
Our Future Information Sheet 2: The funding of higher education in Scotland and the rest of the UK

Introduction

As noted in Information Sheet 1, there has been significant growth in higher education participation over the past three decades. Gaining higher education qualifications is clearly of benefit both to the individual and to the wider economy and society. Questions therefore arise with regard to how tuition should be funded, including the financial burden which should be carried by the individual and the wider society. Since universities also play a key role in knowledge creation and exchange, questions also arise with regard to how university research should be funded. In both teaching and research, there are links between Scotland and the rest of the UK, with policy decisions in one nation having knock-on effects on the other.

This information sheet (i) explores student funding in Scotland and the rest of the UK; (ii) provides information on student funding in Europe and internationally; and (iii) considers student support in the forms of loans, grants and bursaries.

The funding of under-graduate education in Scotland and the rest of the UK

Section 2 of the film relates to funding and is introduced by Sir Andrew Cubie, CBE, Chair of the Leadership Foundation for Higher Education. Sir Andrew is a key figure in policy development on student funding in Scotland, having chaired the Cubie Report in 1999 which looked at alternatives to tuition fees in Scotland (see below for further details). As Sir Andrew explains in the film, the current funding of higher education in Scotland is based on the principle that higher education should be free for Scottish domiciled undergraduates. Tuition is also free for those students coming from the European Union. However, those coming from the rest of the UK are charged up to £9,000 per year but they can get a tuition fee loan which has to be repaid when they earn more than £21,000. International students (from outside the EU) pay considerably more than students from Scotland.

The approach to the funding of undergraduate tuition in Scotland is markedly different to policy in the rest of the UK. In 2010 the Coalition government at Westminster decided to lift the tuition fee cap to £9,000 per annum. Since 2012/13, universities have been able to charge students tuition fees of up to £9,000 a year. Students are able to take out a loan to cover the cost of fees, and repayment is deferred until after graduation. In the rest of the

UK, repayment starts once a graduate earns more than £21,000 per annum (in Scotland, repayment begins once graduates earn more than £16,000).

A brief history of student funding in Scotland and the rest of the UK

This section provides a brief history of student funding in Scotland and the rest of the UK, explaining how diverse policies have emerged.

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. Some students, for example, those with disabilities or from poorer backgrounds, were exempt.

In 2003, 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. The SNP manifesto included a pledge to abolish the graduate endowment payment and no tuition fees have been charged to undergraduate Scottish domiciled students since it was abolished in 2007.

