**This is the content of the remarks made by Alison Payne, Research Director at Reform Scotland, at the HEPI / CDBU event on funding higher education, held at Birkbeck, University of London, on Thursday of this week.**

Thanks to the CDBU and to HEPI for the invitation to attend and take part in today’s discussion.

My speech today has been titled ‘A graduate contribution model’. Of course, for UK graduates not from Scotland, I’m sure they would make the point that they very much do contribute through their fees, but the situation is very different in Scotland and I’m really grateful that I have the opportunity to feed the Scottish situation into today’s discussion.

I thought it may be helpful if I gave a quick overview of the Scottish situation, as it differs somewhat to the overview Nick gave this morning covering the rest of the UK.

Although tuition fees were introduced throughout the UK in 1998, [the advent of devolution in 1999](https://www.hepi.ac.uk/wp-content/uploads/2024/12/Evolution-of-Devolution.pdf)and the passing of responsibility for higher education to Holyrood began the period of diverging funding policies.

The then Labour / Lib Dem Scottish Executive, as it was then known, scrapped tuition fees and replaced them with a graduate endowment from 2001-02, with the first students becoming liable to pay the fee from April 2005. The scheme called for students to pay back £2,000 once they started earning over £10,000.

The graduate endowment was then scrapped by the SNP in February 2008. A quirk of EU law meant that students from EU countries could not be charged tuition fees if Scottish students were not paying them but students from England, Wales and Northern Ireland could be charged. This meant that from 2008 to 2021/22 EU students did not need to pay fees to attend Scottish universities, though students from the rest of the UK did.

We’re used to politics in Scotland being highly polarised and often toxic with few areas of commonality, but for the most part the policy of ‘free’ higher education has been supported by all of the political parties. Indeed at the last Scottish election in 2021 all parties committed to maintaining the policy in their manifestos. It is only recently that the Scottish Tories have suggested a move away from this following the election of their new leader, Russell Finlay.

But behind this unusual political consensus, the ‘free’ policy is becoming increasingly unsustainable and unaffordable. Politicians will privately admit this, but politics, and [a rock with an ill-advised slogan](https://artuk.org/discover/artworks/tuition-fees-251114), have made it harder to have the much needed debate.

**The Cap**

While we don’t have tuition fees, we do have a cap on student numbers. And while more Scots are going to university, places are unable to keep up with demand. Since 2006 there has been a 56% increase in applicants, but an 84% increase in the number refused entry.

It is increasingly the case that students from the rest of the UK or overseas are accepted on to courses in Scotland while their Scottish counterparts are denied. For example, when clearing options are posted, often those places at Scotland’s top universities are only available to students from the rest of the UK and not to Scottish students, even if the latter have better grades. As a result, Scots can feel that they are denied access to education on their doorstep that those from elsewhere can obtain. Indeed, there are growing anecdotes about those who can afford it buying or renting property elsewhere in the UK so that they can attend a Scottish university, pay the higher fee and get around the cap.

Basically, more people want to go to university, but the fiscal arrangements are holding ambition them back. This problem was highlighted by [the Scottish Affairs Select Committee’s report on Universities](https://publications.parliament.uk/pa/cm5802/cmselect/cmscotaf/54/5406.htm#_idTextAnchor006) from 2021.

Some commentators in Scotland have blamed the lack of places on widening access programmes, but I would challenge this. It is undoubtedly a good thing that more people from non-traditional backgrounds are getting into university,  it is the cap that is limiting Scottish places, not access programmes. A point that has been backed individuals [such as the Principal of St Andrews, Professor Dame Sally Mapstone](https://www.telegraph.co.uk/politics/2019/03/06/st-andrews-university-principal-cap-scottish-places-not-lower/) [who also serves as HEPI’s Chair].

**Financial Woes**

The higher education sector in Scotland, as with elsewhere in the UK, is not in great financial health. [Audit Scotland warned back in 2019](https://audit.scot/uploads/docs/report/2019/nr_190919_finances_universities.pdf) that half of our institutions were facing growing deficits. Pressures including pensions contributions, Brexit and estate maintenance have all played a role and in the face of this decline, but nothing has changed and we’re now seeing crisis like those at [Dundee](https://www.bbc.co.uk/news/articles/c23v80lzv2zo) emerge. Against this backdrop, income from those students who pay higher fees is an important revenue stream.

There is obviously a huge variation in what the fees are to attend a Scottish university, considerably more so than in the rest of the UK.

