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# The impact of Coronavirus (COVID-19) on university funding in Scotland

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Coronavirus (COVID-19) will have a lasting financial impact on universities in Scotland. This briefing looks at the challenges facing the sector, the action being taken to address them ahead of the new academic year, and the longer term implications of the potential funding shortfall.



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# Executive Summary

Coronavirus (COVID-19) will have an impact on universities for the foreseeable future. While the immediate impacts have largely centred around the logistics of remote learning, teaching and assessment, as the new academic year approaches the sector will face new and considerable financial challenges, adding to existing pressures.

Figures from [the Scottish Funding Council \(SFC\)](#) <sup>1</sup> estimate that:

- In the current academic year (AY) 2019-20, Scottish universities face a loss of around £72 million due to COVID-19.
- In 2020-21 a deficit of at least £450 - 500 million is expected.
- In an 'optimistic' scenario of a 50% reduction in the number of new international students and a 30% reduction in international students continuing studies, the projected collective operating deficit is £383.5 million.
- In a more pessimistic scenario of a 100% reduction in numbers of new international students, the collective operating deficit is £651 million.
- Eighteen universities are expected to report deficits in AY 2020-21.

A fall in international student numbers is expected to be one of the main drivers behind the fall in income. This is of particular concern given tuition fees make up the largest proportion of sector income at 32% (see [Figure 3](#)) and within that, international student fees make up 57% of tuition fee income (see [Figure 4](#)). However, the [latest UCAS applicant figures up to 30 June 2020 show a 16%](#) <sup>2</sup> rise in international applicants to Scottish universities and final entrant figures will not be known until the new academic year starts in September. It is therefore difficult to know at this stage how much income will be lost.

The Scottish and UK Governments have [outlined a number of measures to financially support the sector](#), including:

- Scottish Government funding of [£75 million for research](#) <sup>3</sup>.
- UK Government announcement of a [UK-wide £280 million research and innovation fund](#), along with some availability of grant funding and low interest loans. <sup>4</sup>
- Universities' [eligibility for the Coronavirus Job Retention Scheme \(CJRS\)](#) <sup>5</sup>.

The Scottish Government has also announced [free tuition for EU students will come to an end after AY 2020-21](#) <sup>6</sup>. From 2021-22, universities can charge EU students international student fees. Minister for Further and Higher Education Richard Lochhead MSP has confirmed that the estimated £19 million that would have funded new EU entrants in AY 2021-22 will stay in the sector, to fund places for Scottish students.

Looking toward the future of the sector, [SFC is carrying out a review looking at future provision and funding of colleges and universities in the aftermath of COVID-19](#) <sup>7</sup>, and the role both sectors can play in economic recovery is central to the review. SFC will report

initial considerations in August, with a detailed implementation plan due to be published in May 2021.

*Please note, COVID-19 will be used as the terminology for the virus throughout the remainder of this briefing.*

## Sector finances pre-COVID-19

Pre-COVID-19, the yearly income of the university sector was around £4 billion. The [latest available Higher Education Statistics Agency \(HESA\) figures](#)<sup>8</sup> on university income and expenditure show total income of just under £4.1 billion in academic year 2018-19 and £3.8 billion the previous year.

Prior to COVID-19 there were financial challenges facing the sector. [Audit Scotland's 2019 report Finances of Scottish Universities](#)<sup>9</sup> found that while the sector was "overall in good financial health", there was "significant variation" between institutions. In addition, the report highlighted that Scottish Funding Council (SFC) funding had reduced by 7% (£91 million) in real terms between 2014-15 and 2017-18.

The report also noted:

“ At an aggregate sector level, the operating position has remained broadly stable over the past four years, but six universities reported deficits every year. Between 2014-15 and 2017-18, the underlying position for the sector improved, but the position was worse for six universities.”

Audit Scotland Finances of Scottish Universities report, September 2019 Audit Scotland, 2019<sup>9</sup>

The Audit Scotland report found that between 2014-15 and 2018-19:

- Five universities (Edinburgh, Glasgow, Scotland's Rural College (SRUC) St Andrews and Strathclyde) reported a surplus each year. Edinburgh, Glasgow and St Andrews had a combined surplus of £68 million in 2017-18.
- Six universities (Aberdeen, Dundee, Queen Margaret University (QMU), Robert Gordon University (RGU), Stirling and the University of the West of Scotland (UWS)) reported deficits each year.
- Four universities (Glasgow Caledonian University (GCU), GSA, Napier and the University of the Highlands and Islands (UHI)) moved from reporting a surplus in 2014-15 to reporting a deficit in 2017-18.