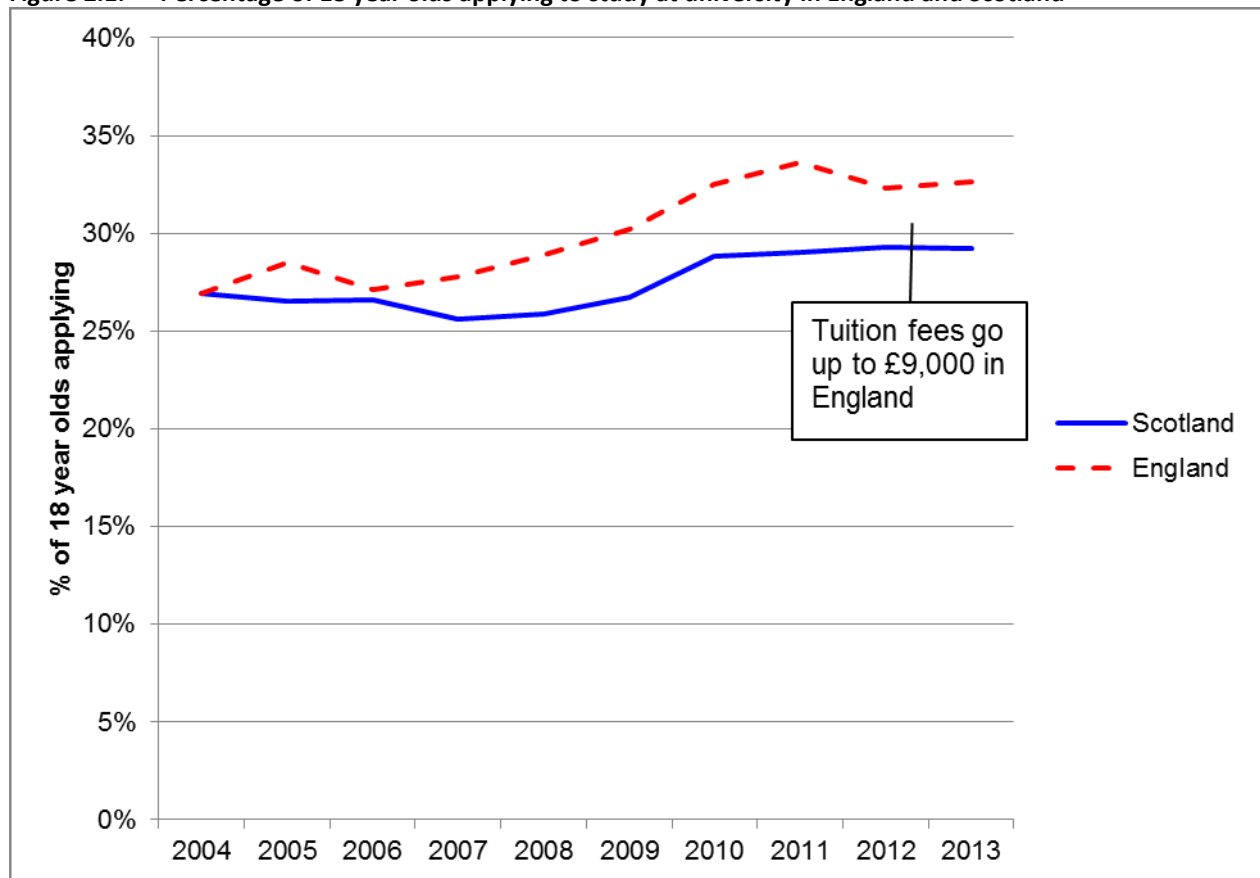
In England, following the election of a Conservative/Liberal Democrat Coalition Government in 2010, tuition fees policy north and south of the Border began to diverge even further. In 2010, the Browne review proposed lifting the cap on tuition fees charged by English, Welsh and Northern Irish higher education institutions. This reflected the view that the individual student, rather than society, is the major beneficiary of higher education, so that the cost should fall on the student and his or her family. Variable fees of up to £9,000 per annum have been charged since 2012/13. It was envisaged that the provision of grants and bursaries would be used to encourage participation by young people from socially disadvantaged backgrounds, and that this financial assistance would outweigh the deterring effects of higher fees.

The impact of tuition fees on participation

Researchers at the London School of Economics have suggested that the decision to increase fees in England in 2010, particularly as reported in the media, increased the perception that university might be 'too expensive', and young people from less socially advantaged backgrounds were more likely to be put off from applying as a result (McGuigan et al., 2012). However, analysis of UCAS data by the Independent Commission

on Student Fees, published in 2013, suggests that student fees in England have not, to date, led to a reduction in higher education participation (see Figure 2.1). There has actually been a slight increase in the proportion of applications from students from poorer backgrounds. However, the number of applications from mature students in England has declined. Interestingly, in Scotland, where there are no undergraduate fees, and in Wales, where the impact of the increase in fees is offset by the Welsh Government, there has been no decline in applications by mature students. In December 2013, it was announced that, from 2015-16, there would no longer be a cap on student numbers in England, enabling universities to recruit as many students as they wish. It remains to be seen whether this policy will be adopted in Scotland.

Figure 2.1: Percentage of 18 year olds applying to study at university in England and Scotland



Source: Independent Commission on Student Fees, 2013

Current arrangements for undergraduate funding across the UK

Having provided some background on the history of student funding in the UK we now look in further detail at funding in England, Scotland, Wales and Northern Ireland. Table 2.1 provides a breakdown of current fee arrangements for different students depending on where they live in the UK and where they choose to study. We also provide details of the costs for students from the EU. It is interesting to note that both Wales and Northern Ireland have different funding systems to those of England, with subsidies available for home nation students.

