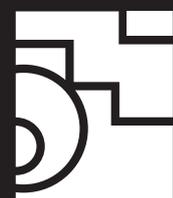


# Building a Smarter Future

Universities Scotland's summary response to the  
Scottish Government's Green Paper

February 2011

Universities  
Scotland



## **Contents**

Executive Summary	1
Universities at the centre of a successful Scotland	3
The need for a sustainable funding model	4
The extent of the funding challenge now	5
The effect of existing cuts in 2011-12 and the implications of not finding a sustainable solution beyond 2012	7
Options for addressing the funding challenge	9
Diverse learners, diverse routes	16
Conclusion	18

# Universities Scotland's summary response

## Executive Summary

This paper summarises Universities Scotland's response to the Green Paper on Higher Education, 'Building a Smarter Future'.

It urges politicians to accept the challenge and opportunity of developing early post-election legislation for a sustainable Scottish funding model. This is a real opportunity for Scotland to show leadership by developing a distinctive Scottish solution which keeps public funding at the core, protects our tradition of wide access, protects quality, diversity and the sector's international reputation by seeking a modest contribution from the graduates who are realising substantial personal benefit from their degrees. Scotland can show the rest of the UK how best to build a sustainable model which meets the needs of students, universities and society.

We welcome the Green Paper's recognition that successful universities are important to a successful Scotland. We also welcome the Green Paper's recognition that Scottish universities are under-funded compared to investment by other nations in the Organisation for Economic Cooperation and Development (OECD). This is helpful in terms of contextualising the scale of the challenge.

Universities Scotland is fully engaged in the work of the expert technical group proposed in the Green Paper. This group will define the full extent of the funding challenge facing universities and assess the capacity of options set out in the Green Paper to address this. The outcome of that group's work will be very important. It will not, however, report before the Green Paper consultation period closes. The key policy points which Universities Scotland needs to make in response to the Green Paper are already clear.

In brief:

- Universities are powerhouses of Scotland's social, cultural and economic wellbeing. They make a critical contribution to Scotland's civic life at home and are beacons of Scotland's international reputation abroad.
- In 2011-12, one in five Scottish students will be taught on the basis that only a fraction of the full cost of teaching them will be paid by the Government. This cannot be maintained.
- The 2011-12 budget settlement for universities cannot sustain universities' contribution to Scotland.
- At 1 per cent, Scotland already provides less funding for its universities as a proportion of GDP than its main international competitors, including England.
- The 'flat cash' projections by the Scottish Government for further and higher education spending up to 2014-15 mean that the funding gap will progressively be widened by inflation unless the challenge is grasped. This is even before Scotland's funding position relative to England from 2012-13 is considered. A sustainable funding model is urgently needed

- Scotland has the opportunity to develop a very different solution from England – a Scottish funding model which protects our tradition of wide access and keeps public funding at the centre, but supplements this with a fair and modest contribution from the graduates who can afford it. We believe this is fair in principle, and subject to the expert technical group’s work we find it hard to see how a successful Scottish university sector can be sustained without a graduate contribution as part of the funding mix.
- Universities will continue to pursue efficiencies aggressively and collaboratively, building on an established track record of success.
- We have proposed new ways of meeting learners’ needs more flexibly and efficiently, which the Scottish Government has reflected in the Green Paper. We now need the Scottish Government to work closely with universities, colleges and schools to make these changes happen.

We are at a critical moment. The right choices made now will enable Scotland’s universities to succeed in a highly competitive global market and establish a sustainable basis for universities’ contribution to Scotland’s success. Conversely, a failure to make urgent progress on implementing a sustainable Scottish solution will mean:

- a radical cut in student places from 2012-13 and the opportunities which universities are able to offer learners,
- deterioration of the quality of the student experience, and
- failure to sustain universities’ central contribution to building Scotland as a hub of international research and development.

Bluntly, if politicians are unable to commit to a sustainable funding model for Scottish universities then thousands fewer Scots each year will benefit from a university education. The individual, social, and economic consequences of that are unthinkable. It would be a betrayal of our proud tradition of the wide accessibility of education to the able students who can benefit.

The Green Paper raises a wide range of issues, and our detailed response will address these. However, the key challenge is simple:

- How can we create a policy and funding environment which best supports universities’ contribution to Scotland’s success?



# Universities at the centre of a successful Scotland

Universities Scotland welcomes the Green Paper's affirmations of universities' central contribution to Scotland. The Green Paper's introduction sets this out clearly:

“

Higher education in Scotland is the mainstay of our knowledge economy and serves the overall economic purpose of the nation at the highest levels. Yet it is not just about money; higher education in Scotland is a civilising force which has had a major influence on creating Scotland and Scottish society as it exists now...

...The sector provides cultural energy and cultural leadership and it is a key conduit for taking Scotland to the world and the world to Scotland...

...Higher education in Scotland is a vital component in a global knowledge community and the sector is also a major direct and indirect earner for Scotland in the world. Our universities have a key role to play in supporting the growth of our economy.

