

Education, Children and Young People Committee
Wednesday 4 June 2025
19th Meeting, 2025 (Session 6)

Financial sustainability of Scotland's universities

Introduction

1. Building on its [pre-budget scrutiny 2025-26](#), the Committee will explore with university principals issues relating to university funding. The Committee will look at the current funding model and consider financial sustainability of funding in the years ahead.

Committee meeting

2. At today's meeting, the Committee will take evidence from.
 - Professor Sue Rigby, Principal and Vice-Chancellor, Edinburgh Napier University;
 - Claire McPherson, Director, Universities Scotland;
 - Professor Sir Peter Mathieson, Principal and Vice-Chancellor, University of Edinburgh; and
 - Professor James A. Miller, Principal and Vice-Chancellor, University of the West of Scotland

Supporting information

3. A SPICe briefing has been produced for the meeting. This is included at **Annexe A**.
4. Universities Scotland has written to the Committee to provide additional evidence ahead of this meeting. This is included at **Annexe B**.

Clerks to the Committee
May 2025

Annexe A



Education, Children and Young People Committee
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19th Meeting, 2025 (Session 6)

Financial sustainability: Universities

Introduction

This briefing has been prepared to support the Committee's 4 June 2025 evidence session on university financial sustainability. The briefing sets out background on the Scottish Government's current programme of post-school skills reform, provides information about the sector's overall budget, indicative financial allocations, and latest available reports on the overall sector finances. A summary of previous evidence to the Committee is also included.

Background: Financial sustainability and post-school education reform

Work to reform the post-school education landscape has been under discussion since 2020. During the COVID-19 pandemic, concerns around the future sustainability of tertiary education in Scotland led the Scottish Government to commission the SFC's 2021 [Review of Coherent Provision and Sustainability](#).

The review report set out recommendations for change to the college and university landscape, calling on the Scottish Government to establish an overall vision and strategy for further and higher education, increase collaboration between colleges and universities and move to multi-year funding assumptions.

The Scottish Government then commissioned the [Independent Review of the Skills Delivery Landscape](#). Carried out by James Withers, the review was published in June 2023, setting out 15 recommendations for transforming the skills delivery landscape. Further information about the recommendations can be found in the [SPICe briefing on the Tertiary Education and Training \(Funding and Governance\) \(Scotland\) Bill](#).

As an initial step toward reform, the Scottish Government published '[Purpose and Principles for Post-School Education, Research and Skills](#)' in June 2023. This is a framework intended to set the overarching policy direction for higher and further education. Alongside the Purpose and Principles, the Scottish Government also published an [Initial Priorities document](#). This identified development of "a new model of public funding for all forms of provision". As part of this, the possibility of delivering a single funding body for the sector was raised.

On 5 December 2023, the Minister for Higher and Further Education; and Minister for Veterans Graeme Dey MSP (the Minister) gave a [Ministerial Statement on post-school reform plans](#). During the statement, the Minister stated the Scottish Government intended to develop and lead a national approach to skills planning, whilst also strengthening it at the regional level. On the future funding landscape, the Minister committed to bringing learner support funding together in one place, and funding for apprenticeship provision together in one place. The Minister also stated that some of the proposed reforms would require legislation, while some could progress without it.

A [consultation on legislation](#) put forward three options: business as usual; consolidate all provision funding within the SFC and all student support funding within SAAS; and consolidate all provision funding and all student support funding within the SFC. Following this, the Scottish Government [published its outline business case](#) of the three shortlisted options. This stated the option to consolidate all provision funding within SFC and all student support funding within SAAS was favoured.

The [Tertiary Education and Training \(Funding and Governance\) Bill](#) was introduced to the Scottish Parliament on 5 February 2025, and is currently at Stage 1. The Bill proposes changes including consolidation of responsibilities for securing national training programmes, apprenticeships and work-based learning in the SFC from SDS; and changes to the SFC's governance and how it oversees tertiary education – this includes putting SFC's responsibilities around financial sustainability of institutions into law. The Bill comes at a time of financial uncertainty for universities and colleges. The financial context for universities is explored throughout this briefing.

2025-26 Budget and funding allocations

2025-26 Budget

University (Higher Education) resource and capital allocations announced in the [Scottish Government's 2025-26 Budget](#) are set out in **Table 1** below.