Table 2.1: Fee arrangements across the UK, 2013-14

Students living in:	Students studying in:			
	Scotland	England	Wales	Northern Ireland
Scotland	No fees	Variable fee up to £9,000	Variable fee up to £9,000	Variable fee up to £9,000
England	Variable fee up to £9,000	Variable fee up to £9,000	Variable fee up to £9,000	Variable fee up to £9,000
Wales	Variable fee up to £9,000 (Fees above £3,575 paid for by Welsh Government)	Variable fee up to £9,000 (Fees above £3,575 paid for by Welsh Government)	Variable fee up to £9,000 (Fees above £3,575 paid for by Welsh Government)	Variable fee up to £9,000 (Fees above £3,575 paid for by Welsh Government)
Northern Ireland	Variable fee up to £9,000	Variable fee up to £9,000	Variable fee up to £9,000	Variable fee up to £3,575
EU (not UK)	Fees as for Scottish students studying in Scotland	Fees as for English students studying in England	Fees as for Welsh students studying in Wales	Fees as for Northern Irish students studying in Northern Ireland

In Wales, universities are 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). This is in line with European Union regulations which stipulate that students from other EU countries must be charged the same as home students, in order to encourage student mobility throughout the EU. This does not apply to regions within a country, and as such it is possible for Scottish universities to charge students from the rest of the UK. Further information about fees in other European countries is available from the European Commission at <http://edin.ac/19Ey32Q>.

While tuition in Scotland is free for students from the EU, international students coming to study in Scotland are charged very high levels of fees at both under-graduate and post-graduate level. For example, in the whole of the UK including Scotland, the international student fee charged on many taught post-graduate courses is around £17,000 per year. Scottish universities have underlined their commitment to recruiting the highest quality learners from around the globe, as have universities in the rest of the UK. In 2011/12 one in five students studying in Scottish universities was recruited from outside the EU.

Young people's views on who should pay for higher education

Section 2 of the film includes interviews with young people exploring their thoughts on who should pay for higher education. We were interested to hear whether they felt the

government should pay for higher education, or whether the responsibility should rest with students themselves. We were also keen to hear their thoughts on the fairness of having different funding systems within the UK.

Many young people welcomed the funding system in Scotland whereby Scottish- domiciled students receive free undergraduate tuition. Some interviewees said that free tuition for everyone was the fairest way of ensuring everyone had the same chance to go to university because then everyone is treated equally:

I think it's good that the government pay for it because it means that people from all different backgrounds and people that have less money are able to go to higher education and get a better chance in life. (Catherine, West Lothian)

However, there were also those who felt that it might be better to charge fees to those from more affluent backgrounds. It was noted that tuition fees are paid for out of taxes which means people who do not go to university are paying for those who do. It was also felt that there are people who can afford to pay to go to university, and that if they were charged, more support could be given to those from less affluent backgrounds.

I think it should be targeted towards people who live in deprived areas because they're the ones that have more potential than someone who goes to private school. Say they get the same grades or whatever, the private school person will have had all the help they can get; whereas the deprived child has had to work with limited resources. (Kieran, Glasgow)

Young people also varied in the extent to which they felt it was fair that there are different funding systems across the UK. Some felt it was fair that English students should have to pay up to £9,000 a year for their tuition, since Scottish students have to pay fees to study elsewhere in the UK. Others felt that all UK students should be treated the same, irrespective of where they chose to study.

