

GRADUATE ENDOWMENT ABOLITION (SCOTLAND) BILL

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This briefing explains the provisions within the Graduate Endowment Abolition (Scotland) Bill and examines the policy and financial implications of abolishing the Graduate Endowment (GE) fee. It considers the Scottish Government's consultation process, and summarises the consultation responses. It also provides detailed figures on the numbers of graduates affected by the GE fee and the income derived from it since its introduction in the academic year 2001-02

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KEY POINTS

- The Graduate Endowment fee was introduced in the academic year 2001-02, following the Education (Graduate Endowment and Student Support) (Scotland) Act 2001 (The 2001 Act). The 2001 Act contained three main elements: the introduction of a graduate endowment fee, provisions for student support for distance learners, and provisions to remove council tax liability for students
- The Graduate Endowment (GE) fee was intended to be seen as a payment by certain graduates in recognition of the benefits they received from their period in higher education. One of the key points of the introduction of the Graduate Endowment scheme was to use the income raised to fund certain improvements in student support, in order to widen access and participation in higher education
- The GE fee is a fixed amount that some Scottish and EU students who study for a full-time first degree at a publicly-funded university or college in Scotland are eligible to pay after they have completed their degree (1 April in the following year). Students can pay the GE fee in a lump sum or by taking out an additional student loan. It is estimated that approximately 50% of students are exempt from paying the GE fee. The GE fee rate was initially set at a level of £2000 for the first academic year it came into force (2001-02) and has annually increased in line with inflation
- In April 2005, 2006 and 2007, a total of 20,684 students have become liable to pay the GE fee, totalling a potential gross income from the GE fee of £41.7 million. Of this £41.7 million, approximately £13 million of GE fees have been paid back in cash, with £26 million been added to student loans
- At the meeting of the Parliament on 13 June 2007, the Cabinet Secretary for Education and Lifelong Learning announced her intention to introduce a Bill to repeal parts of the Education (Graduate Endowment and Student Support) (Scotland) Act 2001 (the 2001 Act) in order to abolish the GE fee. A consultation on the principle of abolishing the GE fee took place from July to September 2007. The analysis report of the consultation showed that the vast majority of respondents were happy with the general principle of abolishing the GE fee, providing it had no effect on funding for higher education
- The Graduate Endowment Abolition (Scotland) Bill was introduced on 22 October 2007, to provide for abolition of the graduate endowment fee for students completing their course on or after 1 April 2007. The Bill does not seek to remove the liability for payment of the graduate endowment fee for those students who completed their course before this date. Therefore those graduates who became liable to pay the GE fee on 1 April 2005, 2006 and 2007 will still remain liable to pay.
- The Governments Policy Memorandum that accompanies the Bill explains the reason for the proposal to abolish the GE fee is that, as a policy, it has failed to deliver its original aims of removing barriers to widening access and participation and using the GE fee income to support future generations of students.
- As a result of the abolishing the GE fee, the Scottish Government will forego around £17 million in net income (net of the cost of providing GE student loans). In addition, there will be one-off operational costs incurred by the Student Awards Agency Scotland (SAAS) and the Student Loans Company (SLC) of £225,000 and £63,000 respectively. Savings of around £30,000 per annum will be achieved by both agencies.

INTRODUCTION

The Graduate Endowment fee was introduced in the academic year 2001-02 by the Education (Graduate Endowment and Student Support) (Scotland) Act 2001 (The 2001 Act). The 2001 Act contained 3 main provisions:

- The introduction of the Graduate Endowment fee (GE fee) and use of income arising from the fee
- Financial support for students on distance learning courses
- Removal of the council tax liability affecting students

The 2001 Act (asp 6) made provision for payment of a “graduate endowment” by a “graduate” in respect of the “higher education benefits” the graduate has received. The details of the graduate endowment fee, including those graduates liable to pay, the amount of the graduate endowment fee and the manner in which it has to be paid were set out in regulations made by Scottish Ministers. It was intended to be seen as a payment by certain graduates in recognition of the benefits they received from their period in higher education. Section 1(5) of the 2001 Act defined these “higher education benefits” to a “graduate” as:

“(a) the financial support provided in respect of the graduate by way of any grant, loan or other payment such as is mentioned in the definition of “publicly-funded institution”; and

(b) any financial support provided to the graduate by way of any –

- (i) allowance for living costs; or
- (ii) loan,

payable by virtue of section 73(f)(i) of the Education (Scotland) Act 1980 (c.44)”

One of the key points of the Graduate Endowment scheme was to raise income to fund certain improvements in student support (SPICe, 2001). Section 2 of the 2001 Act therefore imposed a duty on Scottish Ministers to include in the budget proposals made for each financial year, provision for the income raised from the graduate endowment fee in that year to be used for the purposes of student support provided by Scottish Ministers. Student support in the 2001 Act is defined in Section 2(2) as

“student support” means the provision of –

- (a) allowances for living costs; and
- (b) loans

under section 73(f)(i) of the Education (Scotland) Act 1980 (c.44)”

GRADUATE ENDOWMENT FEE – WHO PAYS?

The GE fee is an amount fixed by Scottish Ministers that some Scottish and EU students who study for a full-time first degree at a publicly-funded university or college in Scotland are eligible to pay after they have completed their degree. Students can pay the GE fee in a lump sum or by taking out an additional student loan (Student Awards Agency Scotland, SAAS). Should

students choose to pay the GE fee by student loan, they are only liable to start paying back the loan once they earn over the current student loan income threshold of £15,000.

The GE fee rate was initially set at a level of £2000 for the academic year it came into force (2001-02) and has annually increased in line with inflation. The rate students pay is set on the year they entered higher education. These rates are set out in table 1 below.

Table 1: Graduate Endowment Fee Rates 2001-02 to 2006-07

Session	Graduate Endowment Fee Rate (£)
2001-2002	2,000
2002-2003	2,030
2003-2004	2,092
2004-2005	2,154
2005-2006	2,216
2006-2007	2,289

Several groups of students are exempt from paying the GE fee. These groups are listed below (SAAS):

- Post-graduate students
- Higher National Diploma (HND), Higher National Certificate (HNC) or teacher-training students
- Those assessed as an '[independent](#)' student on the first day of the first academic year of their course
- Students that have been eligible for the Lone Parents' Grant
- Students that have been eligible for the Disabled Students' Allowance
- Those students who have transferred to a degree course directly from an HNC or HND that started before 2001-2002
- Those students who take less than two academic sessions to complete a degree course immediately after completing an HNC or HND
- Those students who take less than three academic sessions to complete a degree course in all other circumstances
- Those students who are taking certain degree courses that attract an income-assessed Scottish Executive Health Department bursary, such as nursing, midwifery and courses for the Allied Health Professions
- Those students who fail to meet the requirements to be accredited with a degree
- Students who have studied for a degree in a publicly-funded higher education institution before
- Students studying at a UK institution outside Scotland
- Students in part-time study

PAYMENTS

As can be seen from the list above, a large proportion of students are exempt from paying the GE fee. As the fee came into force in the academic year 2001-02, the first cohort of students liable to pay the GE fee graduated in 2004 after a three year degree course, and were, therefore liable to pay the fee on 1 April 2005. However, the majority of students in Scotland completed four year honours degree courses and so the number liable to pay the fee in 2005 was actually

very low). Data from the Student Awards Agency Scotland (SAAS) in tables 2 and 3 below show the breakdown of the number of students liable, the methods of payment chosen and the actual income received from the graduate endowment fee for the years 2005, 2006 and 2007.