For example, to study Accounting and Business as an undergraduate at Edinburgh University, the cost for a full-time new student for 2024/25 is £1,820 per year for a Scottish-domiciled student (met by the Scottish Government), £9,250 per year for someone from the rest of the UK and £26,500 for an international student.

It is clear why international students and UK students from outside Scotland are therefore so much more attractive than Scottish students.

However, there is by no means an equal distribution of higher fee paying students among our institutions.

For example, at St Andrews about one-third of undergraduate full-time students were Scots, with one-third from the rest of the UK and one-third international. The numbers for Edinburgh are similar.

At the other end of the scale, at the University of the Highlands and Islands and Glasgow Caledonian, around 90% of students are Scottish, with only around only 1% being international.

So it is clear that institutions’ ability to raise money from fee-paying students varies very dramatically, increasing the financial pressures on those with low fee income.

However, when looking at the issue, it is important to recognise that it is not just our universities who are struggling, Scotland’s colleges are facing huge financial pressures as well.

The current proposed Scottish budget would leave colleges struggling with a persistent, real-terms [funding cut](https://collegesscotland.ac.uk/news/latest/612-comment-from-colleges-scotland-draft-budget-fails-to-recognise-the-vital-role-of-colleges) of 17 per cent since 2021/22. Our college sector is hugely important in terms of the delivery of skills, working with local economies and as a route to university for so many, but for too long colleges have been treated like the Cinderella service in Scotland. The prioritising of ‘free’ university tuition over the college sector is adding to this problem.

Regardless of who wins the Holyrood election next year, money is, and will remain, tight for some time. It would be lovely to be able to have lots of taxpayer funded ‘free’ services, but that is simply unsustainable and difficult choices need to be made.

This is why we believe that the current situation is unfair, unsustainable, unaffordable and needs to change.

Reform Scotland would offer another alternative solution. We believe that there needs to be a better balance between the individual graduate and Scottish taxpayers in the contribution towards higher education.

One way this could be achieved is through a fee after graduation, to be repaid once they earn more than the Scottish average salary. This would not be a fee incurred on starting university and deferred until after graduation, rather the fee would be incurred on graduation.

In terms of what that fee could be, the [Cubie](https://www.timeshighereducation.com/features/the-cubie-report/149438.article) report over 25 years ago suggested a graduate fee of £3,000, which would be about £5,500 today.  This could perhaps be the starting point for consideration.

Any figure should take account of different variations in terms of the true cost of the course and potential skill shortages.

However, introducing a graduate fee would not necessarily mean an end to ‘free’ tuition.

Rather it provides an opportunity to look at the skills gaps that exist in Scotland and the possibility of developing schemes which cut off or scrap repayments for graduates who work in specific geographic areas or sectors of Scotland for set periods of time.

Such schemes could also look to incorporate students from elsewhere for Scotland is facing a demographic crisis. Our population is set to become older and smaller, and we are the only part of the UK projected to have a smaller population by 2045.

We desperately need to retain and attract more working-age people. Perhaps such graduate repayment waiver schemes could also be offered to students from the rest of the UK who choose to study in Scotland – stay here and work after graduation and we will pay a proportion of your fee. A wide range of different schemes could be considered and linked into the wider policy issues facing Scotland.

According to the Higher Education Statistics Authority (HESA) there were 3,370 graduates from the rest of the UK who attended a Scottish institution in 2020/21. Of those, only 990 chose to remain in Scotland for work after graduation. Could we encourage more people to stay after studying?

**Conclusion**

A graduate fee is only one possible solution, but I would argue that it is also one with a short shelf life. As graduates would not incur the fee until they graduated, there would be a four-year delay between the change in policy and revenue beginning to be received. Our institutions are facing very real fiscal problems and there is a danger of a university going to the wall.

If we get to the 2026 election and political parties refuse to shift the dial and at least recognise that the current system is unsustainable, then there is a danger that nothing will change for another Parliamentary term. I don’t think we can afford to wait until 2031.

There is another interesting dynamic now as well. Labour in Scotland currently, publicly at least, oppose tuition fees. However, there are now 37 Scottish Labour MPs at Westminster who are backing the increase of fees on students from outside Scotland, or Scottish students studying down south. Given the unpopularity of the Labour government as well as the tight contest between the SNP and Labour for Holyrood, it seems unlikely that position can be maintained.

All across the UK there are increasing signs of the stark financial situation we are facing. Against that backdrop, along with the restrictions placed on the number being able to attend, free university tuition is unsustainable and unaffordable. People outside Scottish politics seem to be able to see this reality, privately so do many of our politicians. We need to shift this debate in to the public domain in Scotland and develop a workable solution.