

Think Tank 1:
The funding of higher education in Scotland,
the UK and internationally

Venue: [The Moray House School of Education, University of Edinburgh](#)
Date: Wednesday 22nd May 2013
Time: 9:30am – 16:00pm
Press release on ESRC website: [Edinburgh team launch work on Scottish HE's future](#)

Pre-event Briefing

by

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Overview

The overall aim of this project is to consider the future challenges and opportunities faced by Scottish higher education in the case of further devolution or a vote for independence in autumn 2014. This think tank focuses on the future financing of Scottish higher education. Some of the forces influencing the funding of higher education cut across national boundaries. For example, the global higher education market is increasingly influential, reflected in the importance attached to international league tables by students and institutions. The global competition for staff and students encourages elite institutions to adopt strategies designed to maximise their income and market share, raising fees to the highest level which the market will bear. The European Union has also influenced the development of higher education systems across the European Higher Education Area, encouraging harmonisation in order to promote the free movement of staff and students. Despite these convergent forces, there are also divergent forces in play. For example, in order to emphasise its desire to promote universalism in public services, Scotland has removed higher education fees while England has introduced very large increases.

This pre-event briefing provides background information relating to the questions we will be considering during the course of the day, such as:

- What funding regime is required to support Scottish students through higher education?
- How can we sustain and manage access to Scottish universities from across the British Isles, the EU and overseas, whilst safeguarding access for students living in Scotland?
- How should research in Scottish universities be funded in the future?

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As noted by Trench (2009), in the field of higher education devolved powers interact with non-devolved ones, creating a complex system. It is likely that many of these inter-dependencies are not fully understood by the general public, (nor even, necessarily, by officials in the different jurisdictions who have to administer them). Some aspects of higher education funding, for example, student fees, vary greatly in different parts of the UK, whilst research funding arrangements are common across the UK. We consider each of these aspects in turn – but independence or further devolution might bring further changes across the piece.

Student funding – Scotland and the rest of the UK

There have been many twists and turns in policy on student fees across different UK jurisdictions (Gallacher and Raffe, 2012). In this section, we provide an overview of the interaction between Scottish and English policy on student fees over the past decade and a half. Shortly after coming to power in 1997, the Labour Government at Westminster introduced ‘up front’ tuition fees for students across the UK – initially £1,000 with reductions or exemptions for poorer students. After the establishment of the Scottish Parliament in 1999, the Liberal Democrats in Scotland lobbied for the abolition of up-front tuition fees and this was a pre-condition for entering a coalition with Labour at Holyrood. Following the publication of the Cubie inquiry, which examined student finance and the funding of Scottish higher education, the Scottish Government decided that graduates should contribute £2,000 to a graduate endowment fund when their income reached £10,000, or they could add this sum to their student loan, to be paid off over time through the tax system.

In 2005, the UK Government introduced legislation enabling universities to charge up to £3,000 per annum (later increased with inflation to £3,375). This signalled a major change in the funding of higher education, with part of the cost of higher education being met by the student and their family, rather than the state. As in Scotland, students could defer payment until after graduation and repayment only started after the student’s income reached £15,000. At Holyrood, the SNP formed a minority government after winning the greatest number of seats in the 2007 Scottish Parliamentary elections. They had campaigned on the promise of abolishing student debt and replacing loans with grants, but they were unable to fulfil this promise. Instead, they abolished the graduate endowment payment.

The next major gear change in the funding of English higher education took place in October 2010, when a review chaired by Lord Browne proposed lifting the cap on fees charged by HE institutions. The Browne report reflected the view that the individual student, rather than the social collective, was the major beneficiary of higher education, so that the cost should fall on the student and his or her family. The Coalition government at Westminster decided to lift the fee cap to £9,000 per annum. Students were able to take out a loan to cover the cost of fees, and repayment was deferred until after graduation when repayment started at an income of £21,000.

The decision to charge very high fees in England has had major ramifications for the other UK nations. In December 2010, the Scottish Government published a Green Paper discussing options for the funding of Scottish higher education, including the possibility of introducing a graduate tax. Universities were very concerned about the future funding gap between Scottish and English

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institutions, and a joint technical working group of government and universities was set up to look at this issue. The Government concluded that it would not be necessary to charge fees to students living in Scotland, and that the anticipated funding gap by 2014/15 (£93 million) could be met by allowing Scottish universities to charge up to £9,000 for students living in the rest of the UK.