Table 2: Students Liable to Pay the Graduate Endowment Fee and Methods of Payment 2005 – 2007 (SAAS, September 2007)

	Apr-05	Apr-06	Apr-07
Number of Potential Graduate Endowment Liable Students	7830	18213	24340
of which:			
Liable - Decided to pay in full	249	2624	3419
Liable - Decided to pay by loan	702	5216	6987
Liable - Decided to pay by part payment part loan	25	124	203
Not liable - have decided to continue their course of education	6417	9193	9653
Not liable - Exempt from payment	403	797	1551
Not liable - Deferred	9	87	1578
Withdrawn from course (may be liable at a later date)	0	11	0
Liable - In debt recovery	18	149	949
Liable - Written off	7	12	0
Number of students actually liable to pay Graduate Endowment in given yr	1001	8125	11558
% of students actually liable to pay graduate endowment in given yr	12.78	44.61	47.49

It can be seen that, as would be expected, the number of students liable to pay the graduate endowment fee has increased significantly, from 12.8% in April 2005 to 47.5% in April 2007. As explained above, this is due largely to the fact that the majority of students affected in 2001-02 chose to continue their course of education (4 year degree) and therefore would have become liable on 1 April 2006. In April 2005, 2006 and 2007 a total of 20,684 students have been liable to pay the GE fee.

Table 3: Income from Graduate Endowment fee April 2005 – April 2007 (SAAS, September 2007)

	Apr-05	Apr-06	Apr-07
Actual Number of Students Liable	1001	8125	11558
Gross Income from Graduate Endowment	£2,004,060	£16,262,918	£23,439,056
Of which paid:			
in full	25%	32.20%	29.60%
by loan	70.20%	64.10%	60.30%
by part payment part loan	2.50%	1.60%	1.80%
in debt recovery action	1.80%	1.90%	8.30%
written off	0.70%	0.20%	

The breakdown of income received from GE fee payments is shown in table 3 below. As the table shows, the majority of students choose to pay the GE fee through loans. In April 2007, income received from GE fee payments totalled £23.4 million, of which 60.3% of liable graduates paid by loan (£14.1 million) and 29.6% paid in full (£6.9 million).

In total, from 2005 – 2007, of the £41.7 million of GE fees paid by students, £12.7 million was paid in cash, with £26 million being paid through student loans.

PRIMARY LEGISLATION: THE GRADUATE ENDOWMENT ABOLITION (SCOTLAND) BILL

The new administration announced its intention to abolish the graduate endowment fee in its document ['It's Time to Look Forward: The First 100 Days of an SNP Government'](#) (SNP 2007) stating

'We will begin the reform of student funding with the introduction of a Bill to abolish tuition fees by removing the graduate endowment fee'

The document also put forward the following proposals in relation to the reform of student funding

- to prepare draft legislation to replace the current system of student loans with means-tested grants
- to bring forward detailed proposals for the Scottish Executive to service the existing debt of Scottish Domiciled students by meeting their annual student loan repayments as long as they are resident in Scotland

At the meeting of the Parliament on 13 June 2007, the Cabinet Secretary for Education and Lifelong Learning announced her intention to introduce a Bill to repeal parts of the Education (Graduate Endowment and Student Support) (Scotland) Act 2001 in order to abolish the GE fee. It was also stated that detailed options for the other student support proposals would be considered as part of the current Spending Review (Scottish Government, 2007).

CONSULTATION

A [Consultation on the principle of the abolition of the Graduate Endowment fee](#) was published in 13th July 2007, with written responses requested by 7 September 2007 (Scottish Government 2007a). A list of consultees can be found in Appendix 1.

The Government's intention, as stated in the consultation document, is that students who graduate this summer, students who are currently at university, students who are about to enter university this autumn and all subsequent student intakes will no longer have to pay the GE fee. However, there are no plans to retrospectively abolish the GE fee in respect of those who became liable to pay the GE fee in 2005, 2006 and 2007. These cohorts of students would still remain liable to pay.

The rationale for abolishing the graduate endowment fee was given in the consultation as:

'The GE fee was introduced as part of a new system of student support designed to promote social inclusion and enhance civil society, removing barriers to widening access and participation. However the GE has failed to deliver those aims in a modern Scotland....

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)...

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 13 years. The costs associated with this means that the taxpayer loses around one third of all income collected. For graduates whose liability arose in 2005, 2006 and 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 3 years, only £57,000 of this loan debt has been returned to the taxpayer’.