Figure 1 below - from Audit Scotland's 2019 report - shows each university's operating position as a percentage of income between 2014-15 and 2017-18. This highlights the varied financial positions of universities, illustrating the potential for the COVID-19 crisis to have a varied impact across the sector.

**Figure 1: University operating position as % of income 2014-15 to 2017-18**

**Exhibit 1**

Operating position as a percentage of income by university, 2014-15 to 2017-18

More than half of universities were in deficit in 2017-18 and the position was worse for most modern and chartered universities than in 2014-15.



Notes:

1. Figures for the University of the Highlands and Islands (UHI) excludes income and expenditure for research undertaken by UHI's partners.
2. Glasgow School of Art's surplus in 2015-16 is due to insurance income from the fire in 2014. Its deficit in 2017-18 is due to damage and reconstruction costs relating to the fires in 2014 and 2018.
3. Small and specialist institutions (SSI)

Source: Audit Scotland using Higher Education Provider Data: Finance, Table 1, Higher Education Statistics Authority (HESA), March 2016 to March 2019, and university financial statements, (2014-15 to 2017-18).

Reproduced from Finances of Scottish universities, Audit Scotland, September 2019 Audit Scotland, 2019<sup>9</sup>

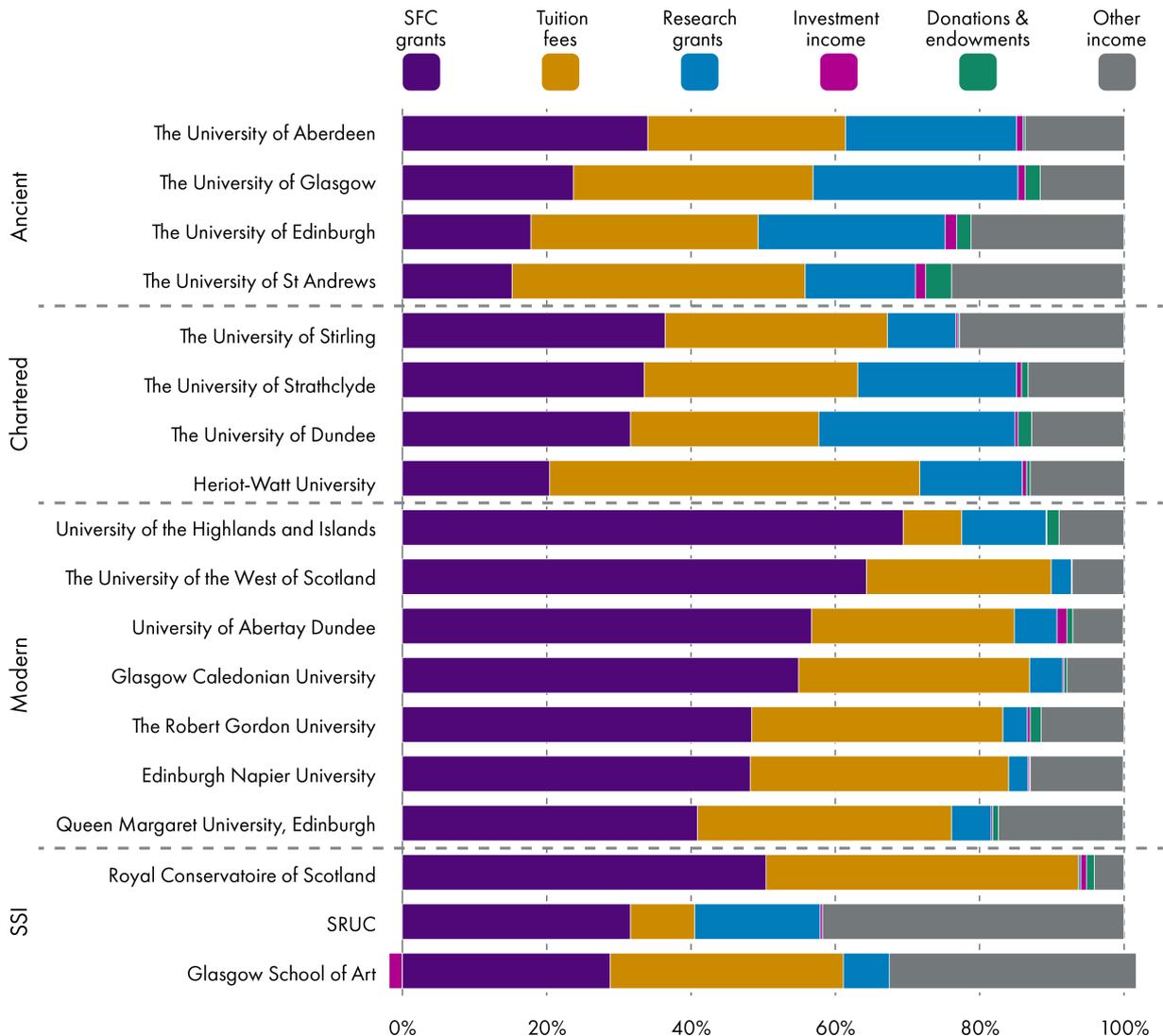
## Main sources of income pre-COVID-19

There are six main income sources for Scotland's universities:

- funding grants
- tuition fees
- research grants
- investment income
- donations and endowments
- other income (including commercial).

These income streams made up differing proportions of overall income at each institution. Audit Scotland's 2019 report<sup>9</sup> looked at university income sources by institution for 2017-18; Figure 2 below provides updated data for 2018-19 - the latest year for which data is available.

**Figure 2: University income sources by institution 2018-19**



HESA University Income Sources 2018-19 HESA, n.d.<sup>10</sup>

The above data shows that grant funding and tuition fee income make up the two largest income sources for most institutions and while many of the Modern (or post-'92)

