

ENTERPRISE AND CULTURE COMMITTEE

Tuesday 23 September 2003
(*Afternoon*)

Session 2

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ENTERPRISE AND CULTURE COMMITTEE

5th Meeting 2003, Session 2

CONVENER

*Alasdair Morgan (South of Scotland) (SNP)

DEPUTY CONVENER

*Mike Watson (Glasgow Cathcart) (Lab)

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*Christine May (Central Fife) (Lab)

*Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD)

COMMITTEE SUBSTITUTES

Mark Ballard (Lothians) (Green)

Rhona Brankin (Midlothian) (Lab)

*Fiona Hyslop (Lothians) (SNP)

George Lyon (Argyll and Bute) (LD)

Mr Brian Monteith (Mid Scotland and Fife) (Con)

*attended

THE FOLLOWING GAVE EVIDENCE:

Rowena Arshad (Scottish Higher Education Funding Council)

Will Garton (Coalition of Higher Education Students in Scotland)

Jane-Claire Judson (National Union of Students Scotland)

Derek MacLeod (Coalition of Higher Education Students in Scotland)

Dr Chris Masters (Scottish Higher Education Funding Council)

Roger McClure (Scottish Funding Councils for Further and Higher Education)

Rami Okasha (National Union of Students Scotland)

Melanie Ward (National Union of Students Scotland)

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ASSISTANT CLERK

Seán Wixted

LOCATION

Committee Room 2

Scottish Parliament

Enterprise and Culture Committee

Tuesday 23 September 2003

(Afternoon)

[THE CONVENER *opened the meeting at 14:00*]

Scottish Solutions Inquiry

The Convener (Alasdair Morgan): Good afternoon, ladies and gentlemen. Welcome to this meeting of the Enterprise and Culture Committee. Before we start the business on the agenda, I welcome Fiona Hyslop, who is here as a committee substitute, and ask her whether she has any interests to declare.

Fiona Hyslop (Lothians) (SNP): I have no interests to declare except that my husband works part-time at Glasgow Caledonian University.

The Convener: Agenda item 1 is a further evidence session in our Scottish solutions inquiry. The first set of witnesses is from the funding councils. We have with us Chris Masters, who is chairman of the Scottish Higher Education Funding Council; Roger McClure, who is chief executive of the Scottish Further Education Funding Council and SHEFC; and Rowena Arshad, who is a board member of SHEFC and director of the centre for education for racial equality at the University of Edinburgh. I invite Dr Masters to say a few words to supplement his written evidence.

Dr Chris Masters (Scottish Higher Education Funding Council): Scotland's higher education sector makes a vital contribution to the country's economy and culture. It is vital that the sector be as good as it can be. In support of that view, I mention Michael Porter, who is one of the most respected writers in the world on competition theory. In his massive work on the competitive advantage of various nations, he concluded that skilled human resources and knowledge resources are the two most important factors in upgrading national competitive advantage.

Higher education is at the heart of what we do. Although the sector clearly has a global presence, its relationship with the sector in the rest of the United Kingdom, particularly England, is crucial for obvious reasons of geography and language, for example. Moreover, as the committee has no doubt heard, there is a strong overall UK market for students and, equally important, for staff.

As a funding council, we argue that there is no right level of funding for higher education. The sector can always deliver more high-quality learning and research if we choose to put more funds into it. In the light of that, it is important to have a broad equilibrium of funding between England and Scotland. That is the position that exists today—there are differences, but the two countries are broadly equivalent. That ensures that competition in the UK, for both students and staff, is on a reasonably equal footing. I suggest that that is healthy for both countries.

If the proposals in the white paper "The future of higher education"—specifically those on the concentration of research funding and the introduction of top-up fees in 2006—are implemented, there is no doubt that they will disturb the equilibrium. There is also no doubt that the proposals will be detrimental to Scottish higher education in the absence of corrective action.

The council is already taking action on the research front. We are exploring ways in which to introduce a distinctive Scottish solution that will involve much more collaboration and the pooling of research strengths. We believe that that can provide at least part of the answer and will maintain Scottish competitiveness in basic research.