It was also explained in the consultation document that the financial implications of abolishing the graduate endowment fee would be a loss of income to the Scottish Government of £15m per annum. This income is currently used to release existing budget to meet in-year non-baseline pressures, and losing this income would result in a loss of this flexibility, but would not affect funding for student support, such as bursaries, or funding for universities.

The consultation did not ask respondents to comment on the detail of abolishing the graduate endowment fee, but instead asked consultees to indicate whether they agreed with the general principle.

Consultation responses

On 23 October 2007, the Scottish Government [Consultation Analysis Report](#) was published. This report stated that 44 responses to the consultation were received, with over half of these responses representing Higher Education Institutions (HEIs) and students (Scottish Government, 2007 b). The list of respondents can be found in Appendix 2.

The consultation report stated that 93% of those who responded were in agreement with the principle of the abolition of the GE fee, whilst 5% didn't specifically answer the question and a further 2% felt it was inappropriate to respond. 100% of the HEIs, students and staff representatives who responded agreed with the general principle.

However, although the vast majority of respondents were in agreement with the general principle of the abolition of the GE fee, several wider issues were raised with regards to student support and higher education funding within the individual consultation responses. These issues are summarised below. Full details can be found within the published [individual consultation responses](#) (Scottish Government, 2007c).

- Agreement on the principle of the abolition of the GE fee by the majority of respondents was on the proviso that future funding for higher education would not be affected. Specific issues were that abolition of the GE should not be at the expense of funding for HEIs, or that future student support arrangements should not be affected by the loss of GE fee income.
- Skill Scotland put forward specific concerns about the possible effect of this loss of GE fee income upon future investment in student support, particularly in Disabled Students' Allowance (DSA). It was noted that the Scottish Government are carrying out a review of

DSA, and Skill Scotland recommended that the review considered the financial viability of increasing the level of DSA in line with their English counterparts

- The issue of student support for different modes of study was raised by the Open University and the Open University Students Association (OUSA), stating that fees, support and funding should not differentiate between full-time and part-time learners, and that as the abolition of the GE fee affects only full-time learners, this would only widen the gap of student support between these different modes of study. The OU did however welcome the Scottish Government's current review of Funding for Learners, and await the outcome of the review and its impact on the model of support for part-time learners. The Scottish Trades Union Congress (STUC) also stated it would welcome further dialogue on fees charged to part-time students.
- There was comment by a couple of respondents about the lack of information on the negative impact that the GE fee has had on widening access, or of its ability to raise income for student support, as it has only been in place for 6 years, and graduates have only become liable from 2005.
- A few respondents said that the abolition of the GE fee helped to decrease the complexity of the student support and fees system, which in itself can act as a deterrent to entering higher education
- Some respondents asked why it was necessary to continue to collect payments from graduates of 2005, 2006 and 2007. One respondent suggested that the Government find a way of rebating these cohorts of graduates for the payments they had made to date.
- Another respondent raised the overall issue of a system of 'free for all' higher education, and said that the consultation confused the issue of widening access for those from disadvantaged backgrounds, with that of removing this debt burden from all students. It was argued that perhaps the GE fee should be means tested, where those that can afford to, pay, and the income raised is used to help disadvantaged groups of students
- Some student representative bodies said that while they welcomed the abolition of the graduate endowment fee, the Scottish Government's manifesto pledge to abolish student debt should remain a commitment. The STUC also stated it would encourage the Scottish Government to elaborate on its plans for addressing student debt
- There was a call for an overall review of higher education funding by a couple of the consultees

It was noted in the consultation analysis report that, although these wider issues were not within the scope of the consultation, they would be considered by officials within the context of any future policy development (Scottish Government 2007b).

THE GRADUATE ENDOWMENT ABOLITION (SCOTLAND) BILL

Following the consultation, the Scottish Government introduced the Graduate Endowment Abolition (Scotland) Bill (the Bill) on 22 October 2007. The Bill provides for the abolition of the Graduate Endowment fee for students who successfully complete their course (3 years or more) on 1 April 2007 or thereafter, and would therefore be liable to pay in April 2008 or after. This Bill will not affect the three cohorts of graduates in 2005, 2006 and 2007, who have already paid the

GE fee or are yet to pay. These students will remain liable to pay. The Education (Graduate Endowment and Student Support) (Scotland) Act 2001 and the supporting regulations will remain in place for these graduates.