universities have higher reliance on government grant funding, many of the ancient and chartered universities have a higher reliance on tuition fee funding.

For the sector overall, Audit Scotland's 2019 report <sup>9</sup> found that tuition fees were the "single largest source of income" in 2017-18. This remains the case in subsequent years; breaking sector income for the latest available academic year (AY 2018-19) down into income source, we can see that tuition fees continue to make up the biggest proportion of funding - as shown in Figure 3.

**Figure 3: University Income Sources (Scotland) 2018-19**

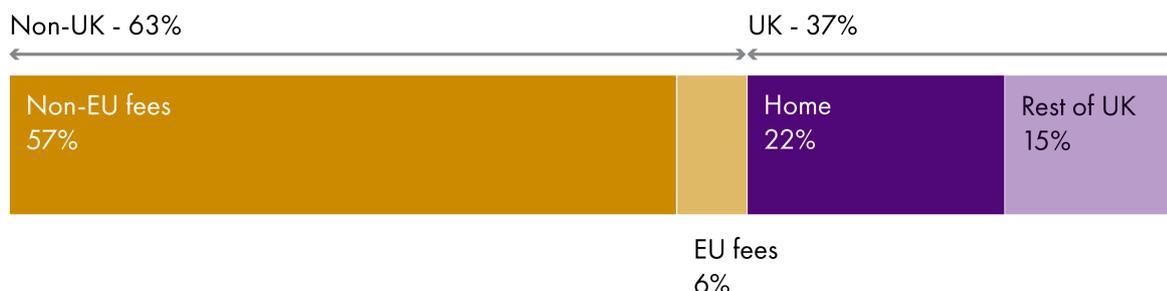


HESA University Income Sources 2018-19 HESA, n.d.<sup>10</sup>

Tuition fees and education contracts made up the highest proportion of income, at 32% (£1.285bn); SFC grants accounted for 30% (£1.203bn); research grants accounted for 20% (£818m), other income (e.g. commercial) accounted for 16% (£664m); donations and endowments accounted for 2% (£61m); and investment income made up 1% (£37m).

Of the £1.285bn income from tuition fees and education contracts, tuition fees accounted for £1.197bn <sup>10</sup>. Breaking down tuition fee income by domicile - as shown in Figure 4 below - finds international student fees make up more than half of this income stream, accounting for 57% (£684m) of the total £1.197bn in AY 2018-19. Fees for home and EU students account for 22% (£268m) and 6% (£68m) respectively. This money is provided to universities by the Scottish Government via the Student Awards Agency for Scotland, as home and EU students do not currently pay tuition fees.

**Figure 4: Tuition fee breakdown by domicile (Scotland) 2018-19**



HESA University Income Sources 2018-19 HESA, n.d.<sup>10</sup>

The above data shows the central role tuition fees - and particularly international student fees - play in the current university funding model. A notable impact of COVID-19 are the

restrictions that governments across the world have placed on travel between countries and continents. Therefore a great deal of concern surrounds the reliability of international student fee income in future.

