

CONSULTATION DOCUMENT

ABOLITION OF THE GRADUATE ENDOWMENT FEE

Introduction

1. This consultation paper invites comments on the principle of **abolishing the Graduate Endowment (GE) Fee** for students who graduate in 2007 and thereafter.

Background

2. The GE fee was part of the new student support arrangements for higher education students introduced by the Education (Graduate Endowment and Student Support) (Scotland) Act 2001 and applied from autumn that year. Graduates are not asked to pay the GE fee until 1 April after they have completed their course, although the amount payable is set at the beginning of their degree course. For entrants in academic year 2006-07, the fee would be £2,289 at the time of graduation.

3. Not all students are liable to pay the GE fee. There are a number of exemptions, including lone parents, those who are in receipt of the Disabled Students' Allowance at some point during their course, those who are studying at a UK institution outside Scotland, students who come to study in Scotland from elsewhere in the UK or from non-EU countries overseas, or those who study part-time. Overall, almost 50% of graduates are exempt under these criteria.

4. The next cohort of students who will, under current arrangements, become obliged to pay the GE fee are those who have successfully completed their course on or after 1 April 2007. The regulations made under the 2001 Act will result in those graduates becoming liable to pay on 1 April 2008. Students who successfully complete their course on or after 1 April next year, become liable to pay the fee on 1 April 2009.

Rationale

5. The GE fee was introduced as part of a new system of student support designed to promote social inclusion and enhance civic society, removing barriers to widening access and participation. However the GE fee has failed to deliver those aims in a modern Scotland. Indeed it is important that education in Scotland is made as accessible as possible and that students are not presented with a financial bill from government for their participation in higher education.

6. The GE fee has burdened many graduates and their families with additional debt and has acted as a disincentive to accessing higher education. The average amount of debt is now around £13,000 per student and, since the introduction of the GE, the age participation index shows that the proportion of young Scots in higher education has fallen (from 51.1% in 2001-02 to 47.1% in 2005-06).

7. Abolition of the GE fee will help relieve some of the financial pressures facing graduates as they start their working lives. It is a step towards ensuring that in a modern Scotland everyone can gain economic, social and personal fulfilment to the fullest possible

extent, and that everyone who has the ability, has the opportunity to be involved in the higher education experience, by removing the barriers which may prevent them from doing so.

8. Evidence that debt worries are a disincentive to study is strong. In 2003, The Joseph Rowntree Foundation found that young people from disadvantaged backgrounds are often deterred from both entering full-time education and from continuing in it long enough to reach their full academic potential because of economic hardships they suffer, particularly as a result of debt.

9. The abolition of the GE fee should therefore be a contributing factor in opening up access to higher education on a more equitable basis. Young people from areas of multiple deprivation should have wider access to higher education and although efforts on this have increased recently, the proportion of entrants from deprived areas of Scotland has not changed significantly over the past five years.

10. The GE fee has not raised the levels of income initially predicted - in the three years it has been in operation two thirds of those eligible to pay the fee have not paid it back directly, but added it to their student loan. It is also worth noting that the average time taken to repay an income contingent loan is approximately thirteen years. The costs associated with this mean that the taxpayer loses around one third of all income collected. For graduates whose liability arose in 2005, 2006 or 2007 only around £13m has been paid back in cash, with around £27m added to loans. Figures from SLC as at 1 April 2007 show that over these three years, only £47,000 of this loan debt has been returned to the taxpayer.

Legislative process

11. The GE fee was introduced by the Education (Graduate Endowment and Student Support) (Scotland) Act 2001 and primary legislation is required to repeal the relevant parts of the Act. Subject to the will of Parliament, we hope that this legislation will come into force on 1st April 2008 to remove the obligation to pay from those who successfully completed their course on or after 1 April 2007. To achieve this, we would therefore anticipate introducing a bill to Parliament in autumn 2007.

