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About Reform Scotland

Reform Scotland is an independent, non-party think tank that aims to set out a better way to deliver increased economic prosperity and more effective public services based on the traditional Scottish principles of limited government, diversity and personal responsibility.

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Executive Summary

Objective

The object of this paper is to consider the problems facing tertiary education up to and including first degree level and this report does not examine all of the work done by colleges and universities. Based on our analysis of the current situation as well as examining how education is funded in other countries, Reform Scotland makes recommendations as to how we can turn the sector around to make Scottish learning once again the envy of the world.

Findings

- Between 1999-2000 and 2008-9, spending on HEIs has increased by 56.5 per cent in real terms. This is in addition to spending by the Students Award Agency for Scotland which has increased by 6 per cent.
- Between 2000-01 (the first year the SFEFC made funding allocations to colleges) and 2008-09, the amount of money given to FE colleges has increased by 38.3 per cent.
- According to a report published by PricewaterhouseCoopers in 2005, over a working life the average graduate will earn around 23 per cent more than his/her equivalent holding two or more 'A' levels. In monetary terms this equates to about £129,000.
- The number of Scottish and EU-Domiciled higher education students attending Scottish HEIs and receiving tuition fee support from SAAS has increased from 66,300 in 1999-2000 to 91,590 in 2008-09.
- The number of Scottish FE college students funded by the Scottish Government has increased from 306,126 in 1999-2000 to 352,334 in 2008-09.

Policy Recommendations

- **Scrap Scottish Higher & Further Education Funding Council** – In line with Reform Scotland’s recommendations in our report ‘Democratic Power’, the non-departmental public body should be scrapped and the functions transferred back to government. This would mean that funding would come direct from government and would, therefore, be more accountable, though it would have to be ensured that colleges and universities were able to keep their charitable status.
- **Make the Scottish Qualifications Authority a fully independent charitable body, with its accreditation arm retained as a full part of the Scottish Government** – Currently the SQA is the national accreditation and awarding body in Scotland. This includes the provision of qualifications to colleges. However, the SQA is not the only provider of qualifications to colleges. City and Guilds, a private company, also provides vocational qualifications along with many others. Vocational qualifications tend to be developed in conjunction with industry, therefore standards remain high otherwise the industry would not recognise them. There is no requirement for a single state provider of qualifications, especially one which has such a clear conflict of interest since it both accredits and awards qualifications. As a result Reform Scotland recommends, in line with our report ‘Democratic Power’ which called for virtually all quangos to be scrapped, that the SQA should be taken away from government and turned into a fully independent charitable trust. The SQA’s accreditation arm, which approves awarding bodies (from across the UK) to award qualifications in Scotland and audits awarding bodies to ensure they continue to meet required standards of delivery and quality assurance, would become part of the Scottish Government.
- **Graduates should contribute towards the cost of their higher education by means of a deferred fee to be repaid once they earn more than the Scottish average salary** – Higher education cannot be seen as an entitlement in the way school education is – it is something that has to be academically achieved. However, it is not fair that those who go to university have their time there paid for by taxpayers, many of

whom have not had that opportunity. At present, there will be those who are academically able but financially unable to go to university, but pay taxes which pay for those who do go to university. While it is true to say that society as a whole benefits from having a well-educated workforce, the individual graduates themselves also benefit from the higher earnings they accrue. At present, only wider society pays for graduates through the tax system, while the graduate does not contribute. (Although graduates may earn more and subsequently pay more tax, many successful top rate tax payers may not have gone to university, so higher tax contribution should not be seen as payment towards higher education.) There needs to be a better balance with the individual graduate as well as taxpayers contributing towards higher education.

To provide this balance, Reform Scotland believes that a form of deferred fee should be introduced. The deferred fee should cover a proportion of the cost of the tuition incurred by the graduate. The Scottish Government would fund X per cent of the average cost of a degree, broken down by subject area (medical studies, science & engineering, business & social studies, education & the arts), meaning that they would contribute more towards the cost of a more expensive degree, such as medicine, while the graduate would have to pay the difference. Reform Scotland has not set out the exact costs of degrees and what proportion the government should pay due to a lack of published evidence and research on the true cost of higher education. As section 1.1 illustrates, there are variations in the costs paid by overseas, non-EU students within Scottish universities so Reform Scotland believes that the Scottish Government should commission independent research to work out the true average costs of degrees in Scotland. Then, in discussion with representatives of Scottish higher education institutions, decide what proportion the government will pay.

If a particular Scottish university charged more or less than the average, this would have an impact on the cost of the deferred fee. The deferred fee would only be re-paid once the graduate is earning more than the Scottish average salary (£22,958 in 2007).¹ There would be no need to create a new mechanism for collecting the deferred fee as the existing system involving

¹ The Annual Survey of Hours and Earnings (ASHE) is the official source of earnings information. Median gross weekly earnings in Scotland, in April 2007, for full-time employees were £441.50, this gives an average annual salary of £22,958

the Student Loans Company, currently used to collect student loans and what is left of the graduate endowment, could be used. Using the existing repayment rates for student loans, the repayment rates would be:

- 3.6 per cent for those earning £25,000 to £30,000
- 4.5 per cent for those earning £30,000 to £35,000
- 5.1 per cent for those earning over £35,000

The Scottish Government would need to commission research as to the true cost of tuition in Scotland, at which point an average proportion that the government would contribute could be agreed with higher education institutions.

Such a system should not deter anyone from entering higher education because the amount would not need to be repaid until the individual earned more than the Scottish average and would not need to be repaid if the earnings threshold is never crossed.

- **Long term ambition to remove means testing of student loans enabling all Scottish students to claim the current £5,067 a year loan.** Although the deferred fee would not necessarily bring in further income immediately, there would be increased resources available in the medium to long term. Reform Scotland believes some of this extra money could be used to expand the availability of student loans to all students and to raise the point at which they start being repaid to the Scottish average salary, in line with our proposals for the deferred fee.
- **Make it a condition of grant that HEIs are willing to take transfer students who have successfully completed HND and/or HNCs into later years of study on a degree course where the subject content is comparable:** Research by the Scottish Funding Council suggests that while post-92 universities are willing to transfer students who have successfully completed a relevant higher national qualification into later years of study on a degree course, ancient and traditional universities are less accommodating. This can lead to students unnecessarily having to undertake up to three years more study, along with the increased costs associated with that. If HEIs are willing to take public money to pay for a student's education, there should be a condition of grant that they are unable to discriminate against such students.

- **Following on from Parent Power, expand the existing provision which allows school pupils to study at colleges:** In Reform Scotland's publication Parent Power, we argued that parents should have the ability to choose the school they feel offers the best education for their child, whether that school was run by the state, a private company or a charity. Evidence from the OECD had highlighted that where parents were able to exercise greater choice between schools, this introduction of competition can help improve attainment levels in all schools. In practical terms, we believe this should mean that parents or guardians are given an entitlement equal to the value of the average cost of educating a child in their local authority area which could be used to send their child to any school which costs the same as the entitlement or less. If private school fees are the same or less than the entitlement then parents can choose to send their child there. However, if the fees are higher, parents would not be able to top-up the difference themselves. Expanding on this provision, and the work currently being done between schools and colleges, Reform Scotland believes that from the age of 14, or where an individual starts working toward their Standard Grade examinations, they should be able to choose to carry out that study at a college or school of their choice.
- **Fiscal powers:** In Reform Scotland's report Fiscal Powers we argued that a new financial settlement had to be worked out for the whole of the UK, identifying which are UK taxes and what they are funding, separately from taxes and spending for each of the component nations. Such an arrangement would give the Scottish Government additional tax powers which could be used to encourage the expansion of university endowment programmes. This would bring in additional resources to the universities without having to rely on the taxpayer, but crucially universities could use such additional resources to provide further bursaries to students as well as potentially reducing the level which students would have to pay through the deferred fee.

1. Background

This paper is focused on higher and further education up to and including first degree level. The report does not consider wider issues facing institutions such as their research work.

The Scottish Further and Higher Education Funding Council, more commonly known as the Scottish Funding Council (SFC), is a non-departmental public body responsible for funding teaching and learning provision, research and other activities in Scotland's colleges and universities.² The SFC was set up in 2005 to replace the former Scottish Further Education Funding Council (SFEFC) and the Scottish Higher Education Funding Council (SHEFC).