Table 1: Higher Education Resource and Capital Budgets (Level 3)

	2023-24 Scottish Budget £million	2024-25 Scottish Budget £million	2024-25 ABR Budget £million	2025-26 Scottish Budget £million	% Change 2025-26 Budget on 2024-25 Budget
HE Resource	809.207 (789.2)	760.707	810.472	773.590	1.7%
HE Capital	340.705	356.890	356.890	368.270	3.2%
Total	1,149.912 (1,129.905)	1117.597	1167.362	1141.86	2.17%

Sources: [Scottish Budget 2024-25](#) and [Scottish Budget 2025-26](#)

Notes: In 2023-24, £20m initially allocated to the HE resource budget was removed. This figure is shown in brackets in the 2023-24 column.

The 'Percentage Change' column compares the 2024-25 budget allocations with the 2025-26 budget allocations to provide a like-for-like comparison.

This year's HE revenue budget is a 1.7% increase on the 2024-25 Budget allocation. In real terms, calculated using the [SPICe Real terms calculator](#) at 2025-26 prices, it is a decrease of 0.68%.

During her Budget statement, the Cabinet Secretary for Finance and Local Government Shona Robison said of the Scottish Government's budget settlement for HE:

"...not only will we keep tuition free but we will increase total investment in Higher Education by 3.5%." - [Finance Secretary Budget statement, 4/12/24](#)

The figures as published in the budget do not show a 3.5% increase in investment. In correspondence with SPICe, the Scottish Government said that the 3.5% increase is the "combined effect" of the £12.9m increase contained in the budget and funds of around £14m the Scottish Government is expecting SFC to "release for reinvestment in the sector". [Minister for Higher and Further Education; and Minister for Veterans Graeme Dey confirmed this to the Committee](#) on 8 January 2025.

National Insurance

In the UK Government's Autumn Budget 2024, Chancellor Rachel Reeves announced that, from 6 April 2025, employer National Insurance Contributions (NICs) would [rise by 1.2 percentage points to 15%](#). The per-employee threshold at which employers start to pay National Insurance will also be reduced from £9,100 per year to £5,000 per year.

The [Scottish Government produced indicative costs](#) of the rise to the public sector in Scotland, estimating that the increase for universities will be £45m.

The Cabinet Secretary for Education and Skills Jenny Gilruth MSP wrote to the Committee in March this year stating that the UK Government Chief Secretary to the Treasury had confirmed the Scottish Government would receive additional funding based on the Barnett formula, adding:

"Indications of funding from the Treasury fall far short of the estimated cost of the increase in employer NICs." – [Letter to Committee, 3 March 2025](#)

Letter of Guidance 2025-26

The Scottish Government allocates funding for the further and higher education sectors to the Scottish Funding Council (SFC) via the Budget. Following publication of the Budget, a [Letter of Guidance](#) is sent from the Scottish Government to SFC each year setting out the priorities SFC should focus on delivering. SFC then allocates and distributes funding to individual institutions.

The [Letter of Guidance for 2025-26](#) places an emphasis on SFC supporting reform and "championing" Ministerial priorities in the context of uncertainty and challenging finances. In relation to funding conditions for universities, the letter:

- Stated that opportunities for Scottish domiciled students should continue to be protected while supporting delivery of our widening access commitments and enhancing the student experience.
- Confirmed that funding attached to 2,500 extra university places provided during the COVID-19 pandemic could remain in the sector to be "repurposed and targeted across the system to reflect demand, maximising opportunities for all Scottish domiciled students and improving the learner experience for all."

- Confirmed that Scottish institutions can raise the tuition fee rate for students from the rest of the UK from £9,250 to £9,535, in line with the UK Government's announcement of an increase to the tuition fee rate in England.
- Directed SFC to engage with institutions and conduct efficiency studies where necessary to ensure financial sustainability and to keep Ministers "sighted and assured" that institutions are delivering for learners while remaining financially sustainable.
- Directed SFC to continue to prioritise "investment in core university research and knowledge exchange grants to drive the sector's competitiveness and produce positive economic and social outcomes", including through capacity building support through the Research Excellence Grant.

University funding allocations

[SFC's final funding allocations for universities for academic year \(AY\) 2025-26](#) were published on 29 May this year. The publication states that the "student demand picture across Scotland is changing" and SFC and Universities Scotland will work to develop a shared understanding of this.

