

**Written evidence submitted by the Secretary of State at the Scotland Office
(USC0011)**

Pete Wishart MP
Chair
Scottish Affairs Committee
House of Commons
LONDON
SW1A 0AA

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Dear Pete,

UNIVERSITIES AND SCOTLAND

Thank you for the invitation to submit evidence to the Universities And Scotland inquiry, launched in August.

There is little doubt that the pandemic has presented a real challenge to the sector in Scotland and the rest of the UK, something that manifested itself most recently at the start of the academic term when students found themselves quarantined. These challenges have compounded the budgetary difficulties that arise as a result of the unique funding situation that exists in Scotland.

While it is an excellent indication of the quality of what we offer that international students choose to come here in high numbers, the increasing dependency by the sector on those students for income means that a number of risks are being carried, some of which may prove problematic this year when student recruitment numbers are confirmed and the impact that COVID has had on the willingness of individuals to travel becomes clear.

Scotland's education sector should, in the first instance, exist to support Scottish and RUK domiciled students and the long-term contribution that they will make to economic growth. The sector still has much to do on widening access, yet is effectively selling places on the international market in order to sustain itself. International participation will always be welcome, however we need to get the balance right. For example, we need to be sure that when budgets are tight, capacity that could be used to address issues such as widening access in order to support 'levelling up' is not offered instead to the highest international bidder. That said, we have of course made changes to the student migration system to allow more of those international students to remain here after they graduate and to contribute to the Scottish and UK economy using the skills that they have acquired. Scotland will and must remain an attractive destination for students who want to study and live here, which in turn stands testament to the quality of what we have to offer.

Prior to the COVID crisis, Scottish universities were facing rising costs and funding cuts. In 2019 Audit Scotland reported a 7% real-terms funding cut between 2014-15 and 2017-18 at a time of rising pension costs. As above, some universities have grown their income from non-EU student fees, although the more modern universities tend to be more dependent on public funding. With real-terms funding cuts, those universities are facing particular problems.

There is a fundamental difference in how universities are funded in Scotland and England. In Scotland, the Scottish Government supports a policy of free tuition for eligible Scottish and EU students. In order to meet the costs of this policy, the Scottish Government provides £213 million in funding (approx. £1800 per student per academic year for a degree programme) with a cap on places to control costs. In England, UK and EU students are personally liable to pay up to £9250 per academic year for a degree programme. While income from undergraduate students only represents part of the funding picture, this difference in approach between Scotland and England clearly contributes to the budgetary pressures that institutions in Scotland face.

I have referred to the quality of the offer that we have in Scotland and how this has proven attractive to international students. Another element in this picture of excellence is our research base. Scotland has for many years batted above our weight in terms of the proportion of funded research activity that is supported here. We have been able to build on this through our work on the City Deals Programme, where a number of research proposals covering some of the key sectors underpinning the Scottish and UK economy have come forward. We are very mindful of the need to sustain this research base and that is why we have established a UK-wide Ministerial taskforce on research sustainability. In addition to the Devolved Administrations, the taskforce involves Department for Education, Department for Business, Energy and Industrial Strategy, and sector representatives. Research in our HE institutions is a jewel in the UK's higher education crown and it is right that we work together to protect this while tackling the challenges posed by COVID-19.

On the particular challenges presented by COVID, the UK Government has been working flat out to support businesses and the economy in Scotland including our universities.

The Coronavirus Job Retention Scheme has enabled any employer in the country to contact HMRC for a grant to cover 80 per cent of the salary of retained workers up to a total of £2,500 per month. The scheme opened on 20 April before the end of the last academic year and will run until the end of this month. The Chancellor has since announced a further expansion to the scheme which will run for six months from 1 November. Universities have been able to make full use of the Coronavirus Job Retention Scheme and providers are also eligible to apply for the business loan support schemes, which the Office for Students estimates could be worth over £700m to the sector across the UK.

The Minister for Science and the Minister for Universities created the University Research Sustainability Taskforce to ensure that the impacts of COVID-19 on research were understood and addressed. This particularly focussed on the potential for losses of international student fees, which cross-subsidise research, and the challenges this would create for sustaining excellent research. Scottish Ministers were invited to join the Taskforce which was also attended by officials from the Scottish Funding Council. The Taskforce's advice was of significant help in developing the Government's support packages for university research, announced in June.

The UK Government also announced the Higher Education Restructuring Scheme on 16 July for HE providers in England. This scheme was established to provide last-resort support to institutions facing financial failure due to the pandemic, where the case could be made for doing so, and was a direct response to the sort of concerns that the sector was raising with Ministers. Together with the Secretary of State for Education, I wrote to the Deputy First Minister and Cabinet Secretary for Education offering to include Scottish institutions in the scheme, however the Scottish Government declined to participate.

I trust this is helpful and I look forward to reading your Inquiry Report in due course.

**THE RT. HON ALISTER JACK MP
SECRETARY OF STATE FOR SCOTLAND**

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