Between 2000-01 and 2008-09, the total amount of money given to further education colleges by the funding councils has increased from £365.4 million to £623.2 million - a cash terms increase of 71 per cent and a real terms increase of 38.3 per cent³.

Similarly, funding for higher education institutions has increased from £607.1 million in 1999-2000 - to £1,187 million in 2008-09 - a cash terms increase of 95 per cent and a real terms increase of 56.5 per cent⁴. This is in addition to spending by the Student Award Agency for Scotland (SAAS) which pays the tuition fees of eligible students in higher education in Scotland. The organisation's net expenditure has increased from £407.8 million in 1999-2000 to £573.7million in 2010-11, a real terms increase of 6 per cent⁵.

2 Universities Scotland, "Briefing: How is higher education funded?", 2008

3 Scottish Parliament written answer S3W-32971. There was no figure given for 1999-2000 as 2000-01 was the first year that the SFEFC made funding allocations. Real terms increase derived using GDP deflators - http://www.hm-treasury.gov.uk/data_gdp_index.htm

4 Scottish Parliament written answer S3W-32972. Real terms increase derived using GDP deflators - http://www.hm-treasury.gov.uk/data_gdp_index.htm

5 Figure for 1999-2000 comes from Scotland's Budget documents 2000-01 summary tables and are 1998-99 figures including expenditure within and outwith DEL. The figure for 2010-11 comes from Scotland's Budget Documents 2010-11, Real terms increase derived using GDP deflators - http://www.hm-treasury.gov.uk/data_gdp_index.htm

In March 2010, the SFC announced its funding for higher education institutions for 2010-11. Universities were allocated £1.12 billion in funding, an increase of 1.4 per cent on 2009-10, though when inflation of 2 per cent was taken into account it was a slight 0.6 per cent decrease. The funding settlement also included financial penalties for four universities in Scotland for over-recruiting students. Fines were imposed on Aberdeen, Robert Gordon, Napier and Queen Margaret as a result of a 12 per cent increase in the number of students accepted on to university courses, with the SFC pointing out that other institutions had managed to stay within set limits on student numbers.⁶

1.1 Higher education in Scotland

Higher education is the term used to describe education at Scottish Credit and Qualifications Framework (SCQF) level 7 and above, including Higher National Qualifications and Degrees. (For a full explanation of SCQF levels see annex 1).

The higher education sector in Scotland is diverse. It is made up of 14 universities, the Open University in Scotland, the UHI Millennium Institute, two art schools, one conservatoire, and the Scottish Agricultural College. All Higher Education Institutions (HEIs) are private bodies and all have charitable status. Each institution is led by a Principal or Director and governed by a university Court or Board of Governors which has a majority of lay members. In addition to the institutions of higher education, in 2007-08 47,000 students were involved in higher education at colleges in Scotland.⁷

For the purpose of this paper, we are focusing on sub or first degree undergraduates within higher education.

⁶ Denholm, A, "Universities face £1m fine for too many students", The Herald, 25/3/10

⁷ Scottish Government, "Participation in Higher Education at Scottish Institutions 2007-08", September 2009

Key statistics

- Between 1998-99 and 2008-09, the percentage of pupils leaving publicly-funded schools in Scotland going on to higher education increased from 31 per cent to 34.9 per cent. The equivalent figure for independent schools was 83 per cent in both years.⁸
- The number of students studying a first degree in Scotland has risen by 22 per cent from 112,650 in 1999-2000 to 137,720 in 2008-09.⁹
- According to a report published by PricewaterhouseCoopers in 2005, over a working life the average graduate will earn around 23 per cent more than his/her equivalent holding two or more 'A' levels. In monetary terms, this equates to about £129,000¹⁰.
- In 2008-09, 48,215 students studied some level of higher education in a college compared to 178,660 students at higher education institutions.¹¹
- In 2006-07, 9 per cent of full-time first degree entrants under 21 dropped out of their study, as did 16 per cent of mature full-time first degree entrants.¹²
- The total mean income for full-time HE students in 2007-08 was £5,166, of which the main sources were¹³:
 - Student loan £1,430
 - Term-time earnings £1,945
 - Education related grants & bursaries £759
 - Other £570
- The total mean debt for full-time HE students was £4,987 in 2007-08, of which the main sources were¹⁴:
 - Study-related credit £3,467
 - Commercial credit £1,284

8 Scottish Government, "Destination of Leavers from Scottish Schools 2008-09", November 2009

9 Scottish Government, "Destination of Leavers from Scottish Schools 2008-09", November 2009

10 Pricewaterhouse Coopers, "The economic benefits of higher education qualifications: A report produced for The Royal Society of Chemistry and the Institute of Physics", January 2005

11 Scottish Government, "Students In Higher Education At Scottish Institutions 2008-09" March 2010

12 Higher Education Statistics Agency, "Performance Indicators 2007-08", July 2009

13 Scottish Government, "Education and Lifelong Learning Research Findings No.49/2009: Higher and Further Education Students' Income, Expenditure and Debt in Scotland 2007-08" July 2009

14 Scottish Government, "Education and Lifelong Learning Research Findings No.49/2009: Higher and Further Education Students' Income, Expenditure and Debt in Scotland 2007-08" July 2009

Table 1: Full-time Scottish and EU Domiciled Higher Education Students Attending Scottish HEIs and Receiving Tuition Fee Support from SAAS - Academic Years 1999-2000 to 2008-2009¹⁵

Academic Year	Number of Students		
	Scots Domiciles	EU Domiciles	Total
1999-00	63,260	3,040	66,300
2000-01	77,515	3,770	81,290
2001-02	78,840	3,950	82,795
2002-03	79,195	4,285	83,475
2003-04	79,760	4,720	84,475
2004-05	79,355	5,555	84,910
2005-06	79,595	6,005	85,600
2006-07	80,575	6,925	87,495
2007-08	80,580	8,115	88,690
2008-09	82,590	9,005	91,590

Table 2: Part-time Higher Education Students at Scottish HEIs in Receipt of a Part-Time Fee Waiver - Academic Years 2001-2002 to 2008-2009¹⁶

Academic Year	Number of Students
2001-02	3,820
2002-03	4,105
2003-04	4,530
2004-05	4,565
2005-06	4,695
2006-07	4,820
2007-08	4,880
2008-09	5,845

¹⁵ Scottish Parliament written answer S3W-32969

¹⁶ Scottish Parliament written answer S3W-32969

Table 3: Students in higher education in Scotland by subject 2007-08¹⁷

	Subject Area	Number of first degree students	Percentage of first degree students
Total		132,260	
Medical Studies	Subjects allied to Medicine	14,435	11
	Medicine and Dentistry	5,425	4
	Total	19,865	15
Science and Engineering	Agriculture & related subjects	425	0
	Architecture, building and planning	4,465	3
	Biological Sciences	13,840	10
	Engineering and Technology	10,440	8
	Computer Science	5,200	4
	Mathematical Sciences	2,790	2
	Physical Sciences	7,385	6
	Veterinary Science	1,190	1
	Total	45,735	35
Business and Social Studies	Business & Administrative studies	16,355	12
	Law	5,510	4
	Mass Communication & documentation	2,000	2
	Social Studies	12,235	9
	Total	36,100	27
Education and the Arts	Creative Arts & Design	7,735	6
	Education	5,340	4
	Historical & Philosophical Studies	6,770	5
	Languages	7,975	6
	Total	27,820	21
	Combined	2,740	2

¹⁷ Scottish Government, "Participation in Higher Education at Scottish Institutions 2007-08", September 2009

Funding

Scottish higher education institutions had a combined income of £2.1 billion in 2005-06, though only about 51 per cent of that total came from core public funding. Over the past twenty years, the percentage of core public funding has fallen from about 80 per cent as institutions have sought to diversify their income stream. In recent years, institutions have aimed to raise about half their income from international tuition fees, research contracts, consultancy and other work.¹⁸ For example, in 2005-06 Scottish institutions raised:

- £189 million from non-UK tuition fees and from non-credit bearing courses
- £134 million from the seven UK Research Councils
- £380 million from services rendered including consultancy activity, residences, conference facilities and knowledge transfer
- Additional research income from other sources including UK-based charities, UK industry, commerce and public corporations