SFC states its approach to AY 2025-26 allocations was to balance the need to:

- Secure opportunities for Scottish-domiciled students, ensuring any reduction in funded student places does not disadvantage first year Scottish applicants.
- Promote widening access to higher education.
- Continue to embed Graduate Apprenticeships and work-based learning.
- Enhance the amount of teaching funding per funded place.
- Enhance investment in research and innovation.
- Take financial sustainability of universities into account and mitigate impacts on institutions as much as possible.
- Continue to fund national infrastructure and specific programmes of national interest through strategic investment funds.

Key funding points from the AY 2025-26 allocations are:

- Total teaching funding for universities has increased by £12.9m (1.8%), from £715.2m in AY 2024-25 to £728.1m in AY 2025-26. This follows a reduction in total teaching funding [between AY 2023-24 and AY 2024-25](#).
- The Main Teaching Grant for AY 2025-26 is £693.7m, an increase of £11.8m (1.7%) on the previous year. This also follows a reduction [between AY 2023-24 and AY 2024-25](#).
- Non-controlled funded student places have been reduced by 2,500 FTEs (-2.2%), this is due to the removal of the second tranche of additional 'SQA places' allocated in AY 2021-22 during the COVID-19 pandemic. SFC confirms funding from this is

“being repurposed to enhance the teaching unit of resource”. This is explained in further detail in [paragraphs 31 to 35 of the document](#).

- The sector is expected to deliver 1,378 Graduate Apprenticeship places in AY 2025-26 – this target is unchanged from the previous year.
- Research and innovation funding has increased by £11.3m (3.6%),
- The capital budget (excluding research and innovation) sees an increase of £0.1m (0.5%) to £28.6m. Capital maintenance funding is unchanged from financial year 2024-25.
- On research capital funding, [SFC states](#): “We are expecting to receive HE Research Capital (HERC) grant funding from the UK Department for Science, Innovation & Technology (DSIT) for FY 2025-26, which will be matched by SFC. The amount is still to be confirmed and we are working on the assumption that it will be the same level as FY 2024-25 (£18.8m). Once the amount is confirmed we will issue a separate publication and will also look to update the tables in this publication.”

A summary of overall budget allocations for the university sector and allocations by institution is available on the SFC website. Overall budget allocations can be found at [Table 1](#) and funding allocations for individual universities are shown in [Table 2](#).

SFC Financial Sustainability of Universities report

SFC publishes annual reports on the financial sustainability of the university sector. The 2025 report has been delayed, with publication now expected in September this year. In a [May 2025 Written Answer](#), Minister for Higher and Further Education; and Minister for Veterans Graeme Dey said:

“[SFC] have made the decision to amend the timing of their publication cycle primarily due to competing pressures and a delay to the finalisation of some college accounts which has resulted in the content of the college and university financial sustainability reports now being unavoidably outdated. Additionally, SFC will have analysis of new financial forecasts in June which will allow them to update and revise their previous analysis.” – [Written Answer, 14/05/25](#)

A summary of the SFC’s [Financial Sustainability of Universities in Scotland 2020-21 to 2025-26](#) is available in the [SPICe papers for the Committee’s 5 June 2024 meeting](#). Following requests for an update before September, [SFC provided the Committee with an interim analysis](#) of accounts to end of December 2024. This states:

- The sector reported an underlying operating surplus of £17.2m for AY 2023-24. Whilst this is better than the forecast position (£7.4m deficit), it represents a significant deterioration of 92% on the 2022-23 result (£211.7m surplus), mainly due to increased staff and other operating costs set against overall flat income.
- Nine institutions reported adjusted operating deficits during 2023-24, and eight institutions reported adjusted operating surpluses.

- Institutions' dependency on SFC grants further reduced from 31% in 2020-21 to 24% in 2023-24.
- Eight institutions spent a total of £16.9m on staff restructuring during 2023-24. This is substantially more (431%) than the £3.2m spent during 2022-23.
- The sector cash position at the end of July 2024 is reduced on levels reported the previous year. The sector reported cash and short-term investment balances of £1.682bn at the end of July 2024 which is a 26% reduction on last year's balance of £2.265bn at the end of July 2023 and a 23% reduction on the forecast of £2.177bn.
- This reduction was largely due to one institution reclassifying the way it reports its investments. No institution reported a negative cash balance at the end of July 2024.
- Overall sector borrowing reduced slightly during the year ending 31 July 2024. The majority of the sector's borrowing is in the form of Private Placements which involve large bullet payments at set points in the future with interest paid in the intervening years.