In Wales, universities are also allowed to charge up to £9,000, but the additional cost of tuition fees for Welsh domiciled students is met by the Welsh government, even if they study outwith Wales. EU students receive the same grants as Welsh-domiciled students. In Northern Ireland, students pay fees of £3,575; however, those from the rest of the UK are charged up to £9,000.

EU students studying in England are charged up to £9,000 per year (the same fee as is charged to home students). However, EU students studying in Scotland have their fees paid by the Scottish Government (unlike students from the rest of the UK). Universities Scotland has said that the sector would welcome a contribution to the cost to universities of educating students from other EU member states. However, a key element of the Bologna Agreement is the encouragement of student mobility, so that countries are not allowed to charge EU students more than the fees paid by home students. The only way of achieving some contribution from other EU countries appears to be through charging an administration fee. In Ireland, EU students pay an annual student contribution charge of €2,500.

In the case of a vote for independence, the issue of funding student places for EU students, including those from the UK, would represent a major challenge. Clearly, free tuition in Scotland would be a major attraction for students from the UK and other EU member states. However, there would be a danger that such students could squeeze out Scottish domiciled students. In order to avoid a funding shortfall, the Scottish Government would have a number of options, including the following: (1) introducing fees for all students; (2) negotiating an agreement with the EU whereby quotas could be reserved for Scottish domiciled students; (3) introducing a separate admissions system for students from other EU countries, involving an administration fee and (possibly) a different admissions timescale. With regard to option 2, it appears that EU law might allow places to be reserved for Scottish students in subjects such as Education and Medicine, where there is a need to train students to undertake a particular job, but such arrangements would not apply to more general subjects. Option 3, involving a different admissions process for students from EU member states, might be against the spirit of the Bologna Agreement.

Scottish universities have underlined their commitment to maintaining global connectedness by recruiting the highest quality learners from around the globe. At the same time, Scottish universities have said they 'would welcome clarity from the proponents of all constitutional options about how they would support policies which ensure the openness of a Scottish university education to learners from all national backgrounds, in a way which is financially sustainable, and which safeguards the availability of university places for Scottish-domiciled learners' (Universities Scotland, 2012, p.6).

Student support

According to Johnstone (2005), the 1970s and 1980s were the ‘golden years’ of governmental support for higher education in the UK. At this point in time, universities received reasonable generous support from the Universities Grants Council, no tuition fees were charged and reasonably generous means-tested mandatory grants were provided to allow students to live without having to take part-time jobs. During the 1980s and 90s, student grant support was eroded and subsidised tuition fees for overseas students came to an end. In 1997, despite opposition from the NUS, maintenance grants were abolished, to be replaced by loans. Means-tested student support grants are also available in all four jurisdictions (see Appendix for details of current rates and means testing arrangements across the UK).

In England, following the introduction of variable fees under the terms of the Higher Education Act 2004, there were concerns that students from poorer backgrounds would be deterred from entering higher education because of the cost. As a result, the Office for Fair Access (OFFA) was established in 2004. OFFA requires all universities charging variable fees to submit an access agreement specifying the plans for bursaries and other forms of financial support for students from low income families and details of outreach activity being undertaken. Institutions are also required to submit an annual monitoring return, setting out the progress they have made in raising participation of students from under-represented groups. Institutions which charge more than £6,000 are expected to match government funding for the National Scholarship programme, which provides a one-off, one-year benefit of not less than £3,000.

Since fees are not charged to students living in Scotland, student support has been less generous and institutions have been under less pressure to provide financial assistance to those from poorer backgrounds. In 2010, the Scottish Government said that while it supported the £7,000 minimum income guarantee for students, as first proposed by NUS Scotland, it was not achievable within the resources available. As such, this is seen as an aspirational target to move towards. Under its higher education reform programme, the Scottish Government has introduced what is described as ‘the best and simplest support package in the UK’. From August 2013, in addition to free tuition, Scottish students with a family income of less than £17,000 per year will receive an annual income of £7,250 through a combination of bursaries and loans. The Scottish Funding Council now requires universities to submit annual outcome agreements reporting on performance in a number of areas including widening access. The Post-16 Education (Scotland) Bill includes measures to allow Ministers, when providing funding to the SFC, to impose conditions relating to access to higher education institutions for students from under-represented groups. In theory, this means that universities which are deemed to be dragging their heels on widening access could be financially penalised by the SFC, although the intention is probably to use a carrot rather than stick approach. For example, institutions have been awarded additional undergraduate places for students from socially disadvantaged areas.