Cost of courses in Scotland

Overseas non-EU students currently pay full tuition fees at Scottish universities. The following outlines some of the annual full time tuition fees for undergraduate courses across Scottish institutions in 2009-10:

- Aberdeen: Range from £9,250 for arts to £22,500 for clinical medicine.¹⁹
- Dundee: Range from £8,500 for arts to £22,000 for clinical medicine.²⁰
- Glasgow: Range from £9,800 for arts to £23,450 for medicine.²¹
- Edinburgh: Range from £11,050 for humanities to £30,400 for students in years 3, 4 and 5 of a medical sciences degree.²²

¹⁸ Universities Scotland, "Briefing: How is higher education funded?", 2008

¹⁹ University of Aberdeen tuition and miscellaneous fees 2009-10 www.abdn.ac.uk/registry/tuitionfees/documents/ug-tuition-fees-2009-2010.doc

²⁰ University of Dundee registry - www.dundee.ac.uk/registry/main/com/fees/20090/ugo910.htm

²¹ University of Glasgow Annual Tuition Fees for Academic Session 2009-10 www.gla.ac.uk/media/media_126007_en.pdf

²² Edinburgh University Fees for Students on Undergraduate Programmes session 2009-10 www.registry.ed.ac.uk/Fees/UGfees09-10.pdf

- Napier: £8,950 for classroom-based degrees and £10,395 for laboratory-based degrees.²³
- St Andrews: Mainly £11,750, though £17,950 if medicine is being studied.²⁴
- University of the West of Scotland: £9,300 for arts-based degrees and £10,500 for science-based degrees.²⁵

1.2 Transfer from Higher National Qualifications to Degrees

Higher National Qualifications, either HNCs or HNDs, although mainly undertaken in colleges are a form of higher education and according to the Scottish Credit and Qualifications Framework (SCQF) chart are at SCQF level 7 and 8 respectively, while SCQF 9 represents an ordinary degree and SCQF 10, an honours degree. As a result, it is possible for students who undertake an HNC or an HND to transfer in to later years of a degree programme as opposed to starting at first year.

This route to university education is particularly important to students from more disadvantaged backgrounds or where there is less of a history of university participation. According to the Scottish Funding Council's project on transfers from Higher National Qualifications to degree studies²⁶, students entering Higher Education Institutions (HEIs) from Scotland's colleges create greater diversity in terms of ethnicity, gender and social class. The resulting blend of mature students and school leavers results in a richer experience for all students and for the institutions they choose to join.

However, despite the importance of this route, there are suggestions that universities, particularly the non-post-92 universities, are not always the most accommodating in enabling students to transfer from HND and HNCs into later years of degree study. A student survey carried out by the Scottish Funding Council as part of its project "Subject specific articulation from Higher

²³ www.napier.ac.uk/prospectivestudents/international/fees/Documents/International_per_cent20Students_per_cent20Finance_per_cent20Sheet_per_cent20Offer.pdf

²⁴ www.st-andrews.ac.uk/students/money/Tuitionfees/ug09/Overseas/Non-Medicine/FullYear/

²⁵ www.uws.ac.uk/schoolsdepts/finance/students/tuition-fees.asp

²⁶ Scottish Funding Council, "Subject specific articulation from Higher National Qualifications to degree studies", October 2005

National Qualifications to degree studies” published in 2005²⁷ suggested that there was a wide variation in expectation and experience of whether their higher national qualifications would count.

70 per cent of the students questioned planned to use their HND or HNC as a route into university. Of those students who had decided which university to attend, 72 per cent planned to progress to a post-92 university and 28 per cent to a pre-92 university. Among those planning to study at post-92 universities, some credit transfer was expected by 86 per cent and full credit transfer by 76 per cent of entrants. On the other hand, only 17 per cent of students intending to progress to a pre-92 institution expect full credit transfer and only 50 per cent expect partial transfer of credit into their chosen degree programme.²⁸

The Scottish Funding Council project went on to suggest that this may be affected by the fact that *“Post-92 institutions have strategic objectives that rely to an extent on articulation and widening participation and this differentiates them from many of the pre-92 institutions whose mission statements may not emphasise this level of commitment to energising college-university transition.”*

However, it is worth highlighting that the ‘ancient’, ‘traditional’, and ‘post-92’ universities are structured differently and this is reflected in the degree progression offered in each institution. For example, as highlighted by Dr Knox and Dr Massie in their report “Subject specific articulation from Higher National Qualifications to degree studies – Phase Two”, published in 2007, post-92 universities are generally aware of the Scottish Credit and Qualifications Framework and promote articulation from HNQ to academic year three (AY3) across a range of subjects. Where institutions have not so actively exploited the possibilities of SCQF, students may encounter greater difficulties in gaining entry. In those cases where students have accrued the credit points necessary to enter into a university with advanced standing, there are examples of institutional structures and policies which may compromise the possibility of an articulation route.²⁹

27 Scottish Funding Council, “Subject specific articulation from Higher National Qualifications to degree studies”, October 2005

28 Scottish Funding Council, “Subject specific articulation from Higher National Qualifications to degree studies”, October 2005

29 Knox, H & Massie, E, “Subject specific articulation from Higher National Qualifications to degree studies – Phase Two”, March 2007

Dr Knox and Dr Massie's work went on to comment that: "Students bridging from HN to degree have commented on the ease of this process in a number of post-92 institutions whereas students in the ancient and traditional universities have different, often less positive, experiences."

1.3 Free higher education to tuition fees to graduate endowment to free higher education

Funding for undergraduate higher education in Scotland changed a number of times between 1998 and 2008.

In 1996, the then Conservative Government commissioned Sir Ronald Dearing to lead a national committee inquiry into the funding of higher education throughout the UK. At this point in time, higher education was free at the point of use and students were entitled to receive means tested grants.

The committee reported in July 1997 calling for a shift from undergraduate tuition being funded entirely by grants from the government to a mixed system of tuition fees supported by low interest government loans. Later that year, the then Labour Education Secretary David Blunkett announced that means-tested, up-front tuition fees of £1,000 would be introduced and maintenance grants would be scrapped and replaced with student loans. The changes were introduced throughout the UK in 1998. However, devolution brought together a Labour/ Liberal Democrat coalition as the first Scottish Executive and while Labour backed the tuition fees their colleagues introduced at Westminster, the Liberal Democrats had campaigned on scrapping the fee altogether. As a result, in July 1999 Andrew Cubie was asked to lead a commission examining the issue of student finance in Scotland.

The Cubie report called for up-front tuition fees to be replaced with a Scottish graduate endowment scheme, whereby the Scottish Executive paid the fees and students would be required to pay £3,000 of it back when their earnings reached £25,000 a year. Bursaries for low income families were also recommended.³⁰

The then Scottish Executive agreed to abolish tuition fees and introduce a graduate endowment from 2001-02, while the first students became liable to pay the fee on April 1, 2005. However, the scheme called for students to pay back £2,000 once they started earning over £10,000.

³⁰ Dobson, A, "The Cubie Report explained", The Guardian, 28 January 2000

The graduate endowment scheme remained in place until legislation devised by the SNP Scottish Government was passed by the Scottish Parliament in February 2008. The Graduate Endowment Abolition (Scotland) Act meant that students who graduated on or after April 1 2007 no longer needed to pay anything towards the cost of their undergraduate tuition³¹.

However, there are calls from some to re-examine the funding of undergraduate higher education in Scotland. The Scottish Conservatives, along with Sir Andrew Cubie, have called for a new independent inquiry into higher education funding,³² while Bernard King, the convenor of Universities Scotland, has called for the introduction of a graduate tax which graduates pay throughout their working lives to fund higher education.³³

Student finance

The Student Award Agency for Scotland (SAAS) is a Scottish Government agency which pays the tuition fees of eligible students studying higher education in Scotland as well as assessing students applying for loans, though the loans are paid by the UK Student Loans Company. The organisation's net expenditure for 2010-11 is £573.7million³⁴.