# COVID-19: a 'unique and significant shock'

When COVID-19 first arrived in Scotland in March this year, the university sector's initial response focussed on provision of online learning and teaching to ensure that students could continue to study, supported by university staff. As the weeks go on and the journey out of lockdown continues, attention has turned to the lasting impact this pandemic is likely to have on the finances of the university sector.

It is clear that considerable challenges lie ahead. The Scottish Funding Council (SFC) set out the scale of the challenges in a [briefing published on 29 April](#) <sup>1</sup>, stating:

“ The COVID-19 crisis presents a unique and significant external shock to the higher education system in Scotland and it is unlikely that the scale of losses in Academic Year (AY) 2020-21 can be bridged by universities at their own hand.”

SFC briefing note, 29 April 2020 Scottish Funding Council, 2020<sup>1</sup>

It is the worldwide nature of the crisis that has the biggest impact on the sector. As Minister for Further and Higher Education Richard Lochhead MSP [told Parliament in April](#) <sup>11</sup>:

“ We expect a drop in the number of international students, but we do not know the extent of that. However, for instance, a drop of 50 per cent could cost our education sector £400 million in lost income.”

Minister for Further and Higher Education Richard Lochhead MSP, 23 April 2020

The Scottish Government has also identified the end of the Brexit transition period <sup>12</sup> in December 2020 as another challenge "expected to bring further adverse impacts" for the sector.

The SFC briefing note finds <sup>1</sup> that in the current AY 2019-20, Scottish universities face a loss of around £72 million due to COVID-19. In 2020-21 the collective operating deficit is expected to climb further:

- A deficit of at least £450 - 500 million is expected.
- In an 'optimistic' scenario of a 50% reduction in the number of new international students and a 30% reduction in international students continuing studies, the projected collective operating deficit is £383.5 million.
- In a more pessimistic scenario of a 100% reduction in numbers of new international students, the collective operating deficit is £651 million.
- Eighteen universities are expected to report deficits in AY 2020-21.

[A report from the Institute for Fiscal Studies](#), published in June, estimates that the Scottish sector's losses could total as much as £1.1bn in the long run, but states that the total losses of the UK sector as a whole are "highly uncertain" and could be anywhere between £3 billion and £19 billion overall. <sup>13</sup>

To prepare for the road ahead, universities have reported they are looking at a range of financial mitigations, including:

- Deferring maintenance work and decisions on capital work.
- Furloughing staff (see [Support and Action section of this briefing](#) for more information).
- Restricting non-essential spend.
- Carrying out cost-cutting reviews to identify savings across all areas of university business.
- Freezing recruitment or mission critical recruitment only, staff redeployment and possible redundancies.

SFC notes the potential harm redundancies may have on sector recovery in the longer term, <sup>1</sup> as does the University and College Union (UCU) Scotland in a [submission to the Scottish Parliament's Education and Skills Committee](#) <sup>14</sup> in May:

“ Also important is the role that universities play in their communities. Universities are often major employers, indeed sometimes the major employer, in their town or city and offer reasonably paid, skilled employment that bring people to live locally. This has a positive impact on the local economy, local business and council tax for local authorities. ”

UCU submission to Education and Skills Committee, 11 May 2020

In order to keep projections up to date as the rapidly changing situation develops, SFC have requested an [updated strategic plan forecast from each university](#) for AYs 2019-20 and 2020-21 <sup>15</sup> . The deadline for responses is the end of July.

## Key drivers of the drop in income

While the fall in international student tuition fee income will have a significant effect longer term, it is not the biggest cause of immediate losses. In a [written submission to the Parliament's Education and Skills Committee](#) <sup>16</sup> , sector representative body Universities Scotland identifies refunds given to students leaving university-owned accommodation in March as an immediate cause of financial pressure, stating:

“ Clearly [contract breaks are] the right decision in terms of student interest and public health. It is one of the biggest factors behind immediate financial losses faced in 2019/20. ”

Universities Scotland submission to Education and Skills Committee, 13 May 2020

For the upcoming AY 2020/21, SFC identifies <sup>1</sup> a predicted fall in the number of tuition fee-paying applicants from overseas, rUK and short courses as the main driver of the fall in income. This is a considerable challenge for the sector, given tuition fees make up 32% of sector income and within that, international student fees make up 57% of total tuition fee income (as explored in the [Sector Finances pre-COVID-19](#) section earlier in this briefing).