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International comparisons

Within the EU, there is wide diversity in fees policy. The highest fees are charged in England, Wales and Northern Ireland (and in Scotland to students from the rest of the UK). At the other end of the spectrum, there are 9 countries where EU students are not charged fees (Austria, Cyprus, Denmark, Finland, Greece and Malta). In Germany, two Lander charge fees and the other 14 do not.

In some EU countries, fees are determined by the university and vary from one institution to another (for example, in Estonia there are differences between fees charged by public and private universities). In other EU countries, the fee level is regulated by government. Overseas students generally pay higher fees than EU students, and post-graduate courses are more expensive than those at undergraduate level. There are also major differences in relation to the availability and generosity of student grants to cover the cost of living expenses.

In most other countries, including North America, Australia and the developing world, there has been a shift away from the funding of higher education by the state, towards payment by students or their parents (Johnstone, 2005). This reflects a view of higher education as a private rather than a public good. Questions arise about whether it is possible for European countries to resist the global move towards passing the cost of higher education on to the individual and their family.

Research funding

Funding for UK research in universities is based on the 'dual support' concept. Under this regime, academics compete with each other for research grants awarded by the Research Councils, with peer review judgements based on quality rather than territory. Research funds are also allocated via the outcomes of successive research assessment exercises (currently the Research Excellence Framework), which have been running for more than three decades. Research council funding varies by institution, and Scotland appears to receive more than its population fair share (In 2010-11, Scottish universities won nearly 15% (£232million) of the UK's research council funding for 9% of the population). By way of contrast, Wales receives less than its population share (Trench, 2009). Funds tend to be disproportionately allocated to the ancient universities which are already highly successful, with other institutions locked out of funding. The Scottish Funding Council has, in the past, attempted to mitigate some of these effects by spreading 'Research Quality' funds more widely, rather than concentrating them on the most successful institutions and departments. However, it appears that Scottish Government policy is now to emphasise different institutional missions, with the expectation that RQ funds will be concentrated even more tightly on ancient universities. The Scottish Government also continues to emphasise the importance of collaboration in research, through the funding council's research pools. Note that other areas of UK-wide funding, such as those for infrastructure and services, are not covered in this paper.

Table 1: Percentage of SFC funding for different higher education sectors in Scotland 2012-13

	Teaching Funding	Research funding
Ancients	37	71
1960s	24	23
Post'92s	34	5
Art/music &OU	6	1

Source: SFC 2011

The Universities Scotland paper published in November 2012 entitled *Universities in a dynamic constitutional environment: policy issues for consideration* emphasises the need for Scotland to stay within a UK-wide dual support system for the following reasons:

- Sustainable quality-driven funding for the research infrastructure of Scottish universities
- Scottish universities' capacity to access research funding at least matching the levels of resource secured currently from Research Councils at UK and EU levels; from UK, EU and international charitable foundations ; and from UK, EU and international business
- Scottish universities' capacity to engage in collaborative research projects with non-Scottish universities funded from Scottish, UK , EU or international sources
- Internationally-recognised arrangements for the assessment of research quality.

The universities are also keen to retain the REF because it is seen as a way of ensuring that research funds are focused on 'research of the highest quality' which is essential to ensure Scotland's future 'international competitiveness'.

Changes which Universities Scotland feel would be preferable under any constitutional option include the following:

- Relaxation of visa restrictions which hinder the attraction and retention of international research talent
- Improved capital funding for research infrastructure
- Enhanced representation of Scotland within EU research fora.

It is clear that the Scottish university sector is keen to retain current Scottish, UK and European research funding arrangements. It is quite possible, in a post-independence scenario, that the Scottish Government would negotiate on-going participation in the UK research funding system. However, the cost of such shared services would be a matter for negotiation. In addition, since the research councils award grants in relation to quality rather than territory, Scotland could find itself doing rather well out of the arrangement (i.e. getting a higher proportion of research funding than indicated by population share), or vice versa (which would clearly be the less popular option!).