The Bill provides for the repeal of the parts of the 2001 Act that relate to the establishment of the Graduate Endowment fee but will not repeal the parts that relate to financial support and exemption from liability for council tax.

There are five sections in the Bill. These cover abolition of the graduate endowment fee, extinguishing of graduate endowment fee liabilities, saving of prior liabilities, definitions; and commencement and short title.

Section 1 of the Bill repeals Sections 1 and 2 of the 2001 Act (and consequently the principal regulations associated with these sections), which make provisions for payment of a graduate endowment fee by certain persons, and for how the income arising from the graduate endowment fee should be used. Section 1 of the Bill also repeals paragraph 10 in schedule 3 of the [Further and Higher Education \(Scotland\) Act 2005](#), which amends the 2001 Act. Sections 3 and 4 of the 2001 Act that refer to financial support for distance learning students and students' exemption from council tax liability will remain in place.

Section 2 of the Graduate Endowment Abolition (Scotland) Bill removes from graduates who completed their course on or after 1 April 2007 the liability to pay the graduate endowment fee. Section 2 (3) further provides that the Graduate Endowment fee is to be regarded as having never existed, for graduates liable from 1 April 2008 onwards. This subsection is included to ensure that should the Bill not be passed until after 1 April 2008, those graduates would still not have to pay the GE fee.

The Bill also provides that those graduates who became liable to pay the GE fee before 1 April 2008 to continue to be liable. Section 3 of the Bill makes provisions for Section 1 of the 2001 Act and its principal regulations to remain in effect for these cohorts of graduates.

The Bill does not however provide for Section 2 of the 2001 Act to remain in effect, which provided for the use of these GE funds for student support. It therefore becomes unclear, should the Bill be passed as it is currently drafted, how the income collected from the GE fee from these groups in the future will be used, as it would no longer be a legislative requirement that it should be used for student support.

Policy

The Governments Policy Memorandum that accompanies the Bill explains the reason for the proposal to abolish the GE fee is that, as a policy, it has failed to deliver its original aims of removing barriers to widening access and participation in higher education, and using the GE fee income to support future generations of students. It states that the increased debt burden on graduates remains a barrier to access and that the GE fee has acted as a disincentive to accessing higher education.

The Policy Memorandum uses research from the [Joseph Rowntree Foundation](#) in 2003 as evidence 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 accumulation of debt' (Policy Memorandum)

It is worth noting here that this research was carried out in 2003 before students had begun to pay the GE fee. This research, therefore, did not assess the impact of the GE fee on students, but rather the impact of the accumulation of debt as a whole. It is also worth revisiting some of the individual consultation responses on this point. Two respondents highlighted a lack of evidence to suggest what impact, if any, the GE fee has had on widening access and participation.

The Policy Memorandum claims that abolishing the GE fee should be a contributing factor in opening up access to higher education on a more equitable basis. It also states that abolishing the GE is the first step towards the Scottish Government's aspiration of having a free higher education system for all. As one of the consultation responses pointed out, these two statements do not necessarily correspond:

'There is a quick elision from the circumstances of the socially and economically disadvantaged to the arrangements for all students...If the real intent is to support disadvantaged groups, for whom the cost of participating in HE (including maintenance and income foregone) is a barrier, the solution may lie in means-tested maintenance and bursary support...A simpler way under present arrangements may be to say that some groups will not pay the GE fee on the basis that it is a deterrent, but other more affluent groups will continue to pay: The revenues from those continuing to pay the GE fee could then be used to support, at least some, maintenance and bursaries' Vice-Principle, University of Strathclyde

It should be noted here however that this opinion was not voiced by the majority of respondents, who generally were happy that abolishing the GE fee would help to relieve the debt burden on Scottish students.