”

**“Scotland cannot expect to be an internationally competitive economy if we do not remain competitive with the skills levels attained by other developed countries”**

Skills for Scotland,  
2010

Scotland's universities are a crucial national asset which needs to be sustained. There are many reasons why it is vital that we build a Scottish solution, not least the central economic importance of Scotland's universities, including:

- A £6.2 billion contribution to Scottish gross value added (GVA) according to independent analysis by Biggar Economics
- Indirect support for 149,000 jobs as a consequence of the sector's economic impact (which equates to 7.6 per cent of the Scottish workforce) including direct employment of 35,000 people
- Bringing in over £1 billion into the Scottish economy through research contracts and overseas students
- The need to up-skill Scotland for economic success. The Scottish Government's Skills for Scotland strategy recognises that Scotland cannot expect to be an internationally competitive economy unless it remains competitive with the skills levels attained in other countries. According to the Confederation of British Industry (CBI, 2009) and the Bank of England, employment growth will continue to be concentrated at graduate level, an area where the latest Organisation for Economic Cooperation and Development (OECD) data indicates that Scotland and the UK lag behind other leading economies
- Universities' impact on industry: over £300m of knowledge-exchange outreach activity, and their central role in creating clusters of private sector research and development activity in the 'knowledge services' area
- Universities' status as the 'ladder of opportunity' for growing numbers of people of widely diverse age and socioeconomic status
- Universities' key role in underpinning Scottish culture and the creative industries and promoting Scotland overseas.

## The need for a sustainable funding model

The Green Paper acknowledges that the funding cuts facing Scottish universities as a result of the 2011-12 budget are not sustainable. The Cabinet Secretary's introduction to the paper sets a key question:

**'How can we increase funding to the sector to ensure it remains both nationally and internationally competitive?'**

The Green Paper also notes the priority which competitor countries have given to investment in human capital through university funding:

### Scottish Government's Green Paper

December 2010

“ It is clear that at around 1%, Scotland already provides less funding as a proportion of its GDP for its universities than our sector's main competitors: England (1.3%); Sweden (1.4%); Canada (1.5%); India & China (2%, greater if you include R&D expenditure); the US (2.9%); and Australia (5.8%). Following the expected cuts in UK public funding, this proportion could drop even lower, precisely at a time when competitor nations are planning to invest more heavily in higher education. Indeed, a number of fiscal stimulus packages announced over the past two years, most notably those in the United States and Germany, direct more resources to higher education, research and science. ”

The Scottish Government's key advisers have already stressed the urgent need to build a sustainable funding model for universities. The Independent Budget Review advised in July 2010:

### Report of the Independent Budget Review, chaired by Crawford Gillies

July 2010

“ The Panel is of the view that, if the UK Government decides to increase or remove the cap on tuition fees in England, the Scottish Government will need to respond to ensure that universities in Scotland maintain their competitive position. In the context of the current financial challenges and the recognised benefits of higher education for individuals, there is an even more pressing need to have an open debate in Scotland on the contributions which students and graduates make to the cost of higher education... Such an approach should ensure that higher education continues to be free at the point of entry for the undergraduate. It might be possible to start implementing this from 2012-13 so that any savings could be generated within the next Spending Review period. ”

The Scottish Government's Council of Economic Advisers has reinforced this challenge. Recommending in December 2010 that the Scottish Government:

### Council of Economic Advisers

December 2010

“ ...gives fresh thought to involving university students and their families directly in carrying the costs of Higher Education, preferably through a system of deferred payments. The alternative, in an era of extreme pressure on public resources, is likely to be unsustainable financial pressures on Scotland's world-class universities. ”

## The extent of the funding challenge now

A detailed analysis of the extent of the challenge and the means of addressing it is being taken forward by a joint Scottish Government and Universities Scotland expert technical group, which will report on 1 March 2011. It will take account of a range of assumptions about the changing funding environment in the rest of the UK, and will test the options set out in the Green Paper for addressing the funding challenge. There are a number of uncertainties in the environment that will still not be determined by the time the technical group reports including, for example, speculation around English fee levels as well as the Scottish Government's future spending priorities post election, which mean that the group's advice is likely to set out various different scenarios.

Universities Scotland's response to the Green Paper consultation does not pre-empt the findings of that process in any way. This paper makes no speculation on what scale of funding gap Scotland's universities might face as a consequence of fee setting decisions still yet to be made by English Universities. Nor does it attach monetary figures to any of the six key solutions proposed in the Green Paper. However, it is important that as one of the key stakeholders in this process, Universities Scotland is able to set out its position in advance of the conclusion of that process. In many ways, the outline of the challenge is already clear.

Universities Scotland has consistently argued that, irrespective of any comparisons with England, there is a real funding gap facing Scottish universities caused by funding cuts for 2011-12. This is the gap between the resources universities need to sustain their contribution and the resources now available. We have been consistent in our analysis of this since the Scottish Government published its 2011-12 budget proposals. Taking the 2010-11 settlement as a baseline, the funding settlement universities received in 2011-12 and using the Government's estimates of inflation, the effect of the 2011-12 cuts rolled forward for the rest of the UK Spending Review period (as seems likely from the Scottish Government's own projections) is to open up a cumulative funding gap of around:

- £437m in recurrent funding
- £205m capital funding
- £642m in total.