12. The legislation would cover:

- students who graduate this summer
- students currently in higher education
- students about to enter higher education this autumn
- all subsequent students

13. There are no plans to abolish the GE fee in respect of those who became liable to pay the GE fee in 2005, 2006 and 2007 - they will still be bound by their current legal obligations to pay. Those who have chosen to add the fee to their student loan account will repay in line with the current student loan repayment arrangements i.e. repayment will commence when they reach the income threshold of £15,000. SAAS will also continue to pursue payment from liable graduates in those historic cohorts who have not repaid as yet.

Financial implications

14. The GE fee is a one-off payment intended to help provide student support for future generations. From 2008-09, the Executive will forego £15m per annum in income from the endowment fee. This income is currently directly attributable to the Executive and is applied (within the legislative restrictions) to release existing budget to be used elsewhere to meet in-year pressures. It is this additional flexibility to fund in-year non-baseline pressures that will be lost immediately. This will not affect the fees, grants and bursaries currently payable by SAAS. The Young Students Bursary will continue to be funded. Furthermore, there will be no implications for university funding, which will continue to come from existing budgets.

Conclusion

15. **We are inviting written responses by 7 September 2007 indicating whether you agree with the principle of abolishing the Graduate Endowment fee.**

Consultation arrangements

16. Please send your response to:

Jacqueline McKellan
Scottish Executive
Higher Education and Learner Support Division
Europa Building
450 Argyle Street
Glasgow
G2 8LG

Or by email to:

Jacqueline.McKellan@scotland.gsi.gov.uk

17. If you have any queries please contact Jacqueline McKellan on 0141 242 0235

18. This consultation, and all other Scottish Executive consultation exercises, can be viewed online on the consultation web pages of the Scottish Executive website at <http://www.scotland.gov.uk/consultations>. You can telephone Freephone 0800 77 1234 to find out where your nearest public internet access point is.

19. The Scottish Executive now has an email alert system for consultations (SEConsult: <http://www.scotland.gov.uk/consultations/seconsult.aspx>). This system allows stakeholder individuals and organisations to register and receive a weekly email containing details of all new consultations (including web links). SEconsult complements, but in no way replaces Scottish Executive distribution lists, and is designed to allow stakeholders to keep up to date with all Scottish Executive consultation activity, and therefore be alerted at the earliest opportunity to those of most interest. We would encourage you to register.

Organisations consulted

20. This consultation paper is being issued to organisations that have a specific interest in the Graduate Endowment fee, as detailed in Annex C. Anyone who has an interest is encouraged to respond. It would be very useful if individuals could indicate in which country they are ordinarily resident when responding to the consultation. This is discretionary and entirely the choice of those who respond.

Alternative formats

21. The text of this consultation paper will be made available, on request, in alternative formats. Anyone requiring the document in an alternative format should contact Jacqueline McKellan at the above address.

Handling your response

22. We need to know how you wish your response to be handled and, in particular, whether you are happy for your response to be made public. Please complete and return the **Respondent Information Form** enclosed with this consultation paper as this will ensure that we treat your response appropriately. If you ask for your response not to be published we will regard it as confidential and will treat it accordingly.

23. All respondents should be aware that the Scottish Executive is subject to the provisions of the Freedom of Information (Scotland) Act 2002 and would therefore have to consider any request made to it under the Act for information relating to responses made to this consultation exercise.

Next steps in the process

24. Where respondents have given permission for their responses to be made public (see the enclosed Respondent Information Form), these will be made available to the public in the Scottish Executive Library by 5 October 2007 and on the Scottish Executive consultation web pages by 12 October 2007. We will check all responses where agreement to publish has been given for any potentially defamatory material before logging them in the library or placing them on the website. You can make arrangements to view responses by contacting the Scottish Executive Library on 0131 244 4552. Responses can be copied and sent to you, but a charge may be made for this service.

25. Following the closing date, all responses will be analysed and considered along with any other available evidence to help us to reach a decision. We aim to issue a report on this consultation process by the end of November 2007.

Comments and complaints

26. If you have any comments about how this consultation exercise has been conducted, please send them to:

Jacqueline McKellan
Scottish Executive
Higher Education and Learner Support Division
2nd Floor
Europa Building
450 Argyle Street
Glasgow
G2 8LG

**ANNEX A
RESPONDENT INFORMATION FORM
ABOLITION OF THE GRADUATE ENDOWMENT FEE**

Please complete the details below and return it with your response. This will help ensure we handle your response appropriately. Thank you for your help.