In addition to a potential fall in tuition fee income from international students, the UK Government's introduction of temporary Student Number Controls (SNCs) <sup>17</sup> brings in a

cap on numbers of England-domiciled students that can be recruited by universities in all UK nations - [a policy that has been criticised by Ministers in Scotland and Wales](#) <sup>18</sup>. The guidance on this sets out that universities will be able to recruit: "...up to a set level, based on 2019/20 numbers, provider forecasts, and with an allowance for additional growth of up to 5%."

This has been put in place to stop universities over-recruiting home students through the use of an increased number of unconditional offers - an admissions issue that Universities Scotland states is specific to English institutions. <sup>19</sup>

While the allowance does allow some scope for universities to increase recruitment of England-domiciled students, the 5% cap prevents Scottish institutions looking to growth of this group as a means of replacing potential lost income resulting from any fall in international student fees. <sup>17</sup>

Other negative financial impacts identified by SFC <sup>1</sup> include:

- a fall in donations income as world economies recover from COVID-19;
- falling commercial income;
- the impact of lockdown closures on research activities;
- additional costs of suspending redevelopment work;
- additional costs of providing and developing online teaching and assessment.

## Tuition fee income: a waiting game

It is not yet clear what final numbers of tuition-fee paying entrants will be for AY 2020/21. While the sector is braced for a significant fall, interim applicant figures remain encouraging.

The most recent UCAS applicant figures - as seen in Table 1 below - show an overall 3% increase in the number of applicants to Scottish universities at the 30 June 2020 deadline when compared to the same time last year. In addition, applications from non-EU international students are up 16% - the highest increase in any nation of the UK. In addition, UK-wide UCAS figures published in June showed an overall rise of 1% in applicants holding conditional or unconditional offers for immediate starts in September 2020. <sup>20</sup>

**Table 1: Applicants to Scottish providers by domicile - 30 June deadline**

Applicant domicile	2019	2020	Change
EU	18,630	18,210	-2%
England	31,120	31,740	2%
Northern Ireland	4,720	4,570	-3%
Non-EU	22,520	26,080	16%
Scotland	46,330	46,520	0.4%
Wales	1,010	990	-2%
<b>Total</b>	<b>124,330</b>	<b>128,110</b>	<b>3%</b>

Source: [UCAS: 2020 cycle applicant figures - 30 June deadline](#) UCAS 2020 cycle applicant figures 30 June deadline, 2020<sup>2</sup>

Overall applicant numbers have increased year on year for the last five years, and as the figures below show, non-EU international student numbers are increasing rapidly - up by almost 10,000 between 2015 and 2020.

**Table 2: Applicants to Scottish providers by domicile**

	2015	2016	2017	2018	2019	2020
EU	19,290	19,820	19,090	18,810	18,630	18,210
England	29,720	29,960	31,100	30,660	31,120	31,740
N.I	5,430	5,640	5,520	5,100	4,720	4,570
Non-EU	16,450	16,630	17,690	19,230	22,520	26,080
Scotland	47,710	48,640	48,120	47,980	46,330	46,520
Wales	870	920	990	950	1,010	990
<b>Total</b>	<b>119,470</b>	<b>121,610</b>	<b>122,510</b>	<b>122,730</b>	<b>124,330</b>	<b>128,110</b>

Source: [UCAS: 2020 cycle applicant figures - 30 June deadline](#) UCAS 2020 cycle applicant figures 30 June deadline, 2020<sup>2</sup>

While the final entrant and returner numbers will only be known once the new academic year begins in September, they have provided an encouraging boost for the university sector and shows efforts to promote UK universities to international markets may be paying off. On the day the figures were released, [Universities Scotland Director Alastair Sim commented](#) <sup>21</sup> :

“ The pandemic has cast huge uncertainty over university admissions for entry this year so these data are encouraging, particularly the double-digit rise in international applicants to Scotland’s universities. However, it will be September before universities know for sure whether offer-holders intend to take up their place. Not all international students apply through UCAS, so we can’t yet be sure if the positive trend shown in UCAS’ data for overseas applicants will be borne out across all international applicants.”