Funding issues and independence

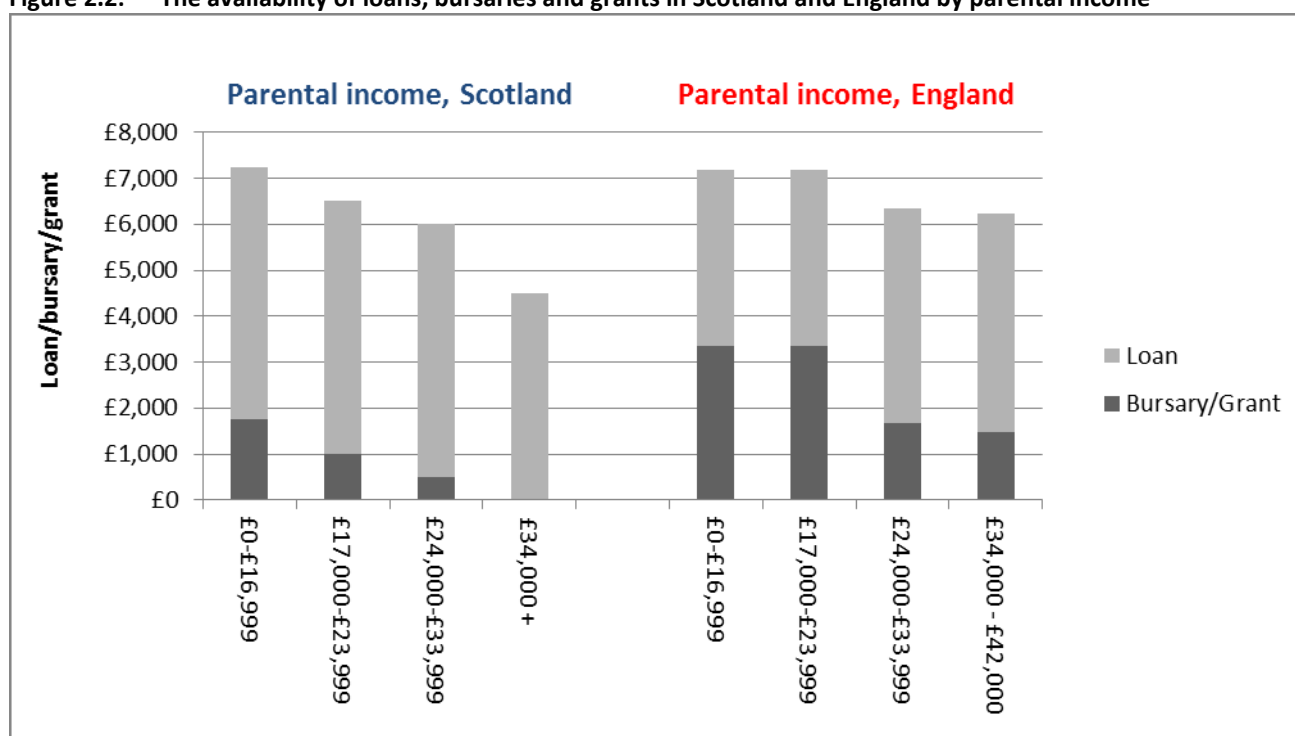
The decision to charge very high deferred fees in England has had major consequences for Scotland, Wales and Northern Ireland which are explored in Information Sheet 3 on cross-border movement of students. Concern has been expressed by Universities Scotland with regard to the emergence of a funding gap between Scottish and English institutions, due to the higher income being generated by English universities as a result of charging higher fees. Some have also suggested that, if students from the rest of the UK were able to study free of charge in Scotland whilst having to pay fees at home, an independent Scotland might see increased numbers of students from the rest of the UK choosing to study in Scotland. The Scottish Government stated in the independence White Paper, *Scotland's Future*, that higher education will remain free for Scottish-domiciled undergraduates, and that students from the rest of the UK will continue to be charged fees. It should be noted, however, that this commitment assumes that a future Scottish government retains the policy priorities of the current SNP administration. In addition, experts in European law question whether Brussels would allow Scotland to charge fees to students from England, Wales and Northern Ireland, whilst allowing students from other EU countries to study for free.