Although Scottish students studying in Scotland don't currently pay for tuition, they do face maintenance costs, particularly if they live away from home. Glasgow University estimates that it costs approximately £8,400 per year for a single student to study in the UK³⁵ while Strathclyde University places the estimate between £5,500 and £6,600.³⁶

Means-tested student loans are available to help students meet such costs. All students are currently able to take out a non means-tested loan of £915 a year, while an additional £4,152 is available based on income assessments. The loans currently available are set out in Table 4 below:

31 <http://www.scotland.gov.uk/News/Releases/2008/02/28172530>

32 Denholm. A, "Expert calls for a fresh review of university funding", The Herald, October 2009

33 Denholm. A, "Call for graduate tax to help maintain university funding", The Herald, February 2010

34 Scotland's Budget Documents 2010-11

35 <http://www.gla.ac.uk/undergraduate/fees/>

36 <http://www.strath.ac.uk/studying/prospective/financingyoureducation/fees/>

Table 4: Student loans

£	If you are living in a hall of residence or in lodgings			If you are living in the parents' home		
	Maximum loan	Income-assessed part	Non income-assessed part	Maximum loan	Income-assessed part	Non income-assessed part
Full year	5,067	4,152	915	4,107	3,502	605
Final year	4,457	3,672	785	3,642	3,162	480

Graduates currently have to start repaying a student loan from the April after they graduate or leave the course. The amount paid back depends on what the individual earns. The Student Loans Company works with HM Revenue and Customs (HMRC) to collect payments straight from salaries. The following table outlines what is repaid.³⁷

Table 5: Repayment levels for student loans

Your gross income each year	Monthly repayment	Repayment as a percentage of your income over £15,000 a year
Up to £15,000	0	0
£16,000	£7	0.6
£17,000	£15	1.1
£18,000	£22	1.5
£19,000	£30	1.9
£20,000	£37	2.3
£25,000	£75	3.6
£30,000	£112	4.5
£35,000	£150	5.1

In addition to the loans operated by the Student Loans Company, students can often take advantage of interest free overdraft facilities with some banks as well as commercial loans, though the latter will include interest payments.

³⁷ http://www.saas.gov.uk/student_support/repayment_quicklink.htm

1.4 The UK / EU context for higher education

Following the Dearing Report which was published in 1997 and recommended that students should pay approximately 25 per cent of the cost of tuition, means-tested tuition fees were introduced for the whole of the UK in September 1998, along with the abolition of student grants which were replaced by means tested loans. However, after devolution tuition fees were replaced by the graduate endowment which was then scrapped itself in Scotland, so the situation north and south of the border has changed dramatically.

Although Scottish students studying in Scotland no longer pay anything towards the cost of their tuition, in England students now pay variable up-front tuition fees up to a maximum of £3,290 for the 2010-11 academic year, though loans are available to cover the cost.³⁸ Scottish students who choose to study in England are also liable to pay these fees.

Currently in England there is a debate over whether the cap on the upper level of tuition fees should be removed, giving universities greater freedom over what they charge students.

In March 2010 Lord Patten, the Chancellor of Oxford University, said that the upper limit on fees in England should be scrapped, arguing “we pretend to give every 18-year old the same experience at the same sort of institution. This represents an expensive and inefficient delusion” adding “it is preposterous that we can only charge for teaching an undergraduate less than half the cost that those who do the teaching would have to pay for crèche facilities for their own children”³⁹.

On 9 November 2009, the Labour Government launched the Independent Review of Higher Education Funding and Student Finance chaired by Lord Browne of Madingley. The review fulfils the commitment made by the Government during the Commons stages of the Higher Education Act 2004 to review the operation of variable tuition fees after these had been in force for three years. The terms of reference for the review are:

³⁸ www.direct.gov.uk/en/EducationAndLearning/UniversityAndHigherEducation/StudentFinance/Gettingstarted/DG_171573

³⁹ Clark, L, “Lord Patten’s fury at university fees costing less than crèches”, Daily Mail, 17/3/10

“The Review will analyse the challenges and opportunities facing higher education and their implications for student financing and support. It will examine the balance of contributions to higher education funding by taxpayers, students, graduates and employers. Its primary task is to make recommendations to Government on the future of fees policy and financial support for full and part-time undergraduate and postgraduate students.”

The results of the study are not expected to be published until the autumn.

Arguably, the increased amount students are having to contribute towards their own higher education in England has led to students looking for a better level of teaching for the money they are paying. Student charters are to be in place at every college and university in England from 2011 which set out the standards of teaching which can be expected and give dissatisfied students clearer grounds for complaint. In an article about the charters in *The Times*⁴⁰, the then higher education minister David Lammy said:

“It is clear since the introduction of variable fees, and because of broader challenges and changes in society, students are more purposeful about what they should expect at university and what the general minimum standards should be across universities in this country”

EU students

Students who are citizens of an EU member state are entitled to free tuition at Scottish universities. This is due to EU community law which states that Member States must accord members of all other Member States with the same treatment as they would their own citizens. As such, even though education is a devolved power, the Scottish Government cannot charge EU students tuition fees as this would constitute unlawful discrimination.

The EU has found it does not have the power to force Scotland to provide free tuition to English, Welsh, and Northern Irish students as it has deemed this an issue for national law.⁴¹

⁴⁰ Hurst. G & Sugden. J, “Student charters to tell lecturers they must do better” *Times*, 1/4/10

⁴¹ www.europarl.europa.eu/meetdocs/2004_2009/documents/cm/576/576358/576358en.pdf

1.5 Further education in Scotland

Further education is the term used to describe education not taught in schools and which is on level 1 to 6 on the Scottish Credit and Qualifications Framework (SCQF). This includes:

- academic courses up to Higher level;
- courses that do not lead to formal qualifications (such as independent living skills courses);
- basic skills courses, such as literacy and numeracy; and
- work-related courses, such as Scottish Vocational Qualifications (SVQs).

In Scotland there are 43 colleges, which are public bodies and have charitable status, offering a diverse curriculum including vocational and further education with courses offered full time, part-time, at evenings and weekends, in short blocks or through distance learning. Colleges also often offer higher education, especially HNCs and HNDs. Higher education is covered in section 1.1.

In 2009-10, colleges were due to receive £572 million in funding from the Scottish Funding Council (SFC), including £36 million to be invested to support Scotland's economic, educational and social priorities.⁴²

The overall strategic direction for the further education sector is provided by the Lifelong Learning Directorate of the Scottish Government which carries out its role partly through its annual guidance to the SFC as well as liaising closely with Scotland's Colleges, an organisation which exists to support, represent and promote Scotland's colleges, and through the Scottish Qualifications Authority (SQA).

Colleges also often work closely with local schools. The School College Collaboration⁴³ (SCC) project aims to support the careers guidance needs of all pupils aged Secondary 2 - Secondary 5 who are involved in school/college activities while still on the school roll. The project has a particular focus on those at risk of not entering employment, training or post-school educational opportunities. The aim is to encourage pupils to stay in learning and understand the value of that learning to their career planning journey.

⁴² Scotland's Colleges, "National Issues Local Solutions", 2009

⁴³ Careers Scotland - www.careers-scotland.org.uk/AboutCS/Initiatives/SchoolCollegeCollaboration.asp

The project has been funded by the Scottish Government since August 2006 and covers a wide range of activities including taster sessions, visits to employability workshops and get ready for college events.

Key Statistics

- Between 1998-99 and 2008-9, the percentage of pupils leaving publicly-funded schools in Scotland going on to further education has increased from 18.5 per cent to 27 per cent. The equivalent figure for independent schools has fallen slightly from 8 per cent to 7 per cent.⁴⁴
- In 2007-08, there were 352,507 further education students studying in Scotland's colleges, 88 per cent of these students were studying part-time. This compares to 291,108 students in 1999-00, 87 per cent of which were part-time.⁴⁵
- In 2007-08, 77 per cent of full-time FE students and 92 per cent of part-time FE students remained in place to the end of their programme.⁴⁶
- 76 per cent of employers questioned in a Futureskills Scotland survey that had recruited a college graduate considered that recruits were well prepared for work. This compared with school leavers and university graduates at 59 per cent and 83 per cent respectively.⁴⁷
- The total mean income for full-time FE students in 2007-8 was £4,299, of which the main sources were⁴⁸:
 - Student support £1,776
 - Term-time earnings £1,566
 - Benefits £414

The total mean debt of full-time FE students was £1,266 in 2007-8 of which the main source was commercial credit.⁴⁹

⁴⁴ Scottish Government, "Destination of Leavers from Scottish Schools 2008/9", November 2009

⁴⁵ Scottish Funding Council, "Further Educations Statistics 2007-08"

⁴⁶ Scottish Funding Council, "Student & staff performance indicators for FE colleges in Scotland 2007-08", Excel spreadsheets - <http://www.sfc.ac.uk/nmsruntime/saveasdialog.aspx?IID=6029&SID=2202>

⁴⁷ Scottish Funding Council, "Staff and Student Performance Indicators for Further Education Colleges in Scotland 2007-8", 2008

⁴⁸ Scottish Government, "Education and Lifelong Learning Research Findings No.49/2009: Higher and Further Education Students' Income, Expenditure and Debt in Scotland 2007-08" July 2009

⁴⁹ Scottish Government, "Education and Lifelong Learning Research Findings No.49/2009: Higher and Further Education Students' Income, Expenditure and Debt in Scotland 2007-08" July 2009

Funding

Full-time students in further education do not have to pay tuition fees in Scotland as long as they meet certain residency conditions, whilst funding support for living costs is through means-tested discretionary grants, but these are not guaranteed to all eligible applicants.⁵⁰ Students studying part-time and on distance learning programmes do have to pay tuition fees. However, free tuition is available for people in receipt of some benefits or on a low income.