Universities Scotland Director Alastair Sim, 9 July 2020

Earlier in June, Ministers from the UK, Scotland, Northern Ireland and Wales wrote a [joint letter to all international students](#) <sup>22</sup> highlighting the global value of a degree from a UK university and detailing measures in place to protect against COVID-19. In addition, the Scottish Government, Visit Scotland, Scottish Development International and Universities Scotland’s [Scotland is Now](#) <sup>23</sup> campaign is also working to promote Scotland to international students through the [Study in Scotland](#) <sup>24</sup> project.

## Support and action

In the months since the impact of COVID-19 on the sector became clear, there have been a number of policy developments that will support the sector and go some way toward shaping the future. This section of the briefing looks at:

- [Cooperation between Government and universities.](#)
- [Additional funding and support.](#)
- [The end of free tuition for new EU students.](#)
- [The Coronavirus Job Retention Scheme.](#)

## Cooperation between Government and universities

In March 2020 as understanding of the risk COVID-19 posed to the sector grew, the [COVID-19 Response: Further and Higher Education Ministerial Leadership Group](#)<sup>25</sup> was set up. The group brings together leaders in further and higher education to coordinate the immediate response and look ahead to sector recovery.

Chaired by the Minister for Further Education, Higher Education and Science, members of the group include a number of college and university principals as well as stakeholders such as the National Union of Students (Scotland), Scottish Qualifications Authority, SFC, Unison and others. Institutional financial stability is among the topics the group considers.

In April, [a joint statement](#)<sup>26</sup> from Deputy First Minister and Education Secretary John Swinney MSP, Universities Scotland Convener Professor Andrea Nolan and SFC Chief Executive Karen Watt underlined the challenges facing the sector, with the Deputy First Minister stating the Government's commitment to ensuring the sector's recovery.

## Additional funding and support

In May, the [Scottish Government announced](#)<sup>3</sup> a one-off £75 million increase in research funding to help universities mitigate against the impact of COVID-19, secure jobs and training and enable institutions to plan longer term.

This was followed by an [announcement from the UK Government in June](#)<sup>4</sup> launching a UK-wide £280 million research and innovation fund. The explanatory note accompanying the policy announcement states "the first amounts will be made immediately available" and can be used for the purposes of supporting researcher salaries, equipment and fieldwork. UK Research and Innovation (UKRI) will contact institutions with details of allocations.

In addition to this, the UK Government is making available low interest loans with a small amount of government grant for "research active" universities, covering up to 80% of AY 2020-21 income losses as a result of the fall in international student applicants. Scottish universities are eligible to apply for this scheme.

## Free tuition for new EU students comes to an end from 2021-22

The Scottish Government published its Further and Higher Education Sustainability Plan in July, summarising actions taken so far and announcing that tuition fee support for EU students will come to an end after AY 2020-21. This was announced by the Minister for Further and Higher Education in Parliament in July:

“ Following the UK’s vote to leave the EU, I have previously announced that 20/21 was a transition year for the policy and it is with a heavy heart that we have taken the difficult decision to end free education for new EU students from the academic year 2021/22 onwards as a consequence of Brexit. EU students who have already started their studies, or who start this autumn, will not be affected and will still be tuition free for the entirety of their course.”

Minister for Further and Higher Education Richard Lochhead MSP [addressing Parliament, 9 July 2020](#) <sup>6</sup>

During the statement the Minister confirmed that the funding the Government provides for EU student fees for new entrants - estimated to be around £19m in 2021-22 - will stay in the sector. The [Government's Sustainability Plan](#) confirms <sup>12</sup> Scottish institutions will be able to charge international student fees to EU students beginning courses from 2021-22.

The Minister made clear the Government expects institutions to spend the money on funding places for students domiciled in Scotland:

“ ...there will now be £19 million in the system that is available for Scottish places. The universities are expected to take up that offer, which will hopefully lead to more Scots going to university.”

Minister for Further and Higher Education Richard Lochhead in Parliament, 9 July 2020 [Scottish Parliament, 2020](#) <sup>6</sup>

This announcement has been broadly welcomed by the university sector <sup>27</sup> as an opportunity to address the ["funding gap"; the term used to describe the difference in teaching income between universities in Scotland and universities in England](#) <sup>28</sup> since the introduction of tuition fees at English institutions.

As set out in the [Sector Finances Pre-COVID-19](#) section of this briefing, tuition fees from EU students currently enrolled at all levels of study represent 6% of the sector's total tuition fee income, which in turn represents 32% of overall sector income. The Government will continue to pay fees for EU students enrolled in Scottish universities prior to AY 2021-22 until these students graduate. Earlier this year, the [Scottish Government responded to a Freedom of Information \(FOI\) request](#) on the total costs associated with providing funded places to EU students, stating the annual cost of this policy for all EU students currently enrolled in all stages of university in Scotland is approximately £97m per year <sup>29</sup>. This annual figure should begin to reduce year on year after 2021-22.