Top-up fees are much more problematic. If the equilibrium is disturbed by the additional fee income in England such that the funding per student—that is the key issue—is significantly increased compared with Scotland, the council believes that, unless a way is found to correct the differential, we will inevitably face a decline in the quality of Scottish institutions compared with their English counterparts.

With the disproportionate extra resources that will be delivered, English institutions will be able to attract and retain better staff. They will be able to use the extra funds to employ more staff and thus improve the staff-to-student ratio, which is clearly important for students. They will also be able to invest more in infrastructure, equipment, support services and the like. As a result of that investment, we must recognise that Scotland's higher education sector will inevitably decline unless the Executive is prepared to respond in order to maintain the sector's competitiveness.

I will outline a couple of the points that we made in our submission to the committee. So many factors are likely to affect the outcome that it would be unrealistic to predict at this stage the extent of the gap that would be opened up by the introduction of top-up fees. It is also difficult to know how student choice would be affected. However, one thing is clear. As far as staffing in both teaching and research is concerned, it is extremely unlikely that the status quo will be

maintained if there are markedly better prospects—in relation to salaries and facilities—south of the border. That could be one of the immediate effects of the introduction of top-up fees in England.

The key issue for Scotland is that we ensure that our total funding per student is maintained at a level that allows our institutions to compete effectively with those in the rest of the UK. As I said, failure to achieve that will result in an inevitable decline in quality—not to mention morale—and will inevitably place Scottish higher education at a distinct disadvantage in relation to the sector in the rest of the UK. There are no quick and easy fixes. The situation calls for a difficult political decision on the allocation of resources.

The Convener: Thank you, Dr Masters. I will start the questioning by asking about research—the issues in that area are perhaps slightly clearer than the issues around student fees. Obviously we cannot emulate what is happening in England—even if we wanted to—because of the different sizes of the sectors. Can you expand on what is meant by the pooling of research capabilities? If that were to come about in Scotland, what exactly would it mean in practice?

Dr Masters: I ask Roger McClure to deal with that question, as he has been intimately involved in the discussions that we have been having with the institutions.

Roger McClure (Scottish Funding Councils for Further and Higher Education): The funding council, in a joint approach with the sector, has begun to explore how, having identified the leading researchers in particular subject areas in Scottish institutions, we bring those researchers together in a way that enables them to become a recognisable entity and to operate effectively as a national centre for research in that subject area while remaining intimately connected with the various institutions that employ them. The advantages of such an approach are clear. The ability to share resources, to gain access to specialist facilities and to create a critical mass of researchers at the highest level not only would be attractive to those researchers whom we would be trying to retain in Scotland, but would offer the opportunity to attract leading researchers from England and other parts of the world.

The Convener: How easy would it be to achieve that? You talk about bringing researchers together—I think that those were your words—while retaining the link with the mother institutions. In practice, how would that work?

Roger McClure: We do not have many examples in practice, although there are a few. One example is the national e-Science centre, which brings together researchers from the

universities of Edinburgh and Glasgow and is achieving outstanding results in, for example, computing.

The approach is not easy and it will be different for different disciplines. That is why the council has agreed that we should consider a few areas that have different characteristics and work with the research community to explore exactly how such an arrangement might be brought into being. That must be debated with the researchers; they are the people who do the work, so they must feel that the arrangements are conducive to good research, which is what interests them.

Rowena Arshad (Scottish Higher Education Funding Council): I am a practising researcher at a Scottish university that is beginning to embark on a collaborative project with two other institutions in Scotland. The leadership of the research programme is shared and will move round, which means that, over three or four years, different universities will take the lead. Collaborative projects will obviously affect individual institutions' ability in the research assessment exercise to count their key researchers as the front researchers for a particular programme in some years. My programme is in education.

The distinctively Scottish solution should involve not only considering top-end research, but growing research at levels 3 and 4 in institutions and not giving up on it. When such research is nurtured, it can expand and develop. That is another aspect to the solution.