Challenges facing institutions

The [Institute for Fiscal Studies \(IFS\) published a report on Higher education spending](#) in February 2024. The report provides an overview funding in Scotland, concluding that:

“There are no easy answers to increasing university funding, without increasing Scottish Government spending on higher education or requiring some contribution from students towards the costs of their tuition.” - [IFS Higher education spending report, February 2024](#)

In November 2024 ahead of the Scottish Budget for 2025-26, the [IFS published an article highlighting the pressures universities face](#) as a result of declining numbers of international students, a real terms fall in funding for home students and increases in staff costs. Universities Scotland's submission to the Committee ahead of this meeting set out the challenges facing Scottish universities, stating:

“The extent of financial pressure is now such that universities can no longer protect students or staff from the impact. We are seeing multiple institutions forced into voluntary and/or compulsory redundancy programmes.” – Universities Scotland submission, May 2025

Universities Scotland said finances are on track to surpass worst case scenarios [modelled by PwC](#) for the sector in Scotland in AY 2024-25:

- Rising costs including employers' national insurance contributions, rising estates maintenance and construction costs, rises in software licenses.
- For 15 institutions, an increase in employers' pension contributions for the Scottish Teachers' Pension Scheme (STPS) added £4.4m to costs. The Scottish Government provided £5.8m in February 2025, but Universities Scotland's submission states there is “no indication that this mitigation will be repeated in future years”.

- SFC estimate the cost of addressing RAAC to be close to £750m for around half the sector.
- Universities Scotland estimates falls in international student demand between 2022-23 and 2023-24 cost the sector £149m in one year, expressing concerns that the UK Government's immigration white paper will further reduce numbers. The submission states universities need time to adjust their recruitment strategies "if UK universities are to avoid financial cliff-edges".

"Underinvestment" in university teaching and research is highlighted by Universities Scotland as decade long, and described as "the single biggest factor behind the current financial state of Scotland's universities":

"This is the sector's fundamental problem and it is this factor which has eroded universities' financial resilience to withstand increased costs and driven the over-reliance on international student fees as a means of cross-subsidy in most institutions, now leaving them over-exposed to financial risk

...The IFS estimates the cost of restoring per-student resources to 2021/22 levels in real terms would require a cash-terms increase in resources of £103 million (15.2%), but that would still equate to a reduction on the funding provided in earlier years. Moreover, the sector's financial security could not be assured without addressing the underfunding of research, which was underfunded to a value of £432m in 2021/22, with further real terms cuts since then" - Universities Scotland submission, May 2025

Universities Scotland's submission called on the public debate on university funding to move away from "free versus fees", calling on the Scottish Government to acknowledge current funding is not sufficient and for all political parties to engage with the issue. Over the last year, a number of Scottish universities have faced financial difficulties. The most high-profile example is the University of Dundee (UoD).

On 6 December 2024 it was announced that [UoD Principal Professor Iain Gillespie had resigned](#) following controversy around his salary increase and business travel costs as university staff face redundancies. Since then, the Committee [heard evidence on 19 March 2025](#) from the current senior leadership team at the UoD, and from the SFC in relation to the situation. An investigation into the circumstances at UoD is due to report in June and further Committee evidence sessions are scheduled.

During the 19 March session, SFC Chief Executive Francesca Osowska said that while the situation at UoD was believed to be "unique", SFC continued to work with the wider sector, recognising:

"...that the sector at large is operating in a challenging environment." – [Official Report, 19/03/25](#)

The University of Edinburgh (UoE) has stated it plans to reduce costs by about £140m. Cuts to the number and variety of courses and compulsory redundancies have been suggested by Principal Sir Peter Mathieson. A freeze to academic promotions for 2025-26 has been confirmed. [BBC Scotland News reported on 24 April](#) that 350 staff have agreed to take voluntary redundancy, saving about £18m. [BBC Scotland News reported in May](#) that UCU members at UoE have voted 84% in favour of industrial action, with a turnout of 60%.

[BBC Scotland News also reported in May](#) that the University of the West of Scotland plans to cut around 75 FTE jobs to save £6.2m. At the time of writing this briefing, staff unions were balloting members on strike action.