There are also a number of additional schemes to help students fund their further education studies. These include:

- Fee Waiver Grant Policy: The Scottish Funding Council operates this scheme which is designed to enable colleges to waive tuition fees of students on the basis of eligibility and need.
- Bursaries: Each college calculates the level of award for each eligible student. The award can be made up of maintenance allowance, dependant allowance, study expense allowance, travel expense allowance and additional support needs for learning allowance.
- Childcare Fund: Colleges have a childcare fund, allocated by the SFC, which is used to pay for registered childcare. The priority for this fund is to meet the needs of mature students, loan parents and students studying full-time.⁵¹
- Hardship fund: This is also allocated by the SFC. This fund is for emergency use and colleges can use the fund to provide financial assistance to students who, without support, may not be able to access or continue in further education, or for students who face financial difficulties.⁵²
- Individual learning accounts (ILA): A Scottish Government scheme that means if a student is over 16 years of age, lives in Scotland and earns £22,000 or less per year or on benefits they may qualify for up to £200 each year towards the cost of learning.⁵³

⁵⁰ <http://www.scotland.gov.uk/Topics/Education/Funding-Support-Grants/FFL/FE>

⁵¹ Burgess. L and Mullen. F " Lifelong Learning: Further Education", SPICe, August 2007

⁵² Burgess. L and Mullen. F " Lifelong Learning: Further Education", SPICe, August 2007

⁵³ <http://www.scotland.gov.uk/Topics/Education/Funding-Support-Grants/FFL/ILA>

- EMAs: Students aged 16-19 years on a full-time course are eligible for an Educational Maintenance Allowance (EMA) which is means-tested and paid on a weekly basis.
- Career Development Loans (CDLs): These are loans between £300 and £8,000 that can be used to help individuals fund up to two years of learning (or three years if the course includes one year of relevant practical work experience). They are available for people over the age of 18 throughout the UK.⁵⁴

The SQA⁵⁵

Further education qualifications are accredited by the national accreditation and awarding body in Scotland, the Scottish Qualifications Authority (SQA). The SQA's qualifications include:

- Professional Development Awards (PDAs)
- Scottish Vocational Qualifications (SVQs)
- Customised Awards
- Higher National Certificates and Diplomas (HNC/HND)
- National Qualifications (including Standard Grades and Highers)

As well as acting as an awarding body the SQA is also responsible for accrediting qualifications, which is a conflict of interest. SQA Accreditation accredits qualifications, approves awarding bodies (to award accredited qualifications), audits awarding bodies to ensure they continue to meet required standards of delivery and quality assurance and monitors approved centres of learning.

Awarding bodies are approved by SQA Accreditation to award SQA accredited qualifications. Awarding bodies are responsible for approving centres and have responsibility for conducting external verification of their centres to ensure that the centres are delivering SQA accredited qualifications to the required standard. Awarding bodies are required to liaise with SQA Accreditation to ensure that the SQA accredited qualifications remain current and valid.

⁵⁴ Burgess. L and Mullen. F " Lifelong Learning: Further Education", SPICe, August 2007

⁵⁵ www.sqa.org.uk

Although the SQA is the main provider of examinations in Scotland, there are a number of other bodies which have been accredited to award qualifications. These include City & Guilds, Edexcel and a number of industry-specific awarding bodies.

1.6 Case study: John Wheatley College

Colleges offer a great deal more than simply further education and are often key parts of the local community. This basic case study on John Wheatley College illustrates how further education can be delivered in a cost-effective way with positive outcomes for student and community alike.

John Wheatley College in Glasgow is an award-winning, relatively young college which offers an interesting example of how things can be delivered in different and innovative ways. The College was established by Strathclyde Regional Council in 1989 as a commitment to the regeneration of East Glasgow, though now operates out of two campuses (East End and Easterhouse) in a catchment area which has considerable levels of unemployment and social exclusion and John Wheatley College strives to address the needs of local residents in terms of educational attainment and access to job opportunities. The College also provides a considerable community-based learning programme throughout East Glasgow. John Wheatley College aims to play a central role in the economic and social regeneration of East Glasgow by supporting its residents and helping them to access employment opportunities in an increasingly competitive labour market. The College also works in partnership with Glasgow City Council to provide vocational tasters and programmes for school leavers and pupils who are still attending school.

In 2007-08, within the college sector, John Wheatley College had the largest proportion of students from the most deprived areas at 74.7 per cent.⁵⁶

The college has worked with a number of other organisations to bring together shared services. For example, the library services are provided by Culture and Sport Glasgow enabling students and general members of the public to have access to a wider range of books but at reduced cost for both

⁵⁶ Scottish Funding Council, "Learning for All: Fourth update report on measures of success", March 2010

the college and Culture and Sport Glasgow. The Bridge at the Easterhouse campus hosts a range of community resources as well as the college. In addition to the library, this includes the old Easterhouse swimming pool which Glasgow Council has refurbished and is now managed by Culture and Sport Glasgow. Platform is the arts facility sited within The Bridge run by Glasgow East Arts Company and includes a 200 seat auditorium, recording studio and video & sound editing suite and a cafe. All of these facilities are available to students as well as the local community. Platform was also a home for the National Theatre of Scotland and is the base of the local performance company, Visual Statement. The Bridge has won a range awards for the innovative design of the building and also for the positive image and ethos of partnership working which it illustrates.

Another example of shared services is that Glasgow East Regeneration Agency (GERA) operates two Childcare Centres based at both the Easterhouse and East End buildings.

The college operates two campuses. The East End campus, with a capacity for 800 students, was completed in 2007. As well as presenting a welcoming environment, the building boasts an innovative sustainable development philosophy which encompasses an energy efficient approach to water supply and recycling, heating, ventilation and insulation using 'green' technologies. The building occupies a landscape of natural meadowland which will encourage the growth of plant species indigenous to this part of Scotland and requires minimal intervention. This provides an eco-friendly amenity area for the local community and promotes local biodiversity.

Investment in the Easterhouse building in recent years means that the campus now boasts a range of sustainable and energy-efficient features, including photo-voltaic cells and a wind turbine to offset energy costs.

2. International perspective

2.1 Introduction

The way tuition within tertiary education is funded varies across the world from tuition fees to grants and loans to a 'right to study tax'. Table 6 from the OECD outlines participation rates and tuition fees in a number of different countries for higher education while Table 7 gives some information on further education.

Table 6: Participation rates and tuition fees 2006–07⁵⁷

(Countries with missing data have been excluded)

Country	participation rate in higher education	Annual mode average tuition fees in USD charged by institutions (for full-time students)	OECD Comment
Australia	86	4,035	93 per cent of national students in public institutions are in subsidised places and pay an average USD 3,719 tuition fee, including HECS/HELP subsidies.
New Zealand	76	2,765	
Iceland	73	No tuition fees	Subsidised student loans that cover tuition fees are available for all students. Almost no scholarships/ grants exist.
Sweden	73	No tuition fees	Excluding mandatory membership fees to student unions.
Finland	71	No tuition fees	Excluding membership fees to student unions.
Norway	66	No tuition fees	Student fees are representative of the dominant private ISCED 5 institution in Norway.
United States	65	5,666	Including non-national students.

