that will keep attracting that level of money. We have launched the cross-disciplinary alliances for research challenge, which in a small way is pump-priming the ability to get large-scale bids into charities, industry and research councils in order to keep pulling money in. It is a very successful research evaluation process, and universities have done extremely well.

Kaukab Stewart: Thanks, Karen. Professor Boyne, do you have anything to add to that?

Professor Boyne: Yes, and I am happy to do so. First, I agree with everything that Karen Watt has said—especially that research is a long game. It takes long-term investment to generate such outstanding results, as you have pointed out. It can take 20 or 30 years to produce the research results, the impacts and the quality of publications that are reflected by gaining the top grades in the REF results. The results that we are seeing now, which were measured in 2020, reflect the work that was done in previous decades and the funding that was available in previous decades.

The risk for us, at this point, is about whether the funding will continue and will still be sufficient to produce world-leading research. If, over a five-year period, inflation continues to run high—none of us wants that, of course—our SFC funding will reduce from about a third of our total revenue to 16 or 17 per cent of it. Will it then still be possible to support the high-quality research that Scottish universities have undertaken?

Kaukab Stewart: Thank you for that.

The UK and European Union trade and co-operation agreement includes provisions that allow the UK to continue to participate in some EU programmes, such as horizon Europe for research and Copernicus for space. Horizon 2020 has been worth €711 million to Scottish organisations since 2014. We know that no agreement has been reached since the TCA was introduced in January. Has that impacted on research already? Do you anticipate that it will have an impact? What can be done to get that moving?

Professor Boyne: The short answer is that, if a deal with the EU and Northern Ireland could be resolved, everything else would move. Clearly, that is beyond our remit and the discussion that we are having. It is a much larger issue.

Plan B from the UK Government is to provide approximately the same level of funding as came from horizon Europe funding. The university sector would prefer to remain in horizon Europe because of the European connections that it provides for us and the quality of collaboration that we are able to access through that funding, so our first choice is still to be in horizon Europe.

Kaukab Stewart: Thank you.

Karen, do you have anything to add to that?

Karen Watt: The amount of money that came from EU funds was quite significant to the Scottish sector, so we would be concerned if those funds were not continued. It is important that some of what was being done through EU funding was particularly relevant medical, engineering and bioscience research, as well as research in the arts and humanities, so the funding not continuing would leave a significant gap.

Beyond the funding, the issue is partnership and collaboration, which have been invaluable parts of what has happened. Universities still reach out and are still in European networks, but there is still a significant risk to funding, which we are keeping a close eye on.

The Convener: This will have to be a short question, because I have two more people after you, Kaukab.

Kaukab Stewart: The question will be short. It is specifically for Karen Watt and is about something in the SFC report about the research council funding share and whether we should consider whether we are positioned appropriately to win new types of funding from the UKRI. How can we be better positioned?

Karen Watt: That is a good question. Part of what we try to do in small ways—for example, through our alliances for research challenge, with which we are pump-priming, with about £600,000,

four projects over four years—is to encourage cross-collaboration and cross-disciplinary research alliances that can provide bigger bids to research councils. However, although we are quite good at getting money from research councils, our share has gone down, so we need to think about that with the universities.

The one part of UKRI's family structure that we could still do much more around is with Innovate UK, from which we do not get a significant enough share of the money. In a small way, this is about how we understand the changes that are happening in UKRI, how we position with universities, how we make sure that there is funding to enable bids to happen and how we keep close to networks of influence in relation to how UKRI is proceeding. We need a more collaborative concerted effort in putting consortium bids together.

The Convener: We have two more topics, so I ask members to ask their questions with no preamble.

Michael Marra: I am keen to ask about the focus on the long term. You mentioned research capture from UKRI. The trend in that is not going in a good direction. It is going down, is it not, Professor Boyne?

Professor Boyne: The trend has been slightly upwards in the most recent figures, but the long-term trend is downwards.