Other universities have also announced plans to make budget cuts, cut courses and seek staff redundancies. These include: the [University of Aberdeen](#), [Robert Gordon University](#), At Scotland's Rural College (SRUC), [staff backed a vote of no confidence](#) in the leadership team.

International student numbers

The [UK Government's paper 'Restoring Control over the Immigration System'](#) was published in May this year. Changes the paper sets out that will impact the university sector include:

- Reduce the ability for graduates of undergraduate and masters degrees to remain in the UK from two years to 18 months.
- Tighten metrics monitoring whether sponsoring institutions are meeting their duties in relation to visa metrics set out in the Basic Compliance Assessment (BCA).
- Exploration of the possible introduction of a levy on international student tuition fees, to be reinvested into the higher education and skills system (Further details are to be set out in the Autumn Budget).

[Universities Scotland is seeking clarification](#) from the UK Government on whether the proposed levy will impact Scotland.

Universities have highlighted concerns about falling numbers of international students in previous evidence to the Committee.

The latest HESA figures for Scottish institutions show that undergraduate international student numbers increased between 2022-23 and 2023-24. The number of postgraduate students (research and taught) fell by 16% over the same time period. However, postgraduate student numbers grew rapidly from 24,140 in 2019-20 to a high of 49,670 in 2022-23.

Table 2: International (non-EU) student numbers: Scottish institutions

Level of study	2019-20	2020-21	2021-22	2022-23	2023-24
All Postgraduate	24,140	29,875	45,605	49,670	41,785
All undergraduate	16,555	17,755	19,695	21,170	21,700
Total	40,695	47,630	65,300	70,840	63,480

Source: [HESA](#)

UCAS placed applicant numbers for Scottish students up to 2024 can be found at **Appendix 1, Table 3** of this briefing.

Summary of previous evidence

2025-26 Pre-Budget scrutiny

During its [2025-26 pre-Budget scrutiny work](#), the Committee heard concerns about whether proposed reforms to the post-school education landscape can be delivered effectively given tight funding settlements. UCU stated concerns about funding, while the Fraser of Allander Institute, Audit Scotland and the SFC raised concerns about the pace of change being too slow. During his evidence, the Minister for Higher and Further Education; and Minister for Veterans Graeme Dey spoke of the frustration at the pace of change, pointing to the need to consult and also highlighting ongoing work in relation to apprenticeships, careers and skills planning.

In its [pre-Budget letter to the Minister](#), the Committee called for the Scottish Government to listen to concerns about the pace of change and provide indicative timescales for current work strands. The [Minister's response to the Committee](#) reiterated early priorities, including a national approach to skills planning and the introduction of a Bill to simplify the funding body landscape. He also stated that change is phased over ten years, with “major deliverables achieved throughout”. Further information about pre-budget scrutiny of College and University funding can be found under the relevant headings below.

During pre-Budget scrutiny evidence, the Committee heard that universities had faced year on year funding reductions in real terms, with UCU, NUS Scotland and Universities Scotland highlighting cuts to teaching funding. SFC acknowledged the universities budget declined by 14% over ten years.

The Committee heard that many universities are currently reliant on cross-subsidy from international student fee income, and that data from November 2023 and February 2024 showed a 20% fall in international postgraduate enrolments, with 12 institutions reporting intakes lower than forecast. The collective impact of the fall was estimated to be £100m. In its [pre-budget letter to the Minister](#), the Committee called for the Scottish Government to ensure work to broaden the cohort of international students to be urgently progressed. [In the Minister's response to the Committee](#), he stated that a key aim of the International Education Strategy published in February 2024 was to attract and diversify the international student population. Following this, a Governance Group was formed to oversee this. He added that the Scottish Government and SFC continue their engagement with the sector on financial stability and risks.

On the funding model for universities going forward, the Committee heard evidence from London Economics and UCU about the potential benefits of a 1% employer levy contributing toward the funding of higher education. The Committee asked the Scottish Government for its views on this, and for its views on alternative funding models. The Minister's reply to the Committee stated there were no current plans to discuss a levy with the UK Government, and that free higher education tuition for Scottish domiciled students remained an “absolute commitment”.

The Committee also heard that rising employer pension contributions and the discontinuation of SFC funding to cover these were causing issues for universities. It asked

for further updates on this area. The Minister [stated in his response](#) to the Committee that the Scottish Government will use consequential funding to help the sector meet additional costs of the Scottish Teachers Pension Scheme (STPS) “within the funding constraints we face”. He added that work to determine additional costs is ongoing, and final decisions on allocation of consequential will be made as part of the Spring Budget Revision.