⁵⁷ OECD, "Education at a glance 2009: OECD indicators", September 2009.

Portugal	64	1,180	
Korea	61	8,519	Tuition fees in first degree programme only. Excludes admission fees to university, but includes supporting fees.
Netherlands	60	1,707	
Denmark	57	No tuition fees	
United Kingdom	55	4,694	Students from low-income households can access non-repayable grants and bursaries. Loans for tuition fees and living costs are available to all eligible students.
Czech Republic	54	No tuition fees	The average fee in public institutions is negligible because fees are paid only by student studying too long (more than standard length of the programme plus 1 year) : about 4 per cent of students.
Italy	53	1,123	The annual average tuition fees do not take into account the scholarships/grants that fully cover tuition fees but partial reductions of fees cannot be excluded.
Japan	46	6,695	Excludes admission fee charged by the school for the first year (USD 2 271 on average).
Ireland	44	No tuition fees	The tuition fees charged by institutions are paid directly by the government and the students do not have to pay these fees.
Austria	42	825	
Spain	41	844	

Table 7: Tuition fees and maintenance for further education⁵⁸

Country	Tuition Fees	Loans & Grants	Frequency of Payment	Additional Needs Support
Scotland	No fees	Means-tested discretionary bursary and the EMA programme.	Depends on the type of bursary	Yes
England	Depends on age. No fee for 16 year olds. 16 - 18 are charged 25 per cent of fees. Others are charged partial fee towards course costs. Fees may be waived for certain groups at discretion of college.	No loans & grant system in place although there are a number of initiatives to fund certain groups of students e.g. EMAs, Modern Apprenticeships.	Depends, e.g. EMA - monthly.	Number of sources available.
Denmark	No fee for majority although certain courses require a small administration fee.	Loans similar to HE; means-tested grants for F/T students equal to unemployment benefit (Youth Education Programme).	Monthly	Extra monthly grants available in certain situations i.e. sickness and childbirth.
Germany	Formal FE mostly free. Informal FE and some general adult education require participants' contribution.	No loans; Grants available for some i.e. adults seeking to obtain school qualifications and career advancement training and for continuing education for talented young people in employment.		No
Sweden	None	Rules for loans & grants are same as for HE; under 20 year olds automatically receive monthly grant; over 20 can apply.	Monthly	Additional loans for students aged 25 & over
Australia	Fees apply based on number of hours of the course. Concessions provided to those with Health Care Card, Pensioner Cards or those in prison. For those assessed as being financially disadvantaged fees can be paid in instalments.	No loans; various grants available for maintenance.	Mostly fortnightly	Various schemes available.

⁵⁸ Scottish Executive, "Funding for learners review: funding available to learners in tertiary education – an international comparison", May 2005

2.2 Australia

Reform Scotland believes that graduates benefit personally from their higher education and should, therefore, contribute toward the cost of their higher education, but equally believes that it is unfair that their ability to go to university is constrained by their parents' ability to pay up-front tuition fees. As a result, we believe that the structure that should be adopted in Scotland is one where fees can be deferred until after graduation. On this basis, the Australian system is worth closer examination as it operates a deferred fees system.

Key statistics from 2008⁵⁹:

- The Australian higher education system comprised 39 universities (with 37 public institutions and 2 private); 1 Australian branch of an overseas university; 4 other self-accrediting higher education institutions; and 150 non self-accrediting higher education institutions accredited by State and Territory authorities.
- There were 771,932 domestic and 294,163 international higher education students. Within this combined group, 743,720 students were undertaking undergraduate study.
- Around 655,000 students were assisted in meeting the cost of their higher education place through discounts and loans under the Higher Education Loan Programme.
- Publicly-funded higher education providers received, on average, around 58 per cent of their operating revenue from Australian Government grants and payments on behalf of students who take out HELP loans or receive discounts for upfront payments.

Since 1989, domestic students with Australian Government-funded higher education places have been required to contribute towards the cost of their education through the Higher Education Contribution Scheme (HECS), which was replaced with the Higher Education Loan Programme (HELP) in 2005.

The Australian Government allocates a number of Commonwealth supported places to providers each year. It is the responsibility of higher education providers to allocate Commonwealth supported places and they are required

⁵⁹ Department of Education, Employment and Workplace Relations, "The Higher Education Report 2008", Australian Government, December 2009

to do so on merit. Most domestic undergraduate students study at a university on a Commonwealth supported place, though some undertake their higher education on a fee paying place.

Since 2005, universities have been able to set student contributions up to a maximum level set by the Australian Government which varies by discipline. The maximum annual student contribution amounts in each band are indexed annually, though in 2008 the maximum level for a band three student was AUS\$8,499.⁶⁰

The scheme provides an interest free loan from the Australian Government or a 20 per cent discount if a student pays all, or at least \$500, of their student contribution up-front. The Australian Government then pays the amount of the HELP loan direct to a student's higher education provider.

People who have taken out a HELP loan are not required to make repayments of their HELP debt until their income reaches the minimum threshold for compulsory repayment, which was AUS\$41,595 in 2008-09. This repayment threshold is indexed annually in line with average earnings and the percentage that is re-paid annually through the tax system varies between 4 and 8 per cent depending on income. Voluntary repayments of \$500 or more attract a 10 per cent bonus. This means that some graduates will never repay the debts while some may repay their debt quite quickly. However, it is all based on what the graduate earns rather than what the student's parents earn.

In 2008, 79.3 per cent of students required to pay student contributions took out a HECS-HELP loan for all or part of their student contribution.

By June 2008, around 2.3 million students had been able to access higher education opportunities through Australian Government funded loans and over \$22.1 billion had been loaned to those students. Around 963,000 people had repaid their debt with an average repayment time of 7.6 years.⁶¹

Professor Bruce Chapman who was the architect of the HECS system explained to Holyrood magazine that the system was fairer:⁶²

⁶⁰ Department of Education, Employment and Workplace Relations, "The Higher Education Report 2008", Australian Government, December 2009

⁶¹ Department of Education, Employment and Workplace Relations, "The Higher Education Report 2008", Australian Government, December 2009

⁶² Murtagh, C, "Taxing Times", Holyrood Magazine, 1 March 2010.

“Most people would think it’s a silly statement, but one of the benefits of the system is that it’s fairer. Graduates do very, very well in the labour market compared to non-graduates. If you don’t charge you’re basically saying it’s ok for all the taxpayers to pay for this – [and to] many of the taxpayers who don’t actually know what a university looks like or where it is”

Research has found that the introduction of the system did not have a negative impact on participation rates in higher education from lower socio-economic groups.⁶³

The following table indicates the level of outstanding debt as well as repayments since the deferred fees scheme was introduced.

Table 8: Accumulated HELP debt 1998/9 to 2008/9⁶⁴

Year	Voluntary repayments by students AUS \$M	Repayments through tax system AUS \$M	Accumulates HELP debt at 30 June AUS \$M
1988-89	1	9	216
1989-90	2	28	673
1990-91	6	49	1,190
1991-92	12	57	1,749
1992-93	11	72	2,321
1993-94	19	133	2,932
1994-95	16	169	3,354
1995-96	32	218	3,958
1996-97	58	262	4,504
1997-98	67	472	4,922
1998-99	72	497	5,526
1999-2000	80	532	6,229
2000-01	97	586	7,162
2001-02	134	612	8,104
2002-03	137	638	9,164
2003-04	156	701	10,185
2004-05	193	666	11,371
2005-06	137	800	12,779
2006-07	158	921	14,425
2007-08	184	1,158	16,113
2008-09	196	1,286	18,052

⁶³ Scottish Executive, “Funding for learners review: funding available to learners in tertiary education – an international comparison”, May 2005

⁶⁴ Department of Education, Employment and Workplace Relations, “The Higher Education Report 2008”, Australian Government, December 2009

3. Policy Recommendations

Quango reform: Following Reform Scotland's report Democratic Power which called for the majority of quangos in Scotland to be either transferred to government or made fully independent, we believe that the Scottish Funding Council should be transferred to government while the Scottish Qualifications Authority should become fully independent.