In 2010-11, recurrent funding for universities was £1.04 billion and capital funding was £83.2 million. The real-terms funding gap, using the UK Government's own conservative estimates of inflation, opens up as follows:

Table 1: Scotland's university sector's shortfall against inflation over the spending review period, relative to 2010-11:

Year	2011/12	2012/13	2013/14	2014/15	Cumulative shortfall over four years
Recurrent funding shortfall	£81,896,700	£93,300,898	£120,578,897	£141,314,939	£437,091,434
Capital funding shortfall	£48,562,800	£50,052,036	£52,325,205	£54,421,537	£205,361,577
Total (recurrent & capital)	£130,459,500	£143,352,934	£172,904,102	£195,736,476	£642,453,012

**By the end of the spending review period English universities will receive around 10 per cent additional Government funding**

**Letter of Guidance to HEFCE**

Fee-setting decisions by universities in the rest of the UK are likely to create an additional funding gap. A range of fee scenarios will be modelled by the expert technical group. On any reasonable assumption, we believe there will be an additional flow of resources to English universities. The UK Government has estimated, in their most recent letter of guidance to the Higher Education Funding Council for England (2010), that by the end of the Spending Review period English universities will receive around 10 per cent additional Government funding. This is because even though direct funding of university teaching is being cut drastically in England, the UK Government expects this to be more than balanced by the increased flow of Government money directed through the subsidised loans through which students will pay university fees.

English universities are still considering what fee levels to set and what access agreements to propose to the Office of Fair Access if they exceed a fee-level of £6,000, but on any realistic assumption they will set fees at a level above break-even point and which enables them to keep pace, or better, with inflation. Estimates of average English university fees are in the £7,000 to £9,000 range, and the expert technical group will model the impact of a range of English fee levels in this range. Increasing intelligence from England suggests that the most prestigious institutions will set fees at the top of this range. This will be done against the background of the Scottish Government's 2008 pledge to comparability of funding between Scottish universities and the rest of the UK and its commitment to maintain the sector's competitiveness UK-wide and internationally.

Better resourced English universities will be a direct threat to the competitiveness of the Scottish sector and the relative quality of experience it is able to offer students. The best university staff and students are highly mobile and will be attracted to better resourced universities, to the severe detriment of Scotland's ambition to retain world-class universities. This is also true of international students who are part of a highly competitive and highly mobile market and who currently form a significant element of universities' total funding.

### **Other funding pressures**

These funding challenges are hitting universities at the same time as proposals from the UK Border Agency (UKBA) which would severely restrict universities' entrepreneurial ability to attract students from overseas. Estimates from Universities UK suggest that the proposals could affect as much as 60 per cent of all international students at universities in the UK which would mean a loss of more than £134.4 million per annum for Scotland's universities based on 2008-09 figures.

International students are important to the financial sustainability of Scottish universities and make a major contribution to the wider economy. A 2009 study by the University of Strathclyde estimated that as well as the direct economic advantage to universities, international students drove a further £231 million of off-campus expenditure.

This represents a financial 'double whammy' for universities as well as an assault on Scotland's ambition to be a society which welcomes and benefits from the contribution of international talent. International students are an intellectual, social and cultural asset to their universities and to Scotland more widely. In this context we welcome the Scottish Government's support for the development of a renewed 'Fresh Talent' initiative to mitigate the impact of the UKBA's proposals for Scotland.

## **The effect of existing cuts in 2011-12 and the implications of not finding a sustainable solution beyond 2012**

Universities received notification of their individual indicative grants for 2011-12 on 21 December 2010 and are now planning how best to manage the cuts within them. Universities will be forced to cut more severely depending on whether they have confidence that a sustainable funding settlement will be implemented after the election. It is already clear that they are likely to have to cut many hundreds of posts, affecting staff at all levels, in preparation for the 2011-12 cut, and that there will be a reduced range of choice available to students.

Universities' plans for 2011-12 are not yet final but it is already clear that:

- many hundreds of posts - or more - will be lost across the sector, affecting those who provide front-line services and academic staff
- courses will have to be cut, restricting student choice
- valuable research areas, some of them of direct benefit to industry, will be cut
- a reduced proportion of buildings will be in fit-for-purpose condition for teaching or research

At the same time as English universities are planning to use fee income to invest in their infrastructure, the almost complete unavailability of capital funding in Scotland will mean that the university estate – which was estimated by Audit Scotland in 2007 to require over £1 billion of investment to clear the backlog of under investment, will progressively deteriorate to the point where it is not fit for purpose to meet the expectations of modern learners. Facilities are a key element in the recruitment and retention of world-class staff. Reduced confidence in future sustainable funding is already making it more difficult for Scotland to attract and retain the key staff who will build our international standing and power research and invention.