Name:

Postal Address:

1. Are you responding: (please tick one box)
- (a) as an individual go to Q2a/b and then Q4
- (b) **on behalf of** a group/organisation go to Q3 and then Q4

INDIVIDUALS

2a. Do you agree to your response being made available to the public (in the Scottish Executive library and/or on the Scottish Executive website)?

Yes (go to 2b below)

No, not at all we will treat your response as confidential

2b. **Where confidentiality is not requested**, we will make your response available to the public on the following basis (**please tick one** of the following boxes)

Yes, make my response, name and address all available

Yes, make my response available, but not my name or address

Yes, make my response and name available, but not my address

ON BEHALF OF GROUPS OR ORGANISATIONS:

3 The name and address of your organisation **will be made available to the public** (in the Scottish Executive library and/or on the Scottish Executive website). Are you also content for your **response** to be made available?

Yes

No We will treat your response as confidential

SHARING RESPONSES/FUTURE ENGAGEMENT

4 We will share your response internally with other Scottish Executive policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for the Scottish Executive to contact you again in the future in relation to this consultation response?

Yes

No

ANNEX B

THE SCOTTISH EXECUTIVE CONSULTATION PROCESS

27. Consultation is an essential and important aspect of Scottish Executive working methods. Given the wide-ranging areas of work of the Scottish Executive, there are many varied types of consultation. However, in general, Scottish Executive consultation exercises aim to provide opportunities for all those who wish to express their opinions on a proposed area of work to do so in ways which will inform and enhance that work.

28. The Scottish Executive encourages consultation that is thorough, effective and appropriate to the issue under consideration and the nature of the target audience. Consultation exercises take account of a wide range of factors, and no two exercises are likely to be the same.

29. Typically Scottish Executive consultations involve a written paper inviting answers to specific questions or more general views about the material presented. Written papers are distributed to organisations and individuals with an interest in the issue, and they are also placed on the Scottish Executive web site enabling a wider audience to access the paper and submit their responses. Consultation exercises may also involve seeking views in a number of different ways, such as through public meetings, focus groups or questionnaire exercises. Copies of all the written responses received to a consultation exercise (except those where the individual or organisation requested confidentiality) are placed in the Scottish Executive library at Saughton House, Edinburgh (K Spur, Saughton House, Broomhouse Drive, Edinburgh, EH11 3XD, telephone 0131 244 4565).

30. All Scottish Executive consultation papers and related publications (e.g., analysis of response reports) can be accessed at: [Scottish Executive consultations](http://www.scotland.gov.uk/consultations) (<http://www.scotland.gov.uk/consultations>).

31. The views and suggestions detailed in consultation responses are analysed and used as part of the decision making process, along with a range of other available information and evidence. Depending on the nature of the consultation exercise the responses received may:

- indicate the need for policy development or review
- inform the development of a particular policy
- help decisions to be made between alternative policy proposals
- be used to finalise legislation before it is implemented

32. Final decisions on the issues under consideration will also take account of a range of other factors, including other available information and research evidence.

33. While details of particular circumstances described in a response to a consultation exercise may usefully inform the policy process, consultation exercises cannot address individual concerns and comments, which should be directed to the relevant public body.

ANNEX C

LIST OF CONSULTEES

Association of Scotland's Colleges
Coalition of Higher Education Students in Scotland
Commission for Racial Equality
Convention of Scottish Local Authorities
Disability Rights Commission
Educational Institute of Scotland
Equal Opportunities Commission
Members of the Scottish Parliament
National Union of Students, Scotland
Open University
Principals of all Higher Education Institutions
Scottish Funding Council
Scottish Members of the European Parliament
Scottish Parliament Education and Lifelong Learning Committee
STUC Lifelong Learning Unit
Scottish Youth Parliament Education Committee
Student Awards Agency for Scotland
Student Loans Company
Students Union presidents at all Higher Education Institutions
Universities Scotland
University and College Union