The collaborative project that I am living through is working out, although it is hard to say how it will work out in four or five years. Such projects are possible and are happening right now.

Roger McClure: We should not underestimate the difficulties of collaboration, which requires time and accommodation, but we can be reasonably optimistic, because Scotland has certain natural advantages. One is the scale of the sector, which means that it is easier to get people together and have the required conversations. Another advantage is Scotland's sense of national identity. Although principals of institutions talk about their institution, they also talk about their institution's role in Scotland and how it supports the national effort and priorities. In England, I never hear language about supporting English efforts or regional efforts. We should exploit Scotland's inherent competitive advantage.

The Convener: From the evidence that we have taken, it is clear that people are concerned that, if centres of excellence are set up in England, well-funded research teams in locations with a tremendous reputation will, in the long term, inevitably pull people from Scotland. How do we

counteract or compete with that using the model that you have explained to us? Can we do it?

Roger McClure: I believe that we can. We have begun comparing the natural competitors in England with the best that is on offer in Scotland. From that analysis, it is clear that, when it comes to quality, Scotland can match England in many areas of research. However, Scotland is sometimes lacking in the critical mass of researchers that is required to generate a powerful effort and to create a community that is attractive to others, which is where the pooling of strengths comes in. We want to create a critical mass by putting the best researchers together. One can see how it would be at least theoretically possible, using key departments in Scotland, to create a national critical mass and level of quality that would be directly competitive with—and might even outcompete—what is available in England.

14:15

Dr Masters: The model that is being proposed for England is fundamentally flawed. For example, in research—I used to be involved in research—different institutions have different expertise in different subjects and may be renowned worldwide for what they do. The idea that all those disciplines can be contained in five or six individual institutions is fundamentally flawed.

A much better model is what we propose for Scotland. We are talking about international excellence within Scotland. In particular subject areas, such as bioscience, groups of people will be taken together who would rate as internationally excellent if they were judged as a single group in the RAE, for example. The fact that the researchers happen to be physically domiciled in Glasgow or Strathclyde or wherever will be irrelevant. Researchers already co-operate and there are already interchanges, so the distances are irrelevant. In the disciplines that I was involved with, researchers already co-operated with people in the United States, for example.

The model that we propose for Scotland makes logical sense. It will attract external funding—which is always an attraction—and will allow Scotland to build on our competitive edge, which is the size of the country compared with England. We have the potential for a limited number of institutions to work together. It will not be easy but, in practice, it will be a fundamentally much better model to take forward.

Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD): I am very interested in what we have been told this morning, but I want to explore the issue over the full academic spectrum that one expects to encounter in universities. You mentioned bioscience, but it occurs to me that co-

operation is perhaps by definition easier in subjects such as sciences, computing, lasers and biochemistry. In the arts, where one institution might go into archaeology and another might do something completely different, co-operation might be more difficult. Will you comment on whether co-operation between institutions will be easier in the sciences? What would the approach be for the arts?

We heard earlier that top-up fees will lead to a facilities imbalance. Am I right in assuming that science faculty subjects, and perhaps medicine, would be hit by that rather more than the arts? I would be interested to hear your comments on that. I get the impression that our discussion has gone down the science faculty route, whereas the committee needs to take an overview.

Dr Masters: That is a fair point. There tends to be a focus on the sciences for the reasons that you have identified. However, I think that the model that we propose is equally applicable, if not more so, to the arts. I see no reason why the model should not work for the arts. Rowena Arshad is involved in that area.

Rowena Arshad: We have looked at education, which is in some ways as diverse as the arts, in that different people will have different takes on education. Collaborative ventures are time consuming, as Roger McClure said, but they are possible. My institution, the University of Edinburgh, is collaborating with the University of Strathclyde and the University of Stirling and each institution is living up to its individual strengths. As a result, the package has become more varied rather than more siloed and singular. In fact, funders find it more attractive to buy the whole package with all those different bits of expertise thrown in. Of course, there will be times when institutions will be like chalk and cheese and it may not be possible for them to collaborate, but I think that the possibilities outweigh the impossibilities.