Student support

The past forty years have seen the amount of support available to students decrease significantly. The 1970s and 1980s have been described as the ‘golden years’ of governmental support for higher education in the UK, when universities were generously funded by government, no tuition fees were charged and a range of means-tested maintenance grants were available which allowed many students to study 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 National Union of Students (NUS), maintenance grants were abolished, to be replaced by loans. Means-tested student support grants continue to be available in all four UK nations.

As with student funding, the four nations of the UK also vary in terms of the amount of student support (non-repayable grants and bursaries) available. Figure 2.2 summarises the situation in England and Scotland with regard to the availability of loans (which are repayable on graduation) and bursaries and grants to students by parental income. It shows that greater amounts of bursaries and grants are available in England than Scotland. However, the differences in the cost of tuition between the two countries should be borne in mind here.

Figure 2.2: The availability of loans, bursaries and grants in Scotland and England by parental income



Source: Wyness, 2013a

In England, following the introduction of variable fees under the terms of the Higher Education Act 2006, 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. OFFA requires all universities charging variable fees to submit an access agreement specifying plans for bursaries and other forms of financial support for students from low income families and details of outreach activity being

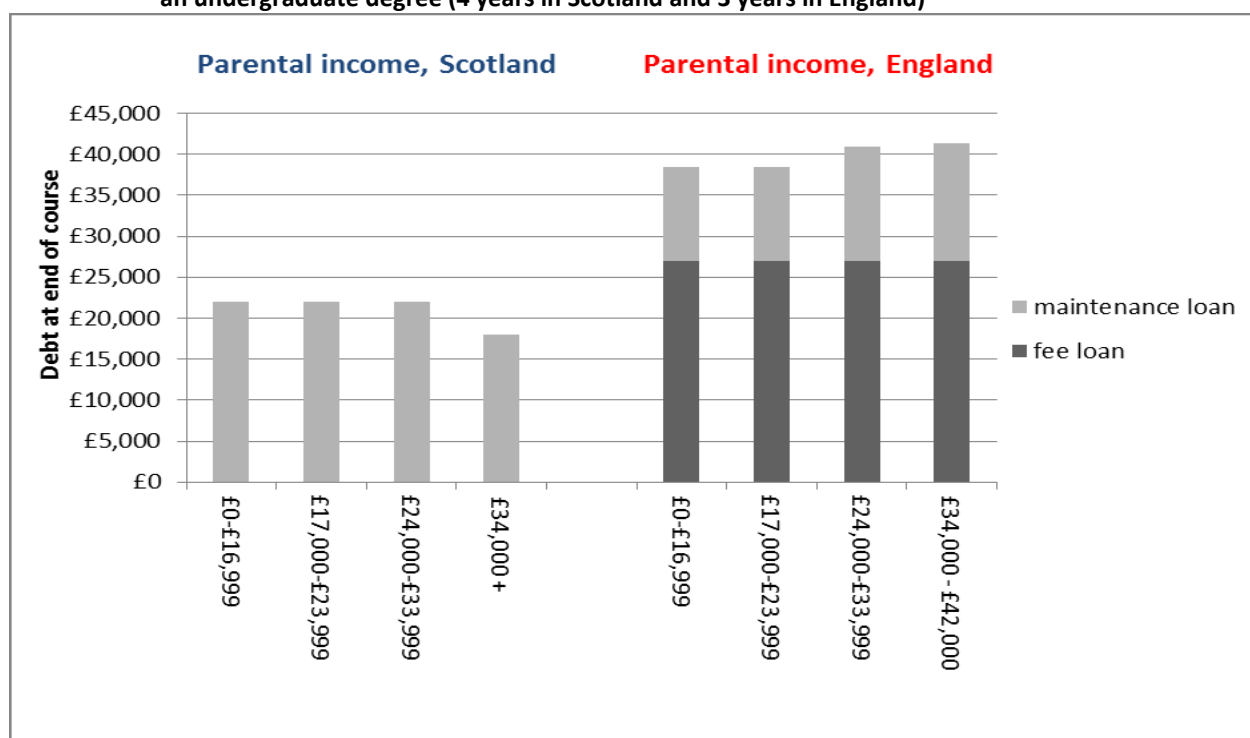
undertaken. Institutions are also required to submit an annual monitoring return, setting out the progress they have made in raising participation of students from under-represented groups. Institutions which charge more than £6,000 are expected to match government funding for the National Scholarship 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, grants and bursaries have 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. 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. However, the non-repayable grant, available to students from poorer backgrounds, has been frozen since 2010.