The same FOI response also states that over 128,000 Full Time Equivalent (FTE) funded places are currently available in Scottish universities for eligible Scottish domiciled and EU students on full-time undergraduate courses, with individual institutions able to recruit up to 10% above the number of funded places available. While the Scottish Government has not said how many additional places for Scottish domiciled students the £19m is expected to fund, it is reasonable to assume the full allocation of funded places will now go to home students in 2021-22.

## Coronavirus Job Retention Scheme

Universities can access the UK Government's Coronavirus Job Retention Scheme (CJRS) - also known as the furlough scheme - and [Universities Scotland states](#) <sup>16</sup> :

“ Universities are focused on protecting jobs as far as possible. Each has given careful consideration as to how the Coronavirus Job Retention Scheme (CJRS) may support this as relevant to their circumstances. Universities have been in frequent discussion with staff unions.”

Universities Scotland submission to Education and Skills Committee on the impact of COVID-19 on higher education

In June, [SFC published early feedback from COVID-19 surveys](#) <sup>5</sup> finding that the "majority" of universities had applied or intended to apply for the scheme, working with their unions to plan moves to furlough staff. As universities return to teaching in September, the opportunities to access these funds will become more limited and this may have a further impact on the sector.

Despite universities making use of the CJRS, concerns about staff redundancies remain. The University and College Union in Scotland stated in its May submission to the Education and Skills Committee that staff on hourly wages and fixed term contracts were already facing redundancy:

“ Measures being implemented to date include redundancies for fixed term contract staff and casual hourly paid staff, where contracts are not renewed, and the lockdown and dire economic climate means there is no prospects of redeployment, securing new grant funding, or other mitigation of redundancy. Employers are also announcing that they are cancelling promotions; imposing pay freezes; restricting research leave; suspending new appointments and halting recruitment; freezing re-grading; and furloughing staff whose funding is not dependent on public money.”

[UCU Scotland briefing for Education and Skills Committee, May 2020](#) University and College Union Scotland, 2020<sup>14</sup>

## Next steps

Discussions about how the university sector might meet the challenges that lie ahead are already underway. This section looks at:

- [The SFC review of future provision and funding of colleges and universities](#).
- [Emerging thinking from the sector](#).
- [Charting progress and the milestones ahead](#).

## SFC funding review

[Scottish Government Ministers have asked SFC to carry out work](#)<sup>7</sup> considering future provision and funding of colleges and universities in the aftermath of the COVID-19 pandemic. Provision, delivery, funding and governance will all be looked at to suggest changes enabling the sector to play a key role in economic recovery in the aftermath of COVID-19. SFC will report initial considerations to Government this August, with a detailed implementation plan scheduled for delivery in May 2021. SFC aim to take a collaborative approach, working with the the sector through roundtables and other engagement to seek their views.

Highlighting the review's role as part of the Government's plan to support the sector, the [Minister for Further and Higher Education told Parliament](#)<sup>6</sup> :

“ It is important that we are clear about one critical point, which is that our colleges and universities absolutely deserve the utmost support, because they are vital to the solution that Scotland needs to get through and out of this crisis. That fact was recognised in Bernard Higgins’s recently published report, 'Towards a Robust, Resilient Wellbeing Economy for Scotland: Report of the Advisory Group on Economic Recovery', which is one of the key reasons why I asked the Scottish Funding Council to lead a review of provision and financial sustainability to ensure that colleges and universities are able to play that role. Its work will shape an important part of the Government’s thinking on our future strategy for tertiary education in Scotland.”

Minister for Further and Higher Education Richard Lochhead in Parliament, 9 July 2020Universities Scotland, 2020<sup>27</sup>

At the end of June, [SFC published an initial briefing note](#)<sup>30</sup> setting out four objectives for the review. These are as follows :

- a) To consider how best to achieve coherence and sustainability in the delivery of further and higher education during the Covid-19 crisis, EU exit transition, and beyond, while maintaining and enhancing quality.
- b) To ensure the sectors can address the outcomes we need to achieve in Scotland.
- c) To propose changes needed to SFC’s funding, operations, and accountability frameworks in order to respond effectively to new challenges and opportunities.

d) To provide advice, where appropriate, to Scottish Ministers on relevant changes to policy, funding and accountability frameworks for tertiary education and research in Scotland.