Dr Masters: We are not saying that the model applies to every subject in every institution. In some subjects, an individual institution will be world class. In other subjects—we are working on some examples—no single institution will be world class but the net result of combining the individuals within those institutions into a collaborative venture will be that we will have a world-class research group. That will be not a centre of excellence but a group of people who deliver, and are judged to deliver, world-class research. That will be an advantage for Scotland.

Roger McClure: People have tended to talk about a model, but the funding council is not trying to foist a single model on the sector. We have started out by saying that our proposed model seems to be the only available way in which

Scotland can maintain its position. However, we recognise that, in different disciplines and subjects, different models or variations on a model will work best. That is why it is important to open up the debate with the research community.

As members will know, people in the economics subject area are conducting an inquiry. The early indications are that they are coming to similar conclusions about their subject—their work tends to be characterised by smallish groups and they did not do as well in the last RAE as we would like. There is at least some evidence that the approach that we are talking about is supported in the academic community.

Carrying out research in science is much more expensive than it is in the arts. We undoubtedly hear much more about how expensive science equipment and materials can be resourced.

Mr Stone: I appreciate fully the argument that, by grouping together a whole lot of number 1 Meccano sets, we end up with a number 6—if I may revert to my childhood. In other words, we end up with something that has much more potential. In view of what you have just said, what do such arguments suggest for the future structure of academic institutions in Scotland?

Dr Masters: Sorry—could you repeat that question?

Mr Stone: You will be co-ordinating work from departments in separate institutions, such as Napier University, the University of St Andrews and the University of Edinburgh. If that sort of co-ordination is taken to its logical conclusion, what will that mean? Do we need to have a Napier, an Edinburgh, a St Andrews, a Glasgow, an Aberdeen and a Dundee university?

Dr Masters: Yes, I think that we do. It is important that we maintain diversity across the sector in Scotland. There is no one model that will satisfy all requirements. We are dealing with how to achieve world-class research in Scotland, which brings a number of serious advantages. First, it attracts world-class people to Scotland to do research and to teach, which is very important. People are mobile, particularly at the top areas. Secondly, it attracts external funding. External funders are prepared to fund world-class research, such as the work that is being done at the Wellcome Trust biocentre in Dundee. Thirdly, the mere fact that teachers can participate in research in their field—if not necessarily in their own institution—informs the teaching within institutions. I view the proposals not as a replacement for what we have, but as supplement to what we have.

Diversity is important, which is why I think the English model is flawed. I believe that trying to produce five or six almost identical institutions, which do everything in every subject to a high level, is a dangerous route to go down.

Roger McClure: We must not forget that we are talking about basic research, which is in fact a highly specialist activity. The largest proportion of an institution's effort and of our funding supports teaching and we need Napier University and all the other institutions in Scotland to deliver teaching.

Murdo Fraser (Mid Scotland and Fife) (Con): I want to go back to your comment that we need a broad equilibrium of funding between England and Scotland. Is it in fact your view that we need a UK-wide solution to the question of university funding, given that there is—it seems to me—a market across all universities in the UK, with a free flow of students and academic staff among them? I appreciate that you will not wish to comment on the politics of it—

The Convener: This would be a strange place to do that.

Murdo Fraser: In your opinion, however, is it helpful or unhelpful to have a white paper on university funding in England and Wales without considering the impact that the proposals will have on university funding in Scotland?

Dr Masters: I think that it is unhelpful, but we are where we are and we cannot turn back the clock. The challenge is how to respond to the white paper and that is a matter for the politicians here. However, the situation also gives us some opportunities. The fees proposals are problematic, but the research sector has provided the catalyst to come up with a distinctive Scottish solution to the challenge. It was unhelpful that there was not more consultation before the white paper was published, but it will be up to Westminster to decide on which measures, if any, it wishes to implement. However, the measures in relation to the research area are already being implemented, as they did not require legislation. Do you wish to add anything, Roger?

Roger McClure: I would not wish to comment on that question, other than to say that I do not suppose that anyone in the Parliament would vote to repatriate responsibility for higher and further education.