Student loans and levels of debt

As a result of different approaches to student funding in Scotland and England, students in England are, on average, likely to emerge from university with much higher levels of debt than is the case in Scotland (see Figure 2.3). These figures are based on a student taking out the maximum loan available.

Figure 2.3: Maintenance loans and fee loans available to students in Scotland and England by parental income for an undergraduate degree (4 years in Scotland and 3 years in England)



Source: Wyness, 2013a

Young people's views on student debt

In the film, young people discuss their views on student debt. As Sheila Riddell explains in the film, while tuition is free in Scotland that does not mean going to university is free.

Students still have to pay for accommodation, food, travel, books etc. The young people we spoke to were in some cases very apprehensive about getting into debt at university:

I think it's quite scary that by furthering your education you can end up with great amounts of debt. (Megan, Fife)

Some said they would try to get a part time job or would get help from family so that they could avoid having to take out student loans. Some also planned to study while living at home so as to save money on accommodation and travel. Other interviewees suggested that it was a realistic part of going to university and that if you wanted to go to university it was normal to build up debt through student loans.

I think it'll always be there in the back of your head, but I think if you want to go to uni then it's something that you have to do. (Kyle, Glasgow)

However, irrespective of how they felt about building up debt as a student in Scotland, most of our interviewees pointed to the fact that they were better off than students going to university in England who would have £27,000 of debt as a result of tuition fees alone.

International comparisons

Across the EU there is wide variation in terms of the rates of fees charged. England charges the highest fees for both home and EU undergraduate students in Europe. The majority of countries charge relative low levels of fee and countries like Germany and Sweden do not charge fees at all. Finland is introducing tuition fees from 2014/15. 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.

Conclusion

In this Information Sheet we have outlined some of the key differences between the student funding systems within the UK. In the United States, Australia, the UK and the developing world, we have seen a shift away from the funding of higher education by the state, towards payment by students or their parents. This reflects a growing emphasis on the extent to which the individual benefits from higher education. This contrasts with the situation in Scotland and parts of Europe where fees are generally much lower or are not charged at all. The Scottish Government has outlined its commitment to retaining free higher education in an independent Scotland (Scottish Government, 2013). However, it would very much depend on which political party is in power. Given the current economic climate, it is clear that the debate about student funding will continue, and present future administrations with difficult choices.

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The funding of higher education in Scotland and the rest of the UK

Suggested classroom activities

Activity 1: Group discussion on under-graduate student fees across the UK

In small groups, discuss the different approaches to student funding across the UK. You might want to address the following questions:

- *Who should pay for university tuition? Government? Parents? Young people?*
- *Would it be better to have fees for some students (e.g. those who are wealthier) and free tuition for those on lower incomes?*
- *How would you manage financially at university? (bursaries, loans, part time work, help from parents, grants?)*
- *How do you feel about debt? Would the fear of debt put you off going to university?*
- *Should everyone in the UK be part of the same funding system?*

Activity 2: Research

Design an interview study or a survey investigating attitudes to fees. Questions might focus on the extent to which deferred fees might be viewed differently by pupils from different income groups.

Activity 3: Classroom debate

Hold a debate on one of the propositions below:

- *No student, irrespective of where they live in the UK, should have to pay university tuition fees.*
- *It is a good thing for different parts of the UK to have different levels of under-graduate fees.*

Activity 4: Role play

Imagine that class members are politicians with different views on which educational sector (pre-school, school, college or university) should receive additional funding. Hold a discussion in which each politician makes a case for their particular spending priorities.