### **Student places**

For 2011-12 only, in recognition of continued high levels of student demand and the fact that two years of UK Government spending cuts have manifest themselves in one Scottish budget year, Scotland's universities agreed to sustain core student numbers at the same levels as 2010-11 despite a cut to the Scottish Funding Council's teaching funding budget of 11 per cent. This can be done – at a severe stretch – for one year only. It is not sustainable beyond – it implies universities maintaining around 19 per cent of students, almost one in every five students, on a 'fees only' basis.

A 'fees-only' student refers to the partial element of funding that comes to universities for tuition from the Scottish Government via the Student Awards Agency Scotland (SAAS) as a consequence of the differential rate of fees charged to students from across the UK. The fees-only element equates to approximately one-quarter of the unit of teaching resource provided by the Scottish Funding Council (SFC) and SAAS.

If universities are not confident of the urgent introduction of a sustainable funding model, they will be forced to act to bring the student population back to a level which is closer to the number of fully-funded student places. Failure to do so could jeopardise the quality and long-term reputation of Scotland's universities.

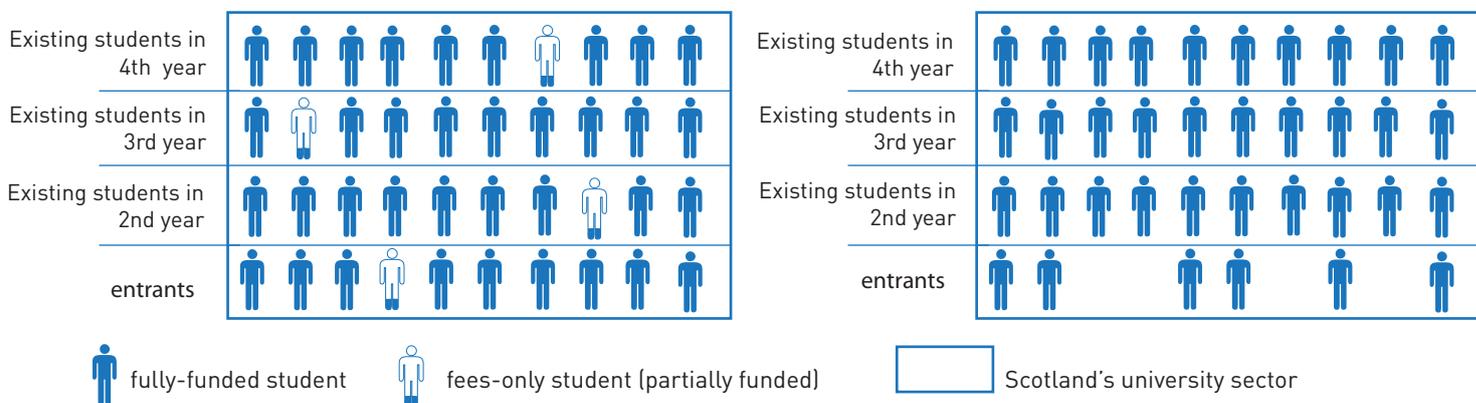
Politicians should be aware that:

- Reduction of student numbers hits entrants disproportionately hard. This is unavoidable because universities can only control the total number of students in the system by controlling entrants. So, illustratively, to achieve a 10 per cent reduction in student numbers for a four year course, admissions have to be reduced by 40 per cent (see diagram 1).

**Diagram 1: Potential impact on entrants to universities across Scotland if action was taken to return student numbers to a sustainable position by removing all fees-only places in the space of a year.** This example is illustrative only and does not reflect the actual number of fees-only places that will be in the system in 2012-13.

2011-12: 10% of all university students are fees-only.  
Teaching funding is spread thinly to manage this in the best way possible.

2012-13: Impact on entrants if action is taken to remove all fees-only students in the system in one year



Universities will look to manage fees-only students in the system as best they can by spreading resource more thinly across years of study and programmes. However, this is not sustainable. Once a student enters the system, the university has a multi-year commitment to them. This means the number of students who are already studying their course cannot be reduced. The only lever available to reduce the number of fees-only students is by controlling entrant numbers. Obviously not all students enter in year one.

- The recruitment cycle for 2012-13 will begin very soon after the election, with applications being made from the summer of 2011 onwards. If student numbers had to be reduced, this would mean that increased numbers of well-qualified applicants would face rejection over the period late 2011 to early 2012.
- An additional urgency is that, from summer 2011, applicants for 2012 entry to Scottish universities will need at least a provisional idea of the financial consequences of their decision to pursue university study.

## Options for addressing the funding challenge

The Scottish Government responded to Universities Scotland's call for the establishment of an expert group to undertake the necessary modelling work needed to inform decision-making on a Scottish solution. The work of this group runs parallel to the green paper consultation exercise and will report to the membership of the HE Summit on 1 March 2011, including all opposition party spokespeople for education and stakeholders including the NUS Scotland, University and College Union Scotland and Scotland's Colleges.

The expert technical group is examining the range of options set out in the Green Paper which are:

1. State retains the prime responsibility
2. State retains the prime responsibility but requires some form of graduate contribution
3. Increasing income from cross border flows of students
4. Increasing donations and philanthropic giving
5. Increasing support from business
6. Increasing efficiency

The expert technical group will quantify the potential contribution of different funding streams, but overall policy considerations can be set out now.