Michael Marra: We hear a lot of concerning issues, and we could talk about there being almost a crisis. Karen Watt mentioned the peak challenge. The Bank of England has had to step in to bail out UK pension funds, so the situation is getting worse. In the long term, what are the prospects if we continue on the current path? That is what we have to be concerned about. In the long term, where will the current path lead us?

Professor Boyne: We will become more reliant on international student recruitment as our primary source of revenue for higher education in Scotland, with all the geopolitical and economic risks that that involves. That will make it more difficult for us to plan for the long term, because of the turbulence and uncertainty in those income streams.

The Convener: Make the next question short, please.

Michael Marra: It will be short. In the REF results, England is, in essence, improving at a faster rate than Scotland. The results were great for Scotland, but the long-term trend is not good.

Karen Watt: I guess you could look at it differently. From a funder's perspective, I am interested, in particular, in the increase in money for research England and in whether some funding will come as consequentials that we can put into the research base in Scotland.

The recipe for long-term sustainability cannot simply rest on increased public money. There has to be a rounded view taken about what the sector will look like, including how universities and colleges will work together, the nature of provision of learning and teaching, and the nature of collaborations. We are doing some testing on that in the north-east and the south of Scotland, but, for the long term, we need to look at coherent provision and at sustainability more broadly. What is done will need to be whole-sector and whole-system as well as institutional.

The Convener: Thank you. Willie Rennie will ask a quick final question.

Willie Rennie: I am afraid that the situation does—again—reflect complacency. We have seen a massive reduction in the share of UK research funding that we get for Scottish universities—from roughly 15 per cent to 12.5 per cent. That is a 2.5 per cent drop and means that we have lost £1.8 billion. Of course, we should not be wholly dependent on the public sector, but surely that is an indication that we have not, in recent years, been funding to the same extent as England. Why are you not telling the Government bluntly that the brilliant Scottish universities with brilliant research are in decline?

Karen Watt: Our review was clear that we need not only to protect what we have, but to grow the research base. Our review was clear and makes significant recommendations about that. In looking to the future, we would like to see there being increased funding for the research base. That is undoubtedly true.

We would also like industry and charities to fully fund some of the research that is conducted, so that they make assumptions about whether or not the full cost will be recovered. We need to work out collaboratively how we can put together compelling propositions for investment from the councils in additional research. I completely agree that there is a concerning trend. However, there is no complacency; there are recommendations about how we will do it and about how we will manage inflow of additional funds, where possible.

Through the Covid pandemic, the Government stepped in with around £75 million of additional capital to protect essential research while we were going through a significantly difficult period. We would like to see significant funds being made available for research in the future.

The Convener: That concludes our session this morning. I thank everyone for their time today. We will have a brief two-minute suspension to allow our witnesses to leave.

I will leave the chair and hand over to my deputy convener, Kaukab Stewart, to convene the remainder of the meeting. Thank you very much.

11:57

Meeting suspended.

12:00

On resuming—

Subordinate Legislation

Children's Hearings (Scotland) Act 2011 (Rules of Procedure in Children's Hearings) Amendment Rules 2022 (SSI 2022/264)

The Deputy Convener (Kaukab Stewart): Welcome back. Our next agenda item is consideration of subordinate legislation—the Children's Hearings (Scotland) Act 2011 (Rules of Procedure in Children's Hearings) Amendment Rules 2022. The instrument is subject to the negative procedure and seeks to ensure that the rules about the composition of pre-hearing panels are consistent with the Children's Hearings (Scotland) Act 2011.

Does anybody have any comments to make on the Scottish statutory instrument? No one is indicating that they wish to make comments. Does the committee agree that it does not wish to make any recommendations on the instrument?

Members *indicated agreement.*

The Deputy Convener: We are agreed. Thank you.

The public part of today's meeting is at an end, and we will consider our final agenda items in private. Thank you, and good afternoon.

12:01

Meeting continued in private until 12:27.

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