The University of St Andrews appreciates that the Scottish Government is attempting to develop consensus government issue by issue. To date, funding of the Higher Education sector is currently the subject of consideration, with no definitive view having been reached. The Government has made a commitment to repay debt, and while the University understands and shares many of the concerns at the level of debt experienced by some students, it is profoundly concerned about the effect this measure will have on the funding of Higher Education.

Although Universities Scotland has already made a response to the Scottish Government’s Consultation on behalf of its members, the University considers that that response was too anodyne. A public discussion, both about student funding and university funding, is needed urgently to identify the distribution of public funding in the light of the proposals to abolish the Graduate Endowment Fee, and to suggest new funding models for Higher Education.

The University believes it is essential that university funding be considered separately from student funding, and the Principal, Dr Brian Lang, has made this point publicly. However, this issue is not yet clearly understood by others and achieving that will not be easy. The corporate position of the Scottish Funding Council is that only a sector-wide approach can be adopted. Their view of the sector is that universities, regardless of the nature of their strengths and weaknesses, the nature of their markets, and the varying kinds of competition they face, must be treated alike.

A significant factor in this University’s ability to maintain its level of success will be the Scottish Government’s policy towards the Higher Education sector in the context of the Comprehensive Spending Review, announced in November 2007. A crucial element to this will be the Government’s view of the measures and resources that would need to be available to leading Scottish universities so they are able to meet the competitive advantage of the so-called ‘Top-Up’ fees being licensed elsewhere in the UK.

The likely removal of the top-up fee cap in England in 2009 has huge implications. In planning terms, this is an immediate threat. English universities have made plans for this eventuality already; if the situation is not addressed in Scotland before 2009 it will not be until 2014 that the results are seen here. We believe that we need greater flexibility now, so that we can generate additional non-government funding in order that Scotland’s position in a highly competitive market is not undermined. This is currently not possible. We need a more sensitive and responsive funding model which should at very least afford easing of constraints and allow a dynamic and differentiated sector which is in fact already recognised by and in the market. Each institution can aspire to be the best it can be at what it does best. Scotland needs a funding model for Higher Education which values and appropriately supports an Aberdeen and an Abertay, a Glasgow and a Glasgow Caledonian equally for their very different strengths and contributions.

A failure to address these immediate issues will do irreparable long-term damage to the whole Higher Education sector by harming global reputation and the ability to compete. The risk lies in undermining the ability of the sector to make a more direct contribution to economic growth, something universities will be expected to do in future.

The growing pressures on government from serious economic and social problems elsewhere may rule out the necessary levels of investment in Higher Education for some time. It is not clear, for example, how the Government intends to compensate for the loss of income if the Graduate Endowment Fee is abolished. Scotland cannot match the funding made available to universities in England, and the funds which it has provided have not been deployed correctly in order to maintain the excellent standards at, and stave off attempts to poach the best staff from, the highest quality universities like St Andrews.

Certainly this will have huge implications for the global competitiveness of St Andrews and similar institutions as well as for our position within the UK following the removal of the fees cap in England after the next general election. Particularly as a result of the proposal to abolish the Graduate Endowment Fee, we expect that Scottish universities are unlikely to be given additional
public funding to the level which they need to remain internationally competitive and in that event we will need to press for the freedom to earn what we need.

Consequently, the University must explore all options for raising revenue including adopting a more market-orientated position across all core business. For instance, the University considers the current consolidation regime, which adopts a supply-led approach to the allocation of student places, to be harmful to the Scottish economy and to the top level universities. It should be replaced by a less regulated allocation system that promotes student choice. More significant would be the introduction of enhanced payments from home and EU students for the education they receive in a Scottish university. Discussion of fees (including but not restricted to issues such as impoverished undergraduates, fear of debt, and the lack of certainty over job prospects) has tended to obscure their true nature as more akin to a graduate tax.

The University understands the reasoning behind the Scottish Government’s proposal to abolish the Graduate Endowment Fee – it could be said that this fee never really served its purpose – but our real concern is that in so doing it will close off a debate on university funding, as separate and distinct from student funding; the resulting decline in Scottish Higher Education which would follow from this undermining of the sector will be rapid and irrecoverable.