### 1. State retains the prime responsibility

**“It is clear that at around 1%, Scotland already provides less funding as a proportion of its GDP for its universities than our sector's main competitors”**

**Green Paper, 2010**

Universities Scotland supports the idea that the state should retain the prime responsibility for funding learning and teaching at universities.

The state's role as primary funder of teaching in universities has helped to produce a highly successful university sector in Scotland. However, this has only been possible (at least within the time frame of a devolved Scotland) in an environment which has seen the total Scottish budget increase year on year. It is apparent we are no longer in those times.

If public funding were sufficient to maintain the accessibility, quality, diversity and competitiveness of Scottish universities we would see no need to look at alternative models – but the financial reality is that public funding appears unable to sustain universities' contribution. It is also worth reiterating the point made in the Green Paper, that at only one per cent of its GDP, Scotland already invests less public resources in universities than other competitor nations.

The expert technical group will work up detailed models of the level of public funding needed to maintain the accessibility, quality and competitiveness of Scottish universities, taking account of likely scenarios of English fee setting.

It is, however, already clear that universities face a major cumulative funding gap upwards of over £0.6 billion over the course of the Spending Review period, even on the basis of 2011-12 cuts simply being rolled forward (table one). Redressing this funding gap from within the Scottish Block appears to be an almost unrealisable challenge, requiring a major re-orientation of resources from other services. The

Scottish Government's commitment to real-terms protection of health spending over the Spending Review period, and projection of flat cash settlements for most other services, make it extremely difficult to see how public funding can sustain universities' contribution without drawing on significant additional resources from other sources.

Whilst the options in the Green Paper are primarily concerned with the funding of teaching in universities, it is important that the state's role in the funding of university research and capital is not forgotten. Continuing to fund university teaching from public funding alone will undoubtedly increase pressure on the state's ability to continue to fund university research, which also delivers a significant societal benefit, and the university estate which is an integral part of learning and research at university.

## **2. State retains the prime responsibility but requires some form of graduate contribution**

Universities Scotland believes this route represents the best possibility for a sustainable funding model which strikes an appropriate balance between public funding for the societal benefits from investment in universities, and a contribution from individuals in recognition of the private benefit which the vast majority of graduates gain from a university education.

The private benefits of a university education remain clear. In particular, despite the progressive increase of graduates as a proportion of the workforce, the 'graduate premium' of increased lifetime earnings remains strong, both in the UK and throughout the OECD. Estimates of the graduate premium vary, but the OECD evidence shows a continually strong 'net present benefit' for the individual from higher education across the developed world, estimated (in US Dollars) as \$208,000 for UK males. Lord Browne's review of higher education in England estimated graduates' advantage over peers with school-level qualifications as at least £100,000 after tax.

We believe it is fair in principle that individuals who realise substantial private benefit as a result of a university education should make a contribution, as well as this being pragmatically necessary as a result of reduced public funding. Not all graduates will earn high salaries – and in particular there will always be graduates whose career choices lead them to make a valuable and expert contribution to society whose financial reward is relatively low. A graduate contribution scheme for Scottish domiciled students should not require a contribution from these people.

We believe we have the opportunity to develop a model which is radically different from the system being imposed in England following the Browne Review. If there are no further reductions in public funding for universities, we believe Scotland has the opportunity to develop a model which places a very much lower share of the financial responsibility on the Scottish graduate, and which is in keeping with the value we attach to wide access to university education for the men and women who can benefit from it, regardless of their financial circumstances.

The expert technical group's work will be essential in modelling a range of levels at which a graduate contribution for Scottish domiciled students may be set. However, it is fair to make a reasonable assumption that, provided public funding for universities is not cut further, a Scottish graduate contribution could be set at a level which is much closer to (or lower than) the former English level of deferred contribution than to the highly contentious model which is now being implemented in England.

Evidence from England over the period 2006-2010 shows that a modest level of graduate contribution need not be a deterrent to widening access to university. According to Universities UK's fourth report on the impact of variable tuition fees in England (December 2009) there were a number of positive trends in the breadth of demand for a university education. For instance, over the period studied (2004-2008):

- Students from the most privileged background (defined as higher managerial and professional occupations) formed a diminishing share of full-time undergraduate entrants, declining from 22.8 per cent to 20.5 per cent
- Students from less privileged backgrounds formed an increasing share of full-time undergraduate entrants, with students from the 'semi-routine occupations' background rising from 13.2 per cent to 17.4 per cent
- Overall demand for full-time undergraduate study from English-domiciled students rose by 33 per cent.

