

News release

Embargoed until 00:01 hours, 19 September 2019

Ancient universities better able to bear financial pressures

Scotland's universities face rising costs and funding cuts, and there is a growing gap in how well different institutions can cope, says the public spending watchdog.

Scotland's universities operate in a competitive international market and are all facing financial challenges and uncertainties, including:

- a seven per cent (£91m) real terms cut in government funding between 2014-15 and 2017-18
- estates costs and rising pension costs
- the significant implications of EU withdrawal for teaching and research.

Three of the four ancient universities - Glasgow, Edinburgh and St Andrews - are generally better placed to respond to these pressures. They have large reserves and have grown their income from other sources, particularly from non-EU student tuition fees. However, modern universities, including Robert Gordon and Glasgow Caledonian, rely on government funding for more than half of their income and have had smaller increases in revenue from other sources.

The Scottish Funding Council (SFC) uses outcome agreements to set out universities' commitments in return for public funding. But in 2017-18 many agreements did not include clear targets for teaching and research. This makes it difficult to assess if universities are delivering government priorities.

Caroline Gardner, Auditor General for Scotland, said:

"There's significant variation in the financial strength of Scotland's university sector. A small number of universities are stretching ahead of the rest and are in a better position to deal with the financial pressures facing the whole sector. But they still face strong global competition.

"More work needs to be done to make sure that universities' outcome agreements provide a clearer picture of what each institution is contributing to the government's national priorities."

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Notes to editors

1. There are 19 universities in Scotland including the Open University. We refer to the 18 universities in the following groupings:

- Ancient universities - University of Aberdeen, University of Edinburgh, University of Glasgow, University of St Andrews
- Chartered Universities - University of Dundee, Heriot-Watt University, University of Stirling, University of Strathclyde

- Modern universities - Abertay University, Edinburgh Napier University, Glasgow Caledonian University, University of the Highlands and Islands, Queen Margaret University, Robert Gordon University, University of the West of Scotland
- Small specialist institutions and other - Glasgow School of Art, Royal Conservatoire of Scotland, Scotland's Rural College and the Open University in Scotland.

The Open University was excluded from most analysis because its financial statements do not differentiate operations in Scotland from the rest of the UK.

2. The total Scottish Funding Council allocation to universities in 2017-18 was £1.1 billion. Universities also received £213 million from the Student Awards Agency Scotland for Scottish and EU student tuition fees in 2017-18.

3. Tuition fees replaced SFC grants as the single largest source of income for the sector in 2017-18. Despite reductions in SFC funding, ancient (Aberdeen, Edinburgh, Glasgow and St Andrews) and chartered universities (Dundee, Heriot-Watt, Stirling and Strathclyde) have generally continued to increase their income, mainly from non-EU tuition fees. In total, 32 per cent of ancient universities' income comes from tuition fees.

4. Audit Scotland has prepared this report for the Auditor General for Scotland. All Audit Scotland reports published since 2000 are available at www.audit-scotland.gov.uk

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