- Scottish Funding Council – The SFC should be scrapped and the functions transferred back to government. The government currently gives money to the organisation the SFC which in turn gives it to colleges and universities. Integrating the fully into the government would mean that funding would come direct from government and would therefore be more accountable. The SFC even states on its website that part of its job is to “*develop policies and strategies which support Scottish Government priorities*”. Given the direct link to the Government's priorities, Reform Scotland believes it would make more sense for the organisation to be part of a fully-fledged government department. However, it would be necessary to ensure that colleges and universities were able to retain their charitable status if funded directly.
- The Scottish Qualifications Authority: The SQA, the national accreditation and awarding body in Scotland needs to be broken up. At present, the quango acts both as an awarder of qualifications and as an accreditor of other bodies which award exams – this is a clear conflict of interest. Reform Scotland believes that there is a role for government in the regulation and accreditation of awarding bodies to ensure they continue to meet required standards of delivery and quality assurance and as such this arm of the quango should become part of the Scottish Government. However, the awarding part of the SQA should become a fully independent, charitable body. There are already a number of other providers of qualifications to colleges, including City and Guilds and Edexcel. Vocational qualifications tend to be developed in conjunction with industry, therefore standards remain high otherwise the industry would not recognise them. However, there is no need for the government to be the sole provider of these qualifications. As a fully independent body, the awarding part of the SQA could continue to receive money from the Scottish Government under a contract to develop and award exams both in schools and colleges.

Graduates should contribute towards the cost of their higher education by means of a deferred fee to be repaid once they earn more than the Scottish average salary: Reform Scotland believes that higher education should be a choice open to all who have the academic background necessary and access should not be constrained by parents' ability to pay. However, it is also necessary to recognise that higher education is not a basic public service like school education or healthcare from which no one should be excluded. Although society as a whole benefits from having a well-educated and diverse workforce, graduates also benefit individually from their higher education. At present, only wider society pays through the tax system, while the graduate does not contribute any more to their higher education than anyone else does. (Although graduates may earn more and subsequently pay more tax, many successful top rate tax payers have not gone to university, so higher tax contribution should not be seen as payment towards higher education.)

There needs to be a better balance with the individual graduate as well as taxpayers contributing towards higher education. Ensuring that students make some sort of financial contribution towards the cost of their tuition also ensures that the student properly considers the merits of going to university in the first place – for example, is their choice of degree going to help them when they graduate?

However, Reform Scotland believes that up-front tuition fees should not be introduced as they could deter those who come from less well-off backgrounds from going into higher education. Similarly, a graduate tax where the individual pays indefinitely is equally unfair as that could see the graduate contributing more than the full cost of their study. Instead, we believe that deferred tuition fees should be introduced.

The deferred fee should cover a proportion of the cost of the tuition incurred by the graduate. The Scottish Government would fund X per cent of the average cost of a degree, broken down by subject area (medical studies, science & engineering, business & social studies, education & the arts), meaning that they would contribute more towards the cost of a more expensive degree, such as medicine, while the graduate would have to pay the difference. If a particular Scottish university charged more or less than the average, this would have an impact on the cost of the deferred fee.

Reform Scotland has not set out the exact costs of degrees and what proportion the government should pay due to a lack of published evidence and research on the true cost of higher education. As section 1.1 illustrated, there are variations in the costs paid by overseas, non-EU students within Scottish universities so Reform Scotland believes that the Scottish Government should commission independent research to work out the true average costs of degrees in Scotland. Then, in discussion with representatives of Scottish higher education institutions, decide what proportion the government will pay.

Graduates would begin repaying their deferred fee once they had started earning above the Scottish average (Scottish average salary was £22,958 in 2007)⁶⁵. There is already a system in place which could be used for collecting the deferred fees. As well as student loans, some people who graduated prior to April 2007 are still required to pay their graduate endowment. The Graduate Endowment and student loan repayments are made once the graduate starts earning over £15,000 and are repaid through HM Revenue and Customs either by employers taking amounts from pay through the PAYE system or through tax self-assessment. Voluntary repayments can also be made at any time to the Student Loans Company. For graduates who move outside of the UK, the Student Loans Company needs to be informed and the individual makes monthly repayments directly.⁶⁶

The re-payment rate could be based on the current repayment rate used for student loans, though it would only commence once a graduate starts earning above the Scottish average. These rates are:⁶⁷

- 3.6 per cent for those earning £25,000 to £30,000
- 4.5 per cent for those earning £30,000 to £35,000
- 5.1 per cent for those earning over £35,000

The policy of deferred fees should not deter anyone from entering higher education because the amount would not need to be repaid until the individual earned more than the Scottish average and would not need to be repaid if the earnings threshold is never crossed.

⁶⁵ The Annual Survey of Hours and Earnings (ASHE) is the official source of earnings information. Median gross weekly earnings in Scotland, in April 2007, for full-time employees were £441.50, this gives an average annual salary of £22,958

⁶⁶ http://www.student-support-saas.gov.uk/student_support/repayment_quicklink.htm

⁶⁷ http://www.student-support-saas.gov.uk/student_support/scottish_inside/2001_or_later/repayment.htm

Long term ambition to remove means testing of student loans enabling all Scottish students to claim the current £5,067 a year loan. Although the deferred fee would not necessarily bring in further income immediately, there would be increased resources available in the medium to long term. Reform Scotland believes some of this extra money could be used to expand the availability of student loans to all students and to raise the point at which they start being repaid to the Scottish average salary, in line with our proposals for the deferred fee.

Make it a condition of grant that HEIs are willing to take transfer students who have successfully completed HND and/or HNCs into later years of study on a degree course where the subject content is comparable: Research by the Scottish Funding Council suggests that while post-92 universities are willing to transfer students who have successfully completed a relevant higher national qualification into later years of study on a degree course, ancient and traditional universities are less accommodating. This can lead to students unnecessarily having to undertake up to three years more study, along with the increased costs associated with that. If HEIs are willing to take public money to pay for a student's education, there should be a condition of grant that they are unable to discriminate against such students.

Following on from Parent Power, expand the existing provision which allows school pupils to study at colleges: In Reform Scotland's publication Parent Power, we argued that parents should have the ability to choose the school they feel offers the best education for their child, whether that school was run by the state, a private company or a charity. Evidence from the OECD had highlighted that where parents were able to exercise greater choice between schools, this introduction of competition can help improve attainment levels in all schools. In practical terms, we believe this should mean that parents or guardians are given an entitlement equal to the value of the average cost of educating a child in their local authority area which could be used to send their child to any school which costs the same as the entitlement or less. If private school fees are the same or less than the entitlement then parents can choose to send their child there. However, if the fees are higher, parents would not be able to top-up the difference themselves. Expanding on this provision, and the work currently being done between schools and colleges, Reform Scotland believes that from the age of 14, or where an individual starts working toward their Standard Grade examinations, they should be able to choose to carry out that study at a college or school of their choice.

Fiscal powers: In Reform Scotland's report Fiscal Powers, we called for the transfer of certain tax raising powers to Scotland. We argued that a new financial settlement had to be worked out for the whole of the UK, identifying which are UK taxes and what they are funding, separately from taxes and spending for each of the component nations. Reform Scotland's preferred option would give the UK Government control over all National Insurance contributions; 40 per cent of Income Tax revenues from Scotland; 40 per cent of Scotland's geographical share of North Sea oil revenues; together with additional income from TV licences, passport fees and the National Lottery tax.

The Scottish Government would then set the rates for all other taxes, except for VAT which would be set at a UK level with 40 per cent of the revenue from Scotland going to Westminster and the remainder assigned to the Scottish Parliament. These proposals are of a scale that is great enough to address the fundamental defect of the current devolution settlement – its lack of responsibility for raising the money it spends.

If Scotland had control over these tax powers, the powers could be used to encourage universities to expand their endowment programmes. This would bring in additional resources to the universities without having to rely on the taxpayer, but crucially universities could use such additional resources to provide further bursaries to students as well as potentially reducing the level which students would have to pay through the deferred fee.

4. Conclusion

Both further and higher education, though very different in nature, contribute a great deal to society in Scotland, as such it is vital they are structured in a way which benefits both taxpayers and individual students alike.

Reform Scotland believes that the proposals outlined in this paper present options which should be considered to make the structure and financing of tertiary education fairer to all concerned.

