Finance Committee
Higher Education (Governance) Scotland Bill
Submission from University of Glasgow

Response

This response has been developed by a Working Group of the University Court, on behalf of the Court. The University Court welcomes the opportunity to give evidence. Rather than respond to individual questions, we have structured our response under the broad headings in the Call of Consultation, Costs and Wider Issues.

Consultation

1. Did you take part in any consultation exercise preceding the Bill and, if so, did you comment on the financial assumptions made?

2. If applicable, do you believe your comments on the financial assumptions have been accurately reflected in the FM?

3. Did you have sufficient time to contribute to the consultation exercise?

The University Court responded to the consultation exercise preceding the development of the Bill and we are of the view that sufficient time was available. However, the detailed financial assumptions set out in the Financial Memorandum were not the subject of consultation. Significantly, the Bill proposes that government ministers take significant new powers on themselves, covering fundamental aspects such as the appointment and remuneration of Chairs and the composition of governing bodies and academic boards. These powers were not included in the consultation exercise. They are of significance to the Finance Committee because:

1. as with recent changes to the FE sector in Scotland, they involve a risk that universities may be reclassified by the Office of National Statistics as an arm of central government. Should this happen, it would have a dramatic and harmful effect on universities’ financial management. Specifically, it would disincentivise entrepreneurial activity – a key element for the success of universities – and it would prevent universities from generating annual financial surpluses to invest in maintaining and improving their asset base.

The University of Glasgow has significant relationships with businesses and these would be put at risk if the University was to be reclassified as an arm of central government due to constraints associated with state aid. These associations are many and varied. For example, we have a partnership with AstraZeneca to understand immunological disease processes, we have a long term collaboration with Shell which has delivered efficient gas surveying, we
design tools for global semi-conductor manufacturers and we have developed anti-bacterial sterilization methods now used for surgical instruments and packaging of perishable foods.

2 they may compromise the universities' charitable status, which would have significant tax implications, including damaging their ability to raise charitable funding. In addition, while there is any uncertainty in universities charitable status, there are implications for funding from those bodies which are required to fund only charitable entities.

These aspects are clearly unintended as they run counter to the statement in the consultation that autonomy was at the core of our successful universities and that ‘the Government did not want to increase Ministerial control over universities’.

Costs

4. **If the Bill has any financial implications for your organisation, do you believe they have been accurately reflected in the FM. If not, please provide details?**

5. **Do you consider that the estimated costs and savings set out in the FM are reasonable and accurate?**

6. **If applicable, are you content that your organisation can meet any financial costs that it might incur as a result of the Bill? If not, how do you think these costs should be met?**

7. **Does the FM accurately reflect the margins of uncertainty associated with the Bill’s estimated costs and with the timescales over which they would be expected to arise?**

Our response under Consultation above highlights the risk of government ministers assuming new powers with significant financial implications. Were the risks set out above to materialise, based on the University’s average surplus over the last 3 years of £16.5m and average funding received from major charities over the same period of £12.2m, we would suffer a loss of income of around £28.7m per annum. The largest impact, however, would be on capital funding. Our estates strategy includes capital investment of £450m which comprises £250m in historic and future operating surpluses, £100m borrowing, £50m philanthropic support and £50m property sales. Were the University to be reclassified as an arm of central government, which would immediately have a severe adverse impact on our ability to implement our strategy because of the inability to retain surpluses, the impact on philanthropic giving and restrictions on borrowing.

The estimate of costs in respect of those issues included in the Financial Memorandum is generally fairly reflected, with one exception: that of the estimated cost of remunerating a Chair. It is suggested that the remuneration of the Chair would be just over £3,072, based on an estimated six days' work per annum. In fact,
University Chairs have much more demanding portfolios than can be addressed in six days. The University is currently advertising the post of Chair, through its process of public advertisement, and it has estimated the time commitment as at least one day per week. In practice, in recent years when there has been much discussion of governance sector-wide, the time commitment has been greater than this. Should the Bill be introduced in its current form and the risks identified above were realised, the University of Glasgow would not be able to meet the financial costs (including reduced income) that would result.

**Wider Issues**

8. **Do you believe that the FM reasonably captures any costs associated with the Bill? If not, which other costs might be incurred and by whom?**

9. **Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation? If so, is it possible to quantify these points?**

As we state above, the Financial Memorandum does not address the risk to the universities' existing classification by the Office of National Statistics as bodies independent of central government nor the risk to their charitable status that may be posed by this Bill. These two issues have the potential to cause great harm to the financial health of this University and all of Scotland's universities and we believe that it is vital that they are considered fully and openly.