University sector response to the 2025-26 Budget

Ahead of the 2025-26 budget’s publication, Universities Scotland initially called for a 1% real terms increase to the HE resource budget and a 3% cash terms increase in the capital budget. Following the announcement of the rise in employer’s NIC, Universities Scotland issued a revised budget bid calling for an additional £66.78m for the resource budget (a 3% real-terms uplift). More information is available on the [Universities Scotland website](#). In its submission to the Committee following the budget’s publication, Universities Scotland stated that budget fell short of the increase needed to achieve financial stability. The submission set out the financial challenges faced by universities in recent years and highlighted [IFS research](#) published in November last year finding a 22% cut in university teaching funding between 2013-14 and 2024-25.

The submission states that this would not have an impact on funded places for Scottish-domiciled students as the [latest UCAS data](#) (shown in Annexe A) showed the largest number of acceptances since records began in 2015, and the SQA places were added “in response to unique circumstances in the COVID-era”.

On the NIC rise, Universities Scotland asks the Scottish Government to consider finding a solution to help universities meet the additional costs of this as has been done in England and Wales.

On the issue of in-year clawback of demand-led funding, Universities Scotland stated this was becoming damaging for institutions and impacting their ability to plan for recovery. UCU Scotland’s submission to the Committee reiterated there had been a “decade of underinvestment” from the Scottish Government, adding that the 2025-26 budget as announced does not address this and “is having real consequences in Scottish universities with jobs being cut and staff facing the threat of compulsory redundancy.” UCU go on to say “threats to jobs across the sector are at the highest level witnessed for decades”. It lists redundancies at the University of Aberdeen in 2023, along with current redundancies at the University of the Highlands and Islands, University of Glasgow, Robert Gordon, Heriot Watt, University of Dundee and University of Edinburgh. “Silent redundancies” of staff on fixed term contracts are also mentioned. UCU’s submission to the Committee also includes a letter to the Minister in advance of the budget announcement setting out the challenges faced by those working across the university sector.

Budget session January 2025

The Committee held a Budget Scrutiny session on 8 January 2025 with the Cabinet Secretary for Education and Skills Jenny Gilruth MSP and the Minister for Higher and Further Education; and Minister for Veterans Graeme Dey MSP. During the session, the Minister said of overall university funding:

“I accept that universities can reasonably argue that the funding that they receive, in real terms, has gone down. I accept that—we can argue about the extent of it, but I accept the premise. That is why, as part of our discussions with the universities, we have been looking at what more we can do, beyond the obvious funding streams that sit within education.” – [Official Report, 8/01/25](#)

Giving an example of work being taken forward, the Minister said that Glasgow Caledonian University Principal Steve Decent was leading a piece of work looking at expanding the Graduate Apprenticeship offering.

He said that the Scottish Government was open to discussion of funding with the university sector, however free tuition remained a central commitment to enable those who want to go to university to do so.

The Minister said that migration policy at UK level was impacting the sector, having a detrimental impact on its ability to recruit students and describing the drop in numbers of international students as:

“....probably the biggest single factor in creating a challenge.” - [Official Report, 8/01/25](#)

He said the Scottish Government is working with the sector to promote Scotland as a place to study. He also said universities were encouraged not to be over-reliant on a small number of countries and work to address the costs associated with visas was also underway.

Asked about the large financial reserves some universities had, the Minister said:

“We have heard the point raised in committee previously about the reserves of some of those institutions. We need to remind ourselves that those are massive institutions and that the reserves that they are sitting on are there for a purpose—they have a multimillion-pound project to deliver. At any point, you can take a snapshot and say that university X has a great deal of reserves and that we should do something to reflect that, but you need to look at the overall picture.” - [Official Report, 8/01/25](#)

On the assistance that can be provided to universities facing financial challenges, the Minister said the Scottish Government has to be mindful any assistance given does not jeopardise institutions’ Office for National Statistics classification (Note: [ONS currently lists this](#) as ‘non-profit institutions serving households’). The Minister said he would expect universities to be taking proactive steps following the situation at UoD, and he had been reassured in the past by these proactive actions.