Although Reform Scotland's approach to reforming public services throughout our series of reports has been driven by a desire to improve standards rather than to focus on costs, it is impossible to ignore the current economic situation facing Scotland. While spending in Scotland increased by 60 per cent⁶⁸ between 1999 and 2009, this cannot continue. Therefore, we believe that in addition to providing a fairer way of financing higher education in particular, there is also an economic argument that cannot be ignored. While we believe that it makes for a better, and fairer, system of funding higher education if graduates contribute towards the cost, the economic situation strengthens the case for change. Higher education is not "free", rather it is paid by taxpayers. Before universal services such as healthcare or policing are targeted, it is only fair that the current system of university funding, which sees the less well-off contribute through their taxes for the better off to go to university, is reviewed. Indeed, under the present funding model students expect to earn much more after graduation than many of those who are subsidising them.

"A different fees regime might, if properly constructed, not only enable more income to come to universities, but at the same time would also help us to allow more people, who for financial reasons not academic reasons, can't consider university."

Professor Duncan Rice, Principal of Aberdeen University
Scotsman, 11 September 2009

⁶⁸ Scotland Office, "Murphy sets budget test for Scottish Government", 20 January 2010

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6. Annex 1 - SCQF levels ⁶⁹

A range of qualifications are offered by Scotland's Colleges and higher education institutions. The Scottish Credit and Qualifications Framework (SCQF) sets out the relationships between levels of qualification, including those studied at schools. It covers the mainstream qualifications offered by the Scottish Qualifications Authority (SQA), Higher Education Institutes (HEIs) and Scottish Vocational Qualifications (SVQs). The following table outlines the type of awards.

Table 1: SCQF TABLE OF MAIN QUALIFICATIONS

SCQF level	SQA National Units, Courses and Group Awards	Higher Education	Scottish Vocational Qualifications
12		Doctorates	
11		Masters	SVQ 5
10		Honours Degree Graduate Diploma/Certificate*	
9		Ordinary Degree Graduate Diploma/Certificate*	
8		Higher National Diploma Diploma in Higher Education	SVQ 4
7	Advanced Higher	Higher National Certificate Certificate in Higher Education	
6	Higher		SVQ 3
5	Intermediate 2 Credit Standard Grade		SVQ 2
4	Intermediate 1 General Standard Grade		SVQ 1
3	Access 3 Foundation Standard Grade		
2	Access 2		
1	Access 1		

* These qualifications are differentiated by volume of outcomes and may be offered at either level

7. Annex 2 - Tuition fees timeline ⁷⁰

- **May 1996** - Conservative prime minister John Major commissions the Dearing inquiry to make recommendations on how the funding of higher education in Britain should develop over the next 20 years.
- **May 2 1997** - Labour is elected with a manifesto committed to leaving the door open for tuition fees: "the costs of student maintenance should be repaid by graduates on an income-related basis ..."
- **July 23 1997** - The Dearing report is published. It recommends that students should pay approximately 25 per cent of the cost of tuition but that grants should remain in place.
- **July 1997** - Following the report, education secretary David Blunkett announces the introduction of means-tested tuition fees (to begin in September 1998). The student grant of £1,710 is abolished to be replaced by income-contingent student loans.
- **July 2 1999** - The Cubie committee begins a comprehensive review of tuition fees in Scotland and the finances of Scottish students.
- **December 21 1999** - The Cubie report recommends that tuition fees in Scotland should be replaced a graduate endowment scheme, whereby the Scottish executive would pay the fees. Students would be required to pay £3,000 of it back when their earnings reached £25,000 a year.
- **January 2000** - Following the publication of the Cubie report, the Scottish executive decides to abolish up-front tuition fees, announcing a replacement graduate scheme similar to Cubie's proposals. Students in Scotland would now payback £2,000, not £3,000, but repayments would start once earnings reached just £10,000 - way below the £25,000 recommended in the Cubie report.

⁷⁰ Alley. S & Smith. M, "Tuition fees timeline" Guardian, January 2004 - www.guardian.co.uk/education/2004/jan/27/tuitionfees.students. Dates following January 2004 added by Reform Scotland

- **May 22 2001** - The Liberal Democrat leader, Charles Kennedy, reaffirms his party's commitment to abolishing tuition fees, calling their introduction "one of the most pernicious political acts that has taken place".
- **June 7 2001** - Labour is re-elected with a manifesto pledge stating that it "will not introduce top-up fees and has legislated against them"
- **October 23 2002** - Education secretary Estelle Morris resigns after coming to doubt her own abilities after a series of scandals about A-level marking. "If I am really honest with myself I was not enjoying the job," she said. "I could not accept being second best. I am hard at judging my own performance. I was not good at setting the priorities. I had to know I was making a difference, and I do not think I was giving the prime minister enough." She is replaced by Charles Clarke.
- **January 22 2003** - Less than two years after pledging not to introduce top-up fees, Labour publishes a white paper setting out proposals allowing universities to set their own tuition fees up to a cap of £3,000 a year.
- **May 12 2003** - Conservative party leader, Iain Duncan Smith, pledges that all university tuition fees would be abolished under a future Conservative government, condemning tuition fees as "a tax on learning". Labour immediately responds by claiming that the Tory leader's plans would slash student numbers by 100,000 and would cost 6,500 academic jobs.
- **November 26 2003** - The Queen's speech includes the forthcoming higher education bill.
- **November 26 2003** - Ian Gibson tables an early day motion on top-up fees, which receives 185 signatures from MPs. The motion:
 - recognises the 'widespread concern about the effects of variable tuition fees'
 - is concerned that the perception of debt will deter students from lower-income backgrounds away from entering university

- says there are alternative models of funding higher education, considered by the Department of Education and Skills, which do not involve variable top-up fees
- calls on the government to publish full details of these alternatives to facilitate informed debate and understanding before proceeding with legislation to reform the higher education funding system
- **December 6 2003** - The new Conservative leader, Michael Howard, reiterates his predecessor's strong opposition to top-up fees, by calling Tony Blair's plans " absolute nonsense".
- **December 8 2003** - The education secretary begins a series of seminars for Labour party members on the government's plans for higher education funding.
- **January 8 2004** - Charles Clarke stands by his plans to introduce variable tuition fees, but presents a raft of concessions to Labour rebels in a bid to avoid defeat in the Commons vote on January 27. Amendments to the bill include an increase in the maintenance grant for the poorest 30 per cent of students, from £1,000 to £1,500 as well as remission on the first £1,200 of the fees and a £300 bursary from universities. There will be an independent review of the £3,000 fee cap after three years, and any change to the cap will require full parliamentary assent. Student loans will be increased to meet the real cost of living, and all student debt will be dropped after 25 years.
- **January 16 2004** - It emerges that Lord Hutton's report will arrive at No 10 on January 27 - the same day as the Commons vote on tuition fees, scheduled for 7pm. Once Lord Hutton has made a statement on his findings at lunchtime the following day, the prime minister will address MPs and take their questions on the report, completing perhaps the greatest 24-hour media frenzy experienced since he took office.
- **January 20 2004** - The government receives international backing for its higher education proposals from the Organisation for Economic Cooperation and Development (OECD), who describe the plans as "essential" for the revitalisation of British universities.

- **January 23 2004** - The government's chief whip, Hilary Armstrong, warns Mr Blair and his cabinet they are still on course to lose the key vote on January 27. The government is thought to be between 20 and 30 votes short, and unsure of where to find any more potential switchers. The revolt must be cut to below 81 MPs for the bill to pass. Conservative thinktank Politeia urges Michael Howard and Tory MPs to back the government's top-up fees bill for the good of universities.
 - **January 25 2004** - The government announces a full-scale independent review of the top-up fees system after three years in a final bid to head off the rebellion. Charles Clarke announces a separate last minute concession stating that top-up fees will not be allowed to rise above £3000 during the next parliament without new legislation.
 - **January 27 2004** - Nick Brown, one of the leading rebels, announces that he will now be supporting the government in the top-up fees vote, which is to be held at 7pm. At 7.30pm, with 316 votes for the bill, and 311 against, the vote on the higher education bill is won by the government, with a vastly reduced majority of five.
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- **February 2008**: The Graduate Endowment Abolition (Scotland) Act is passed by the Scottish Parliament meaning that students who graduated on or after April 1, 2007 no longer needed to pay anything towards the cost of their undergraduate tuition.