Universities Scotland has been consistently clear that a graduate contribution for Scottish domiciled students must be developed in a way which protects and enhances the accessibility of university education. We have been consistent in arguing, among other things that:

- University education for Scottish students studying in Scotland should be free at the point of entry and throughout study.
- Any contribution sought from Scottish graduates must be set at a level which does not discourage participation.
- A fair model would ensure that Scottish students from all backgrounds are able to study any course at any institution. Academic potential, and not the ability to pay, must be the determining factor.
- Scottish students, regardless of their chosen mode of study, should have access to fair and targeted support, through loans and grants, to support the maintenance costs of study. Universities Scotland supports work to improve the student support system to achieve this.
- Measures to support participation by students from relatively disadvantaged backgrounds should be built into the scheme.
- A Scottish graduate contribution should lead to the enhancement of the student experience and promote the accessibility of university study. As part of that, it should promote the accessibility of part-time and postgraduate students.
- The contribution sought from Scottish graduates must relate, in a fair way, to their personal circumstances. There should be a minimum income threshold for payment of the contribution, and a relatively higher level of contribution from graduates on high incomes.

We see the expert technical group's analysis as essential in informing the need for a fair Scottish graduate contribution model as part of a sustainable Scottish solution, and setting the direction for its further development.

### 3. Increasing income from cross border flows of students

The Green Paper proposes increasing fees for students from the rest of the UK (RUK) studying at Scottish universities. It proposes fees for RUK students in a range from £4,500 to £6,500.

Universities Scotland believes that increased fees in England in the range £6-9,000 will make it necessary to increase the fee level charged to RUK students. Scotland's universities are proud to attract students from across the UK, as part of maintaining a diverse community of learners and want to see cross-border flows of students continue in both directions.

However, it is right that action be taken to ensure that the cross-border flows continue to be manageable, since otherwise a Scottish university education will be seen as a 'cheap' option by students who face high fees at other UK universities.

**“reliance on cross border flows for income purposes could leave the sector financially vulnerable”**

**Table 2: Diversity of the student body studying in Scotland's universities in 2008-09**

Domicile	Student numbers in 2008-09	As a proportion of all students from UK & EU (%)
Scottish	92,705	74
English	14,535	11.6
Welsh	400	0.3
Northern Irish	4,115	3.3
From the EU (but outside of the UK)	13,590	10.8

Source: Higher Education Statistics Agency 2008-09

Universities Scotland is working through the expert technical group to model a range of different scenarios for fee-setting for students from the rest of the UK. This modelling work should not limit itself to the fees range suggested in the Green Paper.

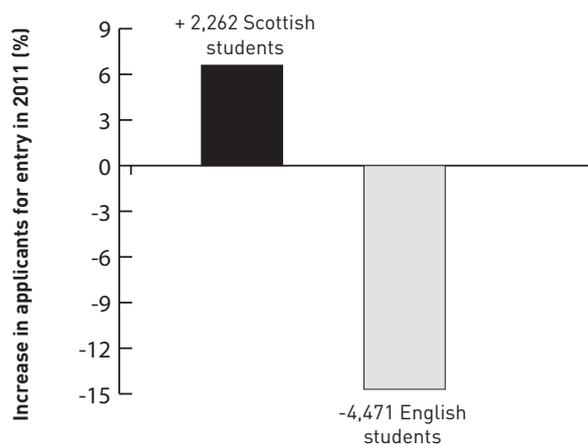
Universities Scotland does not see this as a Scottish solution in its own right for a number of reasons outlined below but not least because we cannot see this generating resource at a level sufficient to fill the funding gap. We welcome work, informed by the expert technical group, to ensure that fee levels are set which ensure a manageable cross-border flow (neither significantly increasing or adversely affecting student flows) and which works to the benefit of the full diversity of Scotland's universities. This work should not, however, be regarded as the sustainable foundation of a Scottish funding solution. Reliance on cross-border flow for income purposes is subject to a number of risks which could leave the sector financially vulnerable. It is important that the expert technical group explores the risk factors as well as the potential income stream from this source. Such risks include:

#### **Impact on student behaviour**

Student behaviour is likely to change as a result of the reforms being introduced in England. A likely consequence of increasing fees to study in Scotland and the high levels of future financial liability borne by English-domiciled students is that it will drive more cautious behaviour about the costs of studying away from home. The latest UCAS figures show a 15 per cent fall in applications by English-domiciled students to Scottish universities for entry in 2011 (January 2011). Although it is

hard to account for this significant drop, and UCAS is yet to confirm final applicant figures for entry in 2011, other UCAS data suggest that this is not an isolated 'blip'. Final accepted applicants for entry to Scotland's universities in 2010 dropped by 25.3 per cent amongst English domiciled students (UCAS, 2011). This data must be considered against the fact that Scottish domiciled applicants are still increasing this year; up by 6.6 per cent for entry in 2011.

**Chart 1: Application patterns from students across the UK to study in Scotland in 2011**



Source: UCAS 2011 Applicant figures as of 21 January 2011

### **Students from Northern Ireland**

Fee-setting for RUK students with an eye to the level of fees likely to be set by English institutions may make Scotland an uncompetitive choice for the 4,115 Northern Irish students who currently study in Scotland as the current fee-level charged to home students in Northern Ireland in 2010-11 is £3,290. Advice to the Northern Ireland Executive suggests a fee of around £5,000 be introduced in future which would make the high-end RUK fee figure proposed in the Green Paper for students wanting to study in Scotland look uncompetitive relative to studying in Northern Ireland.