Lynne Currie, Senior Researcher - Further Education, Higher Education and Children’s social work, child protection and adoption, SPICe

30 May 2025

Appendix 1

UCAS Applicant numbers

Table 3: Scottish domiciled applicants and acceptances to Scottish universities (All age groups)

	2018	2019	2020	2021	2022	2023	2024
Total no. applicants	50,665	48,790	49,780	53,920	49,620	46,655	47,995
Total no. accepted applicants	35,515	34,095	36,930	37,520	35,690	35,320	37,805
Proportion of applicants accepted (%)	70.1%	69.9%	74.2%	69.6%	71.9%	75.7%	78.8%

Source: [UCAS End of Cycle data](#) (Filtered by 'Country of provider' and 'Domicile')

Annexe B

Written evidence from Universities Scotland

Financial sustainability of universities. Universities Scotland's brief.

Key messages:

- There is a “perfect storm”¹ of funding pressures bearing down on Scotland's universities. No university is immune to this, despite variation between the financial position of institutions.
- Nine universities reported adjusted operating deficits in AY 2023/24.²
- Collectively, the higher education sector's underlying operating surplus fell by 92% in one year, from £211.7million in 2022/23 to £17.2 million in 2023/24.³
- The amount of public funding invested in every Scottish undergraduate place was 22% less in 2024/25 than it was in 2013/14.⁴
- No university wants to be in this position. The extent of financial pressure is now such that universities can no longer protect students or staff from the impact. We are seeing multiple institutions forced into voluntary and/or compulsory redundancy programmes. A survey of cost mitigations in the UK university sector found that by 2025, 18% of HEIs had closed departments, 55% of universities have consolidated courses (up from 23% a year ago), 60% have scaled back on maintenance and repairs on facilities, and one in five had reduced investment in research, with 79% expecting to have to do so in the future.⁵
- Collectively, the finances of Scotland's universities are on track to surpass the “worst case” hypothetical future financial scenarios as modelled by PwC for the sector in Scotland in AY 2024/25 (as we're still looking at actuals for 2023/24). You can find the [full analysis here](#).
- The status quo is failing to ensure financial sustainability for Scotland's universities. We need action in the short term in the 2026/27 budget - and cross-party engagement on how to ensure a long-term stable and successful financial future.

Factors behind the sector's funding pressures:

There are multiple factors behind universities' current financial precarity:

I. Rising costs across the board.

- There has been a catalogue of increased costs affecting universities. The increase to employers' national insurance is estimated to cost the sector in Scotland between £45m and £57m,⁶ with no governmental assistance at all (UKG or SG) to help universities offset this pressure.

¹ IFS (2024) [Scottish Budget Brief](#).

² SFC (2025) [Financial Analysis of 2023/24 Annual Accounts](#)

³ Ibid.

⁴ IFS (2024)

⁵ UUK (2025) [Universities grip financial crisis but at what cost to the nation?](#) (60 institutions, including Scotland)

⁶ £45m is the Universities Scotland estimate for FY 2025/26. The higher figure of £57m is the IFS estimate.

- This adds to rising utilities, estates maintenance and construction costs, and significantly higher than inflation rises in software licences.
- 15 institutions (mostly modern and specialist universities) saw the employers' contribution to the STPS pension rise to 26% in 2024, which added an additional £4.4m in 2024/25. However, the loss of government support in the same year meant the affected HEIs had to find £9.2m to address the rise. Although we note and welcome the £5.8 million of funding provided by the SG in February 2025 to mitigate this there is no indication that this mitigation will be repeated in future years.
- Around half of the university sector was affected by the RAAC scandal, and our estimate is that it could collectively cost universities somewhere close to £750 million⁷ to address. There has been no Government support for universities for RAAC. Universities' total SFC capital budget for all 19 HEIs in 2024/25 was £28.4 million, of which £4.8m was ring-fenced for one project.

II. Sharp falls in international student demand and continued volatility in immigration policy and international markets.