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Future events and dates for the diary

During the course of this project, we will be hosting a number of events addressing a range of questions in relation to Scottish higher education and constitutional change.

[Seminar: Changing Inequalities and Access to a Differentiated Higher Education System](#)

(funded by the Nuffield Foundation)

URL: http://www.ces.ed.ac.uk/PDF%20Files/Nuffield_flyer_2013.pdf

Date: Friday 14th June 2013, 14.00-17.00pm

Venue: Godfrey Thomson Hall

Moray House School of Education, University of Edinburgh

[Think Tank 2: Widening access to higher education in Scotland, the UK and internationally](#)

URL: <http://edin.ac/19EnhcU>

Date: October 8th 2013

Venue: The Moray House School of Education, University of Edinburgh

References

European Commission (2011/12) National Student Fee and Support Systems Brussels: European Commission. <http://edin.ac/19Ey32Q>

Gallacher, J. and Raffe, D. (2012) Higher education policy in post-devolution UK: more convergence than divergence? *Journal of Education Policy*, 27, 4, 467-490.

Johnstone, D.B. (2005) Fear and loathing of tuition fees: an American perspective on Higher Education finance in the UK *Perspective*, 9, 1, 12-16.

Trench, A. (2009) Un-joined-up government: intergovernmental relations and citizenship rights in S.L. Greer (ed.) *Devolution and Social Citizenship in the UK* Bristol: The Policy Press.

Universities Scotland (2012) Universities in a Dynamic Constitutional Environment: Policy Issues for Consideration Edinburgh: Universities Scotland. <http://edin.ac/16q9med>

Appendix:

Fees and student support for undergraduate students in the UK, selected EU countries, United States, Canada and Australia

This appendix provides an overview of fees and financial support for students in the four different countries within the UK and four countries in Europe selected broadly to represent different types of welfare regimes and to include an Eastern European former Soviet state. Student fees in the US, Canada and Australia (representing the English speaking world) have also been included. The main aim of this overview is to provide a rough comparison across Europe and the English-speaking world. It is clear that student finance and the payment of fees is complex. In some countries fees have to be paid up front, in others fees are deferred and only paid when the graduate is earning above a certain level. It is also evident that in some countries, especially the US, there is considerable variation between universities in relation to fees. It is important to note that these data come from different sources and any comparisons made need to take that into account.

Table 1: Tuition fees and student support in the Scotland, England, Wales and Northern Ireland

Country	Tuition fees	Maintenance support grant		Loan	Additional support/grants
		Household income	Amount		
Scotland	No fees for Scottish-domiciled or EU students. Universities may charge up to £9,000 to RUK students. Tuition fee loan available. Repayment begins once earnings threshold reached (currently £16,365 a year)	£0 - £16,999	£1,750	£5,500	Additional means tested grants for <ul style="list-style-type: none"> • lone parents, • those with dependants; • care leavers Non-means tested <ul style="list-style-type: none"> • disabled students
		£17,000 - £23,999	£1,000	£5,500	
		£24,000 - £33,999	£500	£5,500	
		£34,000 or above	£0	£4,500	
				Loan (not means tested)	
England	Up to £9,000. Tuition fee loan available.	£0-£25,000	£3,354	Living at home: up to £4,375	Additional means tested grants: <ul style="list-style-type: none"> • if qualify for Income support of Housing benefit (this will be instead of Maintenance grant) • support from National Scholarship Programme • students with children, especially lone parents • homeless students • final year students Non-means tested grant: <ul style="list-style-type: none"> • care leaver (one off bursary £2,000) • disabled students
		£30,000	£2,341	Living away from home: up to £5,500	
		£35,000	£1,432	Living away from home, London: up to £7,675	
		£40,000	£523		
		£42,611	Up to £50		
		Over £42,611	No grant		
		Any grant received reduces the loan you can get			
		Assembly learning grant	Loan (not means tested)		
Wales	Up to £9,000. Tuition fee grant covers any amount above £3,575 for Welsh domiciled students studying within or outwith Wales. Tuition fee loan available up to £3,575	£18,730 or less	£5,161	Living at home: up to £3,673	Additional means tested grants (special support grant) <ul style="list-style-type: none"> • single parent • if partner is a student Students can either get an assembly learning or a special
		£18,371 to £50,020	Partial grant	Living away from home: up to £4,745	