Legislation

The Policy Memorandum states that no other approaches were considered in terms of abolishing the Graduate Endowment fee. In order to abolish the GE fee, alternatives to primary legislation were considered, including amending the relevant secondary legislation to remove its effects. However, it was deemed that as the 2001 Act creates a clear intention to operate a Graduate Endowment Scheme, it would be acting against the will of the Parliament to negate this primary legislation by amending the regulations (Policy Memorandum, p.3) It was therefore agreed to bring forward primary legislation to repeal the relevant parts of the 2001 Act and consequently its principal regulations.

Financial Implications

The Financial Memorandum (FM) explains that as a result of abolishing the GE fee, the Scottish Government will forego around £17 million in net income (net of the costs of providing GE student loans). In addition, there will be operational costs incurred by the Student Awards Agency Scotland (SAAS) and the Student Loans Company (SLC) of £225,000 and £63,000 respectively. These costs are associated with removing GE fee functionality from the SLC IT systems and writing off the capital costs of the GE fee IT system for SAAS. However, savings of around £30-£35,000 per annum will be realised by SAAS. The FM explains that these savings will be redeployed to meet other priorities within SAAS. In addition, the SLC will save around £30,000 per annum in running costs. This information was provided by the SAAS and SLC.

Loss of GE fee gross income

The figure of £17 million loss of net GE fee income is derived from an overall gross income of £21.7 million from the 11,558 graduates who became liable to pay the GE fee on 1 April 2007, as stated in the FM. It should be noted here that the data from SAAS differs from that used in the FM. SAAS sets the actual gross income derived from the GE fee on 1 April 07 as £23.4 million (see tables 2 and 3, p.6). This SAAS figure includes those graduates in, or facing debt recovery, as shown in the table below. However, the figures used for GE fee income in the FM do not include these figures. The argument for this is that these graduates in debt recovery are not included in the income figures until they begin to pay. The total amount of GE fee income awaiting debt recovery on 1 April 07 was approximately £1.95 million. The FM also states that at 1 September 2007, 1,116 graduates were in, or facing debt recovery action.

The FM states that of this total £21.7 million GE fee income, £14.6 million will be paid through student loans, whilst £6.9 million will be paid in cash. Again, deriving actual amounts from the SAAS data in table 3, these figures differ slightly. The SAAS figures determine that of the total £23.4 million GE fee income, £14.1 million will be paid in student loans and £6.9 million will be paid in cash.

These figures are shown in table 4 below:

Table 4: SAAS data and Financial Memorandum figures for Income from Graduate Endowment fee (September 2007)

	FM Figures	SAAS data 1 April 07
Total Gross Graduate Endowment Fee income	£21.7 m	£23.4 m
of which:		
paid through loans	14.6 m	£14.1 m
paid in cash	£7.1 m	£6.9 m
paid part cash part loan		£0.42 m
Debt Recovery		£1.95 m
Number of graduates in or facing debt recovery as at 1 September 2007	1116	1116

There are two main reasons that the FM and SAAS figures differ. Firstly, as explained above, graduates who are in or facing debt recovery action are not included in the gross GE fee income figures given in the FM. Secondly, the figures in the FM represent an estimate of the income that would be received from the GE fee from the cohort of students who would become liable to pay on 1 April 2008, whereas the SAAS data are the actual figures from those who became liable to pay on 1 April 2007.

Loss of GE fee net income

The Financial Memorandum explains that the associated cost of providing student loans (made up of provision for bad debt, student loan subsidy) is calculated at 31% for every pound borrowed. Therefore 31% of every pound lent out in GE fee student loans is lost. The FM states that for the £14.6 million which would be collected through GE student loans, there would be an associated cost of collecting the GE fee through student loans of around £4.7 million. Therefore, taking the total gross income derived from the GE fee as £21.7 million and deducting the FM's stated cost of providing the GE student loans at £4.7 million, this would provide a net income of

approximately £17 million. This would be the income foregone by the Scottish Government as a result of abolishing the Graduate Endowment fee. This has been calculated below:

£21.7 million Gross GE fee income – (31% of £14.6 million paid in loans = £4.526 million cost of providing GE loans) = £17.2 million loss of GE fee net income

If SAAS figures are used, rather than those in the Financial Memorandum, the calculation (including those in debt recovery) would be:

£23.4 million - (31% of £14.1 million paid in loans = £4.371 million cost of providing GE loans) = £19 million loss of GE fee net income.

