

News release

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First audit of higher education sets out major challenges ahead

Scotland's higher education sector is financially healthy but faces future challenges, and tough choices are likely to lie ahead if public funding is to deliver government policy ambitions.

In its first major review of higher education, Audit Scotland reports that the sector is successful and internationally renowned. However, it faces significant challenges from increasing costs, potential further reductions in Scottish Government funding, and risks to universities' ability to continue increasing income from other sources.

While the sector is in good financial health overall, this masks underlying risks. Some of Scotland's 19 higher education institutions are heavily reliant on Scottish Government funding, and there is increasing dependence on income generated from fee-paying students from the rest of the UK, and outside the EU.

In 2014/15, the Scottish Government provided £1.7 billion to universities and individual students to support its policy ambitions for higher education, including widening access, world-class research and improving innovation. The Scottish Funding Council's (SFC) funding approaches make achieving these ambitions challenging, and the SFC needs to review its strategies in these key areas.

The report also examines the student population in Scotland, looking at numbers, debt and application rates. It notes that most students have a positive experience of higher education, and recent figures show that the majority progress to employment or further study. However, it also highlights that levels of student debt are growing, and it's becoming more difficult for Scottish students to gain a place at university.

Caroline Gardner, Auditor General for Scotland, said: "Scottish universities benefit individuals, communities and economies in this country, and across the world. It's a complex sector, which receives significant amounts of public money, both in the form of direct funding to universities and in financial support to students."

"Given the growing pressures on public finances, the Scottish Government must be clear about its priorities for higher education and how it will target public funding to support those aims. It also needs to work with the Scottish Funding Council and universities to plan for addressing the challenges ahead."

Audit Scotland makes a number of recommendations in the report for universities and the public bodies involved in supporting delivery of higher education.

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Notes to editors

1. Audit Scotland assessed how higher education is funded and delivered in Scotland, how it contributes to national strategic objectives, and how well equipped the sector is to deal with future financial challenges. The audit focused on higher education provision in the university sector as a whole. The audit did not look at the appropriateness or effectiveness of individual universities' overall

governance arrangements or the arrangements and funding for delivering higher education in further education colleges. Audit Scotland is currently undertaking a separate overview of the college sector in Scotland, due for publication in autumn 2016.

2. The report has five parts:

- Part 1 The university higher education system in Scotland
- Part 2 The role of the Scottish Government in higher education
- Part 3 University sector finances
- Part 4. Being a student in Scotland
- Part 5. Looking forward

3. In 2014/15, there were 19 universities in Scotland teaching 232,570 students. These universities vary widely in size, age, subjects that they specialise in, and student profile. There are 14 campus-based universities, one distance-learning university, an educational partnership institution based in the Highlands and Islands, one art school, a conservatoire and an agricultural college. Between them, the universities have five medical schools, three dental schools and two veterinary medicine schools. The universities range in age from four to 603 years old, in size from 985 students to 28,880 students, and in annual income from £19.5 million to £841 million.

4. In 2014/15, there were 232,570 students studying at 19 universities in Scotland, two-thirds of whom had a home address in Scotland. Students from the rest of the UK and the EU accounted for 21 per cent of students, while students from outside the EU accounted for the remaining 13 per cent. Seventy five per cent of the total student population were studying full time, 65 per cent were aged 24 and under, and 76 per cent were undergraduates.

5. The Scottish Government funds higher education in two main ways - by providing funding to the SFC for universities, and by providing funding to SAAS for individual students. Exhibit 4 of the report shows the main funding streams and lines of accountability for Scottish Government funding. Universities are accountable to the SFC for the funding received, and the SFC is accountable, in turn, to the Scottish Government.

6. The Scottish Government provided £1.1 billion funding for universities in 2014/15, and approximately £623 million funding for individual students to help achieve national strategic objectives, such as making Scotland wealthier and fairer, and smarter. Overall Scottish Funding Council funding to universities has reduced by six per cent in real terms since 2010/11. In contrast, Scottish Government funding for student support increased by approximately 37 per cent in real terms over the same period.

7. Overall, the Scottish higher education sector was in good financial health in 2014/15. Universities as a whole had income of £3.5 billion and income increased by 38 per cent in real terms over the previous decade. The sector generated a surplus of £146 million in 2014/15 and overall reserves stood at £2.5 billion. Universities reported that they made efficiency savings of £200 million over the past three years.

8. 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

- The Auditor General appoints auditors to Scotland's central government and NHS bodies; examines how public bodies spend public money; helps them to manage their finances to the highest standards; and checks whether they achieve value for money. The Auditor General is independent and is not subject to the control of the Scottish Government or the Scottish Parliament
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