### **Existing patterns in RUK student admissions**

Currently 72 per cent of RUK students go to five Scottish universities. Some form of redistribution of RUK fee income (as is currently the case) would address this but would also disincentivise those institutions with the largest populations of RUK students.

### **Further action the UK Government might take**

The UK Government will be looking to control total student numbers in order to control its student support obligations. There is a risk that they will act to restrict English-domiciled students' entitlement to student support for study outside England to help control overall number of students eligible for Government-subsidised loans, and to concentrate Government funding for universities in England, through subsidised student loans from the UK Government's Department for Business, Innovation and Skills (BIS) in England.

Reliance on fee income from RUK students therefore, cannot in Universities Scotland's view, be a sustainable sector-wide Scottish solution.

None of these risks means that it is wrong to increase fees for rest-of-UK students. That action is necessary, and can form part of addressing the overall resource available to Scottish universities. It is not, however, the 'sustainable Scottish solution'. It is important that two things are kept at the forefront of this analysis:

- full consideration should be given to the possible unintended consequences of changes in any one of these areas;
- no element of a Scottish solution is considered in isolation from others – they will impact on each other

### **Students from the EU**

We note and support the Scottish Government's examination of how to ensure that students domiciled in the rest of the EU make a fair contribution to the costs of their Scottish university education. As things currently stand this would most clearly be delivered by making them subject to the same graduate contribution regime as Scottish-domiciled students. Any new regime which had financial consequences for EU students may markedly decrease demand and so cannot, in our view, be relied on as a sustainable Scottish solution.

## **4. Increasing donations and philanthropic giving**

We look forward to the expert technical group's analysis of this area of activity and do not want to pre-empt what this might find. While this has been an area of successful growth in universities' activities in recent years and has supported particular successful projects, Universities Scotland finds it hard to see how this source of income will make a major further impact on the scale of the overall funding challenge facing universities. Advice from the 'Caledonian Group' of Scottish university Development Directors emphasises that philanthropic giving is strongest when directed at particular institutions and projects, and is weakened by being perceived as a replacement to public funding. It is also important to make the point that if this source of income is to help Scotland's universities remain competitive relative to universities in England, the level of income Scotland's universities generate from this source would need to out compete that raised by counterparts in England. England has had a match-funding scheme for philanthropic giving in place since 2008 which makes the issue of Scotland above par relative to England more difficult.

## **5. Increasing support from business**

Both NUS Scotland and UCU Scotland have suggested that support from business should be considered as part of a Scottish solution for university teaching funding as a major beneficiary of graduate skills. Universities Scotland was keen that both organisations had the opportunity to contribute their ideas for a business contribution to the work of the expert group with a view to using the expert group as a resource to develop these ideas in more detail. Universities Scotland awaits the expert technical group's analysis. However, as it stands, we understand the introduction of a business or corporation tax is outwith the powers of the Scottish

Government. There are a number of other ways in which business can and does contribute and Universities Scotland would support exploration of how this might be extended with business organisations. Examples include work-placements and work-based learning, payment of part-time fees, payment of 'golden hellos' should a graduate contribution be introduced as well as closer engagement with universities for research and knowledge exchange activities.

## **6. Increasing efficiency**

Universities have a proven track record on efficiency but are not complacent about the need for further gains in the light of public funding challenges. The Green Paper acknowledges universities' achievements including achieving £44 million of efficiency savings in 2009-10 and planning further action to achieve a cumulative target of £83 million by 2010-11.

Tough financial times will continue to drive innovative and collaborative ways of re-configuring provision and support services as efficiently as possible, and the expert technical group will explore this further. Universities Scotland has openly stated that it sees room for further flexibility within the four-year degree framework and this may have the capacity to release some savings (explored further in the next section). We would, however, caution against over-reliance on further efficiency savings to address the funding gap, noting in particular that:

- Work done on behalf of the Tripartite Advisory Group of the Scottish Government, Scottish Funding Council and Universities Scotland, and published in late 2010, has already demonstrated on a series of benchmarks that Scottish universities are efficient in relation to their peers nationally and internationally.
- The decisions which universities are making about how to adapt to the 2011-12 funding cuts are going beyond efficiency savings into the core of provision.
- English universities will also be pursuing efficiency, so the relative position of Scottish and English universities is unlikely to be changed markedly by efficiency savings.
- If efficiency savings were to contribute to addressing the funding challenge Scottish universities face relative to English universities, this would require universities in Scotland to meet a significantly higher level of efficiency than universities in England.

These are not reasons to be complacent in regards to the sector's ongoing responsibilities on efficiency, but the expert technical group will have to take a realistic view of the capacity of efficiency savings to address the funding challenge.

## Diverse learners, diverse routes

We welcome the Green Paper's acknowledgement of the diverse contributions which universities and colleges make to meeting learners' different needs. We believe universities and colleges can each contribute best by building on the strengths of their distinct missions, building ever-stronger linkages to enable learners to move between college and university study, and building on examples of successful shared college/university services and facilities. We will continue to work with Scotland's Colleges to achieve this.