As can be seen, the figures differ by approximately £2 million, depending on whether those graduates liable for GE payment, who are in or facing debt recovery, are included in the figures.

Use of GE fee income

The previous administration said that the purpose of the GE fee was to fund future support of students to widen access and participation in higher education, through bursaries and increased student loans. In providing evidence to the previous session's Enterprise Committee, Nicol Stephen MSP said that

'In time, the money raised from the graduate endowment will be used to support the reintroduction of bursaries and the additional £500 student loans for young students from lower income backgrounds. That has always been our intention. However, in order to introduce the new scheme in full next autumn, the Executive will bear significant additional costs for the first few years until the graduate endowment income becomes fully available' ([OR Column 1466 12/12/00](#))

GE fee income has, in practise, not been specifically used for these purposes. As it stated in the Financial Memorandum, the use of the income raised from GE fee payments has been within legislative restrictions outlined in the 2001 Act to fund student support, but this has been applied specifically against the cost of providing student loans.

Within the Draft Budget 2007-08 documents, the Graduate Endowment fee income budget is included within the budget expenditure line on Student Loan Subsidy net (RAB) at level 3 spend.

According to the Financial Memorandum, this loss of GE fee income will only affect end-year flexibility. When the Graduate Endowment Scheme was introduced, an expenditure line for GE fee was added to the student loan subsidy Budget, equal to the income expected to be received from the GE fee. The reason for this, in line with general accounting principles, was to cover the worst-case scenario that there would be 100% bad debt provision i.e. no GE fee payments would be received, and adding the expenditure line would cover this bad debt provision to minimise the risk involved with the possibility of not receiving any GE fee payments. The expenditure line included was equal to the expected generated income, producing a net effect upon the budget baseline of nil.

Therefore, as income came in from the Graduate Endowment fee, this income was seen as 'additional' and used to fund the cost of student loan subsidy. This then freed up some of the budget attributable to the student loan subsidy, to be used elsewhere within the lifelong learning budget. As this GE fee income will no longer free up some of the student loan subsidy budget

for other uses, there will be a loss of this flexibility for use elsewhere in the lifelong learning budget, to the amount of approximately £17 million per annum.

SOURCES

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APPENDICES

Appendix 1: List of Consultees to the Abolition of the Graduate endowment consultation

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

Appendix 2: List of respondents to the Abolition of Graduate Endowment Fee Consultation

[001 Student Loans Company](#)

[002 Association of Teachers and Lecturers](#)

[003 Coalition of Higher Education Students in Scotland](#)

[004 Edinburgh College of Art](#)

[005 Edinburgh University Students' Association](#)

[006 Glasgow Caledonian University](#)

[007 Heriot-Watt University Students Association](#)

[008 Open University Students Association in Scotland](#)

[009 Scottish Agricultural College](#)

[010 The Educational Institute of Scotland](#)

[011 The Robert Gordon University](#)

[012 University of Stirling](#)

[013 National Union of Students, Scotland](#)

[014 Association of Scotland's Colleges](#)

[015 Napier University](#)

[016 National Association of Schoolmasters Union of Women Teachers](#)

[017 Open University Students Association](#)

[018 Scottish Funding Council](#)

[019 Skill Scotland](#)

[020 Universities Scotland](#)

[021 University and College Union](#)

[022 University of Aberdeen](#)

[023 University of St Andrews Students Association](#)

[024 University of Strathclyde Students Association](#)

[025 University of Strathclyde](#)

[026 The Open University in Scotland](#)

[027 British Medical Association Scotland](#)

[028 Scottish Trades Union Congress](#)

[001 Jim Love](#)