- Earlier this year, the Permanent Secretary told Parliament universities are high on the Government's risk register, and rising. The reason given for this was international volatility in international student recruitment.⁸
- International entrant enrolments to PGT courses in Scotland fell by over a quarter in one year (25.7%) between 2022/23 and 2023/24. This was a combination of geopolitical events (the collapse of the Nigerian currency being a significant factor) and the loss of the dependents' visa for postgraduate students, as well as the "hostile environment" created for migrants by the last UK Government.
- Our estimate is that this one year drop cost the sector £149 million in lost international fee income, with a wider loss in economic spill-overs for the Scottish economy (e.g. from student spend). Early data for the period since show the decline in numbers was not a single year's "blip".
- We cannot yet estimate the impact on the sector of the student and graduate measures in the UK Government's newly announced immigration white paper (May 2025). However, the explicit aim of the policy is to reduce net inward migration. The reduction of the graduate route visa from 24 to 18 months could harm the UK's competitiveness in a global recruitment market. Tightening the basic compliance metrics (BCA) may force HEIs away from recruiting in countries with higher visa refusal rates, such as Pakistan, Nigeria, Sri Lanka, and (to a lesser extent) India. In Scotland, these four nations count for more than 70% of the sector's total postgraduate intake⁹. Giving HEIs sufficient time to adjust their recruitment strategies will be vital if UK universities are to avoid financial cliff-edges.

III. A chronic pattern, now acute, of underinvestment in the education of Scottish students and in research within Scotland's model of public funding.

⁷ Data gathered in by SFC.

⁸ This was in a session at the Finance and Public Administration Committee of the Scottish Parliament, on 18 March 2025.

⁹ HESA Student data 2023/24.

- The underfunding of domestic undergraduate teaching and research, starting a decade ago and compounded over time, is the single biggest factor behind the current financial state of Scotland's universities. This is the sector's fundamental problem and it is this factor which has eroded universities' financial resilience to withstand increased costs and driven the over-reliance on international student fees as a means of cross-subsidy in most institutions, now leaving them over-exposed to financial risk.
- Working on behalf of the sector, Universities Scotland has repeatedly highlighted, over a number of years, that public underfunding was building to unsustainable levels. This is not a sudden or shocking crisis. It has been a decade in the making.
- The IFS estimates the cost of restoring per-student resources to 2021/22 levels in real terms would require a cash-terms increase in resources of £103 million (15.2%), but that would still equate to a reduction on the funding provided in earlier years. Moreover, the sector's financial security could not be assured without addressing the underfunding of research, which was underfunded to a value of £432m in 2021/22, with further real terms cuts since then.¹⁰
- Analysis of university funding over time by Professor David Bell for the RSE Conference shows university and college funding levels tracked over the last five years in real terms. It shows sharply declining funding for universities, declining funding for colleges, and an overall trajectory that can only be described as a clear levelling down in public investment for both universities and colleges. Scotland needs well-funded colleges *and* universities. We ask that the two sectors are not pitted against each other.

The way forward

- Universities could have a stable and successful future within the current funding model. It is the quantum of resource invested into HE, rather than the model itself, which is the problem.
- A dialogue which keeps us in the space of free versus fees is a distraction from acknowledging the major weaknesses in the current model, and has prevented action to address the sector's challenges for too long. This cannot continue.
- To effect change of any kind, there must be a clear and early acknowledgement from Government that the current levels of public funding going into the system are not sufficient to meet their ambitions for either the quantity or the quality of university provision they want Scotland to have.
- Universities Scotland would like all political parties to engage with this issue on a strategic basis. We're working with parties to make that happen before summer recess.
- There is a need to look twenty years ahead and consider how shifting demographics, labour market needs and technological advances will change the way universities will meet Scotland's needs and deliver economic and societal value.

¹⁰ SFC (2024) [Financial Sustainability Report](#) using TRAC data. The figure of £432m of underfunding of Scottish research covers all research income received in Scotland and, as such, goes further than the underfunding of the Research Excellence Grant as funded by the Scottish Government.

- We see much potential for the current system (which must include student support) to be fairer and more progressive for students; for it to be future-proofed, with greater flexibility and agility designed into teaching funding methodologies to support different models of learning; and for the current model to be de-risked.
- Building on a decade's worth of shared services, joint procurement and strategic collaboration to drive efficiency in Scotland (saving £13.8m pa in shared services through JISC alone and a further £25.5m pa in joint procurement through APUC), the sector remains proactive in driving forward collaborative efforts to reduce costs and increase effectiveness. Professor Carrington's report from Universities UK's *Transformation and Effectiveness* group, expected in early June, has taken a hard look at how to remove obstacles to greater collaboration between institutions. While the sector is committed to continuing to explore ways in which it can change to respond to current challenges, we know that such actions alone will not be sufficient to address the current financial crisis facing the sector.