The SFC identified students, colleges and universities, government, the public interest, employers and industry as the primary stakeholders in the review.

Developing issues already facing colleges and universities before the COVID-19 crisis will be looked at alongside COVID-19 related developments. These non-COVID-19 specific issues include

- the impact of automation, artificial intelligence and ageing population
- pre-COVID-19 financial sustainability issues of institutions
- Outcome Agreement targets
- the complexity of the UK research funding system.

The SFC review briefing states the review will respect the autonomy of universities, adding:

“...we will be considering the overarching framework that can further develop a connected, collaborative ecosystem for learning and teaching and research; reflects government and tertiary education objectives; and secures accountability for public funding. Institutions will be invited to help us develop that framework and consider their place and contribution in that public funding system.”

[SFC's Review of Coherent Provision and Sustainability Briefing Note, June 2020](#) SFC's Review of Coherent Provision and Sustainability A Briefing Note, 2020<sup>30</sup>

The shape this collaboration takes will be a key area of interest for those involved in higher and further education in the weeks and months ahead. Skills alignment with industry and its potential impact on courses is likely to be another main area of interest, as this has also been suggested in two recently published Scottish Government-commissioned reports:

['Towards a robust, resilient wellbeing economy for Scotland'](#) <sup>31</sup> by the Advisory Group on Economic Recovery and the Enterprise and Strategic Skills Board sub-group report ['Measures to Mitigate the Labour Market Impacts from COVID-19'](#) <sup>32</sup>. Both reports recommend universities and colleges should maximise flexibility in order to meet the skills needs for the future economic vision of Scotland post-pandemic.

The SFC review has parameters: the Government has set out the policies and priorities that will remain in place, driving its shape to some extent. These include <sup>30</sup> :

- Free tuition for full-time, Scottish domiciled students at SFC funded institutions.
- A continued emphasis on widening access to further and higher education for those from disadvantaged backgrounds.
- Greater articulation between college and university; and an emphasis on green economic recovery and the pursuit of a zero carbon future.

## Emerging thinking from the sector

Earlier in June, ahead of publication of the SFC review briefing paper, Universities Scotland published '[Scotland's Recovery - Universities' Role](#)'<sup>33</sup>, highlighting the sector's role in ensuring people have the skills needed to meet the economic challenges ahead.

Commitments outlined in the document include:

- Undertaking to work collaboratively to find solutions to social, economic and environmental challenges.
- Maintain commitment to widening access.
- Promote digital inclusion; design short, flexible courses for up-skilling and re-skilling.
- Create postgraduate courses targeted at growth areas in the economy.
- Listen to businesses' changing skills needs.
- Help small businesses using strategic use of internships.

There is much in the document that aligns with the objectives detailed in the SFC review; all eyes will be on progress toward building detailed proposals and plans as the review progresses over the coming months.

The University and College Union (UCU) has launched the [UK-wide Fund the Future campaign](#)<sup>34</sup>, calling for the governments of all nations to: "...protect jobs, secure government funding for tertiary education, and make sure that we emerge from this crisis with a better system than the one we entered it with."

The campaign recognises the role universities have played throughout the COVID-19 crisis, researching potential treatments and cures, enabling final year nurses and medical students to qualify early in order to join the NHS during the height of tackling the pandemic.

[Writing in the Herald in July](#)<sup>35</sup>, UCU's Scotland Official Mary Senior highlighted the role universities play in research and development, supplying highly skilled graduates to the economy and encouraging entrepreneurship, adding: "...there is no road to recovery that does not involve a well-resourced higher education sector."

## Charting progress

With September and the new academic year just weeks away, university principals and senior management teams will be looking toward numbers of student returners and final applicant acceptance figures. The [latest UCAS applicant figures](#)<sup>2</sup> were welcome news in an otherwise difficult year. If the final numbers - particularly for international students - bear out and student numbers remain stable or there is an increase in entrants, this will in turn aid efforts to stabilise university finances going forward. Even so, the months ahead are uncertain and will pose new challenges for the sector. The SFC's review will likely be the first major step on a journey toward reshaping higher education in Scotland - not only to address the financial challenges resulting from Coronavirus (COVID-19) but also to meet

Scotland's skills needs for the post-virus economy. Publication of the review's initial considerations in August will be of great interest to those within the university sector and beyond.

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