The distinctiveness of universities' and colleges' roles is shown by the very different profile of learners in each sector. In particular:

- Only 0.3 per cent of first degree registered students in Scotland occur in colleges. 99.7 per cent of first-degrees are delivered by universities (UUK, 2010)
- 90 per cent of learners at colleges are pursuing further education rather than higher education, and higher education provision in colleges is concentrated at levels equivalent to final years of school and lower levels of undergraduate study.

These different missions are supported by different funding regimes which reflect the distinct nature of the learning experience and necessary learning facilities in each sector. The cost of teaching in universities reflects the different subject mix and the high cost of laboratory provision and specialist equipment as well as the considerable library resources needed to support self-directed learning at university. It also reflects the cost of research-informed teaching as a fundamental element of the university experience.

Universities Scotland welcomes further work to build articulation links between colleges and universities in the learners' interest, building on the nine per cent of Scottish-domiciled undergraduate entrants who already move from Higher National-level (HN) study to university degree programmes with advanced standing. A recent study by the Centre for Research in Lifelong Learning found that 77 per cent of HN-qualified students who progressed to degree-level study did so with advanced standing. Overall, the number of students articulating with advanced standing has increased by 93 per cent since 2007-08, from 1,800 to 3,500 students.

Further expansion of articulation arrangements has to be based on there being a good curricular fit between particular HN programmes and university-level study, and the design of the HN means this is not always the case since HNs were designed as a standalone qualification not as a means specifically to progress to university, and therefore the learning styles are very different.

The Green Paper suggests the introduction of a college-delivered 'Associate Degree' – while we think it would be wrong and misleading, not least to potential international students, to mis-name a different qualification as a 'degree', we would be interested in further work to develop college qualifications at SCQF levels 7 and 8 which best meet the needs of learners who wish to progress to university.

We are also keen to see the Scottish Government lead the necessary work, recommended in our 'Scottish solutions' submission and reflected in the Green Paper, to reform the learner journey from school level to university qualification. We have recommended that there are ways in which we can build more flexibility into the learner journey as well as looking to accelerate progression where this is appropriate for individuals. These measures have the potential to release savings across the education sector as a whole.

We are clear that Scotland should retain the internationally recognised four-year degree. The learner journey and the Scottish skills base will not be improved by making a flexible four-year degree an inflexible three-year degree – which would be incompatible with the school system even as reformed by Curriculum for Excellence. It is also essential that the quality inherent in the Scottish undergraduate degree is not compromised. We cannot afford to inadvertently send the message of “dumbing down” to home, RUK or international students.

However, the four-year degree provides a structure around which we can build a more flexible 'learner journey' from the senior levels of school to degree-level qualification. It offers significant potential for diverse entry routes to university and multiple certificated exit points and there is much evidence of this already taking place on which we can look to build. Building in more flexibility would require effective planning across secondary, further and higher education, and integration with implementation of Curriculum for Excellence.

Potential measures to develop further include:

- Increased direct entry to university after Highers (SCQF level 6)
- Increased opportunity for entry with advanced standing for candidates with SCQF level 7 qualifications, including Advanced Higher and Scottish Baccalaureate
- Accelerated progress through university where this meets learners' needs.

Policies to support this would include:

- Rationing the total funding available to an individual per SCQF level (while protecting lifelong learners' ability to re-skill during their careers)
- Ensuring that the SFC's model for funding university study is flexible enough to support accelerated progression for students choosing this.

Re-engineering of the learner journey is not a 'quick fix' but is a necessary part of ensuring that the journey from senior stage at school to degree level qualification is as flexible and efficient as possible.

## Conclusion

The Green Paper raises a very wide range of issues, which are addressed more fully in our detailed response. This summary, however, stresses to policy makers that the key issues are:

- Universities are powerhouses of Scotland's social, cultural and economic wellbeing. They make a critical contribution to Scotland's civic life at home and are beacons of Scotland's international reputation abroad.
- The 2011-12 budget settlement for universities cannot sustain universities' contribution to Scotland. A sustainable funding model is urgently needed
- Scotland already provides less funding for its universities as a proportion of GDP than its main international competitors, including England.
- Scotland has the opportunity to develop a very different solution from England – a Scottish funding model which keeps public funding at the centre but supplements this with a fair and modest contribution from the graduates who can afford it. We believe this is fair in principle, and subject to the expert technical group's work we find it hard to see how a successful Scottish university sector can be sustained without a graduate contribution as part of the funding mix.
- Universities will continue to pursue efficiencies aggressively and collaboratively, building on a track record of success
- We have proposed new ways of meeting learners' needs more flexibly and efficiently, which the Scottish Government has reflected in the Green Paper, and we now need the Scottish Government to work closely with universities, colleges and schools to make these changes happen
- We have a real opportunity for Scotland to show leadership by developing a distinctive Scottish solution which keeps public funding at the core, protects our tradition of wide access, and seeks a modest contribution from the graduates who are realising substantial personal benefit from their degrees. Scotland can show the rest of the UK how best to build a sustainable model which meets the needs of students, universities and society.

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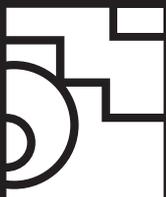
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