INTRODUCTION

1. This document relates to the Graduate Endowment Abolition (Scotland) Bill introduced in the Scottish Parliament on 22 October 2007. It has been prepared by the Scottish Government to satisfy Rule 9.3.3(c) of the Parliament’s Standing Orders. The contents are entirely the responsibility of the Scottish Government and have not been endorsed by the Parliament. Explanatory Notes and other accompanying documents are published separately as SP Bill 2–EN.

POLICY OBJECTIVES OF THE BILL

Overall objective

2. This Bill provides for the abolition of the fee known as the graduate endowment (“GE”) for students who successfully completed their course on 1 April 2007 or thereafter.

Background

3. The GE was introduced by the Education (Graduate Endowment and Student Support) (Scotland) Act 2001 and applied from 1 August that year as part of a new set of student support arrangements for higher education students. A graduate is not obliged to pay the GE until 1 April after the graduate has successfully completed the course. The amount payable is set at the beginning of the degree course and, for entrants in academic year 2006-07, the fee would be £2,289 at the time of successful completion of the course.

Liable students

4. The GE applies to Scottish domiciled and non-UK EU students who attend Scottish higher education institutions. It does not apply to non-EU overseas students or students from elsewhere in the UK who study in Scotland.

5. Not all Scottish and non-UK EU students are liable to pay the GE. There are a number of exemptions, including lone parents and those who are in receipt of the Disabled Students’ Allowance at some point during their course. Those who have attained the age of 25 years or more, are married or in a civil partnership or who have been self-supporting out of their earnings for periods aggregating 3 years or more, on the first day of the first academic year of their
course, are also exempted. The GE is not liable to be paid by those 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 not liable to pay the GE.

6. Under current arrangements, the first cohort of students who became liable to pay the GE finished their courses in 2004 and were due to make their payments on 1 April 2005. Since then, two more cohorts of graduates have become liable to pay the GE on 1 April 2006 and 2007.

7. The next cohort of students who will become obliged to pay the GE are those who have successfully completed their course on or after 1 April 2007 who become liable to pay on 1 April 2008. This Bill seeks to abolish the GE in respect of all of those with a due date of 1 April 2008 and all subsequent cohorts.

8. This will not affect the position of the three cohorts of graduates who have already repaid. Graduates with a due date of 1 April 2005, 2006 or 2007 who have yet to pay still carry this liability and will be pursued through normal debt collection channels. The Education (Graduate Endowment and Student Support) (Scotland) Act 2001 and the supporting regulations will remain in place for this group.

Rationale

9. The GE was introduced as part of a new system of student support designed to remove barriers to widening access and participation. The intention was that graduates should make a payment on completion of their course which recognised the benefits they had received from their higher education. This payment would not go to institutions, but instead would be used to support future generations of students.

10. The GE has failed to deliver these aims, as the increased debt burden remains a barrier to access. 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 worth noting that the average time taken to repay an income contingent loan is approximately thirteen years.

11. The costs associated with student loans 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 the Student Loans Company as at 1 April 2007 show that over these three years, only £57,000 of this loan debt has been returned to the taxpayer.

12. The policy’s failure to contribute to widening access is also clear. The GE has burdened many graduates and their families with additional debt and has acted as a disincentive to accessing higher education. The average loan debt for a student on a four year degree (including the GE) is now around £11,000 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).
13. Abolition of the GE 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.

14. 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 the accumulation of debt.

15. The abolition of the GE 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.

16. It is essential that education in Scotland is as accessible as possible and that students are not presented with a financial bill from government for their participation in higher education. Abolishing the GE is the first step for this Scottish Government towards its aspiration of having a higher education system in Scotland that is free for all.

Financial implications

17. The abolition of the GE fee will have no affect on the amount of student support funding available in Scotland nor will it have any implications for university funding. The Financial Memorandum provides more detail on the financial implications of the Bill.

ALTERNATIVE APPROACHES

18. No options other than abolishing the GE have been considered. As a policy, the GE has failed in it aims of improving access and raising resource to fund future generations of students. Therefore, there is a clear policy intent to scrap this scheme.

19. Initiatives to widen access to higher education through other means continue across both the further and higher education sectors and the Scottish Government is continuing to work to develop a sustainable and adequately funded student support system.

20. In terms of the approach taken to abolish the GE, alternatives to primary legislation were considered. Officials looked at the possibility of amending secondary legislation to remove the effects of the GE – for example setting the amount to zero. However, it was considered that as the 2001 Act creates a clear intention to operate a graduate endowment scheme, it would be acting against the will of Parliament to negate this primary legislation by amending the regulations. The decision was therefore taken that the GE should only be abolished by new primary legislation.
CONSULTATION

21. The Lifelong Learning Directorate carried out a consultation between 13 July and 7 September on the principle of abolishing the GE. Details of the consultation and responses can be found on the Scottish Government website at http://www.scotland.gov.uk/Consultations/Closed.

22. By the closing date we had received 44 responses and two organisations (Universities Scotland and the Coalition of Higher Education Students in Scotland) accepted offers of face-to-face meetings with officials. Considering both the written responses and discussions at face-to-face meetings, all of those who directly considered the principle agreed that the GE should be abolished. The majority of responses came from higher education institutions and student representative bodies who were happy that abolition would help relieve the debt burden on Scottish students.

EFFECTS ON EQUAL OPPORTUNITIES, HUMAN RIGHTS, ISLAND COMMUNITIES, LOCAL GOVERNMENT, SUSTAINABLE DEVELOPMENT ETC.

Equal opportunities

23. The provisions of the Bill are not discriminatory on the basis of gender, race, age, disability or sexual orientation. It is compliant with equal opportunities legislation – it will abolish the GE fee for all of those with a due date for making payment of 1 April 2008 or later. As a result all graduates will be treated equally in that none will be required to pay the fee once it is abolished. The Equal Opportunities Commission, Commission for Racial Equality and the Disability Rights Commission were all consulted on the principle of abolishing the GE fee but chose not to respond.

Island communities

24. The abolition of the GE will affect students who have completed courses at all Scottish Higher Education Institutions. This will include UHI Millennium Institute, which has sites on a number of islands.

Human rights

25. The Scottish Government is of the view that the Bill is compatible with the European Convention on Human Rights and that it raises no human rights issues. In formulating the policy behind the Bill, we carefully considered the differential treatment of differing cohorts of graduates, concluding that the measures proposed were compatible with Articles 1 and 2 of Protocol 1 (protection of property and right to education respectively), and Article 14 (prohibition of discrimination) in conjunction therewith, of the Convention.

Local government

26. The Bill has no particular impact on local government, although the Convention of Scottish Local Authorities (COSLA) has been consulted on the principle of removing the GE. COSLA chose not to respond to this consultation.
Sustainable development

27. By reducing the burden of debt on our graduates, this Bill will help relieve some of the financial pressures facing graduates as they start their working lives. It is a step towards ensuring that everyone who has the ability has the opportunity to be involved in the higher education experience, by removing the barriers that may prevent them from doing so.

28. The abolition of the GE will have no wider implications in terms of environmental impact or sustainable development.
GRADUATE ENDOWMENT ABOLITION (SCOTLAND) BILL

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