Country	Tuition fees	Maintenance support grant		Loan	Additional support/grants
		Household income	Amount		
		Over £50,020	No grant		
		Maintenance grant	Loan (not means tested)		
Northern Ireland	£3,575 for Irish domiciled students studying in Northern Ireland. Tuition fee loan available. Up to £9,000 charged to RUK students studying in Ireland.	£19,203 or less	£3,475	Living at home: up to £3,750	Additional means tested grants: <ul style="list-style-type: none"> students with children or dependants Non-means tested grant: <ul style="list-style-type: none"> disabled student
		£19,204 to £41,065	Partial grant	Living away from home; up to £4,840	
		Over £41,065	No grant	Living away from home (London): up to £6,780	

Sources: Official student finance websites for the 4 UK countries

Table 2: Tuition fees and student support in Germany, Estonia, Finland and Italy

Country	Tuition fees	Additional support available
Germany	Free except 4 Länder (€1000); admin fee €200	Support available from €10 to €670/month; half is grant half is loan. Needs based assessment, max €10,000 to be repaid; Merit based support awarded as grant; Study loans available to cover tuition fees (up to €7,200) and living costs (up to €54,600); Students' parents receive monthly allowance of €184 for first 2 children, €190 for third and €215 for fourth and more children and lump sum tax relief (€3,504 per annum, per child, per parent) until student is 25 years.
Estonia	Students with state funded places do not pay fees (based on high school exam results); other students pay fees	Grants available to approx. 16% of students (undergraduate and postgraduate); basic grant is €55.93/month; additional grant €28.13/month; Full-time students can apply for state guaranteed loans; Estonian citizens or persons with a permanent residence permit has the right to obtain a student loan (subject to certain conditions), max loan €1,970.30/academic year; Tax benefits for parents depend on student's status and on the civil status of the student (age, marital status, etc); No family allowances.
Finland	No fees (undergraduate and postgraduate)	Study grant (SG), based on number of credits studied, depends on age and whether student living with parents, range from €55 to 298/month; Housing supplement (HS) covers 80% of rent for students living independently up to max €201.60/month SG and HS only if students income is below €11,850/year; Study loans of €300/month are government guarantee. HE students admitted from 2005 who graduate in normative time are entitled to tax deductions for study loans; No tax benefits for parents and family allowances.
Italy	Average fee €1,434/year; 11.4% exempt from fees based on merit and financial conditions	Public grants allocated according to economic need and academic merit; amount ranges from €1,800 (if living with parents) to €4,776/year (living away from home); Parents can receive tax benefits on real educational expenditure if the child has proven student status, tax benefit applicable as long as the child is tax dependent on his/her parents; No loans or family allowances

Source: EC National Student Fee and Support Systems, 2011-2012 published on Eurydice website

Table 3: Tuition fees at universities in the US, Canada and Australia

Country/university	Tuition fees
United States: Harvard University	\$37,576 (£24,644) (course not specified) (2012-2013)
United States: Berkeley University	\$12,834 (£8,419) (undergraduate) (64% of students receive some form of financial aid)
United States: San Diego State University	\$3,383 (£2,219) (full-time undergraduate, includes mandatory campus fee)
Canada: McGill University	\$2,422-\$6,112 (£1560-£3,938) (undergraduate)
Canada: University of Toronto	\$5,613-\$5,943 (£3,616-£3,828) (undergraduate)
Australia: University of Sydney	\$5,868 -\$8,363 - \$9,792, per year (depending on subject area) (£3,782 - £5,390 -£6,311) (undergraduate home student)
Australia: Macquarie University, Sydney	\$5,868 -\$8,363 - \$9,792/year (depending on subject area) (£3,782 - £5,390 -£6,311) (undergraduate home student)

Sources: http://www.admissions.college.harvard.edu/financial_aid/cost.html
<http://www.berkeley.edu/about/fact.shtml>
<http://bfa.sdsu.edu/fm/co/sfs/money/fall2013.pdf>
<http://www.aucc.ca/canadian-universities/facts-and-stats/tuition-fees-by-university/>
<http://sydney.edu.au/future-students/domestic/undergraduate/costs/>
<http://www.mq.edu.au/unifees/css-ug-bachelor-degree.htm>