Murdo Fraser: I am certainly not proposing that, but policies on one side of the border impact on the situation on the other side, so some cross-border co-operation might have been appropriate.

Roger McClure: I can reassure the member a little on that score. Like the staff at all levels of SHEFC, I maintain pretty close contact with the Higher Education Funding Council for England, which is wrestling with the issue, too. Through that frequent contact, we try to understand what is happening and how it will affect us.

Susan Deacon (Edinburgh East and Musselburgh) (Lab): Dr Masters, I understand what you meant when you said that we are where we are. You also said:

"The challenge is how to respond ... and that is a matter for the politicians here."

Do you agree that this is a key period as regards top-up fees and that we have an opportunity now to influence at Westminster the evolution of policy as it affects Scotland, as opposed to concentrating on a possible Scottish way forward in the event of top-up fees being introduced in England?

Where is the dialogue taking place? Where is the Scottish perspective—and the factual information, such as you have set out in your evidence—on the impact of the decision at Westminster on Scottish higher education being fed in? In answering that, could you tell us where the interface lies at the level of the funding councils and any information that you might have about communication at the level of Government departments? Is SHEFC taking any steps to brief Scottish MPs on the impact of the introduction of top-up fees in England on Scottish higher education?

Dr Masters: I dealt with the last difficult question, so Roger McClure can deal with that one.

Roger McClure: There were quite a few questions there—I might forget some of them, I hope.

I would not want to comment on links at Scottish Executive level. I am aware that there are arrangements whereby ministers and civil servants meet, but I am not party to such discussions, so it is not for me to say anything about that matter. I am in regular contact with my counterparts in England, Wales and Northern Ireland. We have regular meetings with the chairs and chief executives of the various funding councils so that we can discuss these issues at that level.

On your last point, it had not occurred to me that we should be briefing Scottish MPs. That sounds like quite a minefield, because of all the issues around who should vote on what. I would not wish to comment any further on that.

14:30

Christine May (Central Fife) (Lab): None of us doubts that it is necessary to retain world-class talent in Scotland, but that presupposes that we are prepared to find funds to enable that to happen. Paragraph 6 of your written submission states:

"We do not know ... how many English HEIs will feel able to charge higher fees".

You also say that, whatever Scottish solution might be envisaged, it would not apply to every institution across the whole range. My major interest in the inquiry lies in the impact on those other institutions. I am pleased to see Roger McClure here, as my interest and expertise are in further education. I worry that the progression of pupils from school to further education and then to higher education—proportionately, the figures are higher in Scotland than in England—will suffer as a result of concentration on the top end. Would you comment on that and say what is being done or suggest what might be done?

Rowena Arshad: I do not know whether I can comment on what is being done. You are absolutely right to draw attention to the FE side. The high percentage of students who take HE within FE institutions links into our widening access and participation agenda. Whatever we do for HE in Scotland should not jeopardise other aspects of education—that is not a solution, but an acknowledgement of the point that you are making. Equally, whatever we do to acknowledge the FE side should also protect the quality of work in HE.

I do not think that we have a solution to that conundrum. I think that that is what Chris Masters meant when he said that there are no quick fixes. We must put all our minds together collectively. Ultimately, a political decision must be made. We acknowledge your point and agree that the issue is part of the wider discussion.

Roger McClure: I would not expect provision in the FE sector to be greatly affected, unless in some indirect way—if, for example, the Scottish Executive decided to make the FE sector a lower priority when it is setting its priorities. However, I cannot see that the raising of fees in England and any Scottish response for HE institutions in Scotland would directly impact on FE, as the provision of FE is essentially centred on local communities, as members know. Progression takes place within the institutions and the funding of those institutions is dealt with separately from the funding of HE. Therefore, it is not obvious that the competition argument that applies in discussions about degree-level provision in HE institutions applies to FE. In addition, FE students tend to be less mobile. Essentially, they are local and many are part time, whereas the concern at HE degree level is that both staff and students are potentially more mobile, as Chris Masters mentioned.

Fiona Hyslop: You have said in your oral evidence that the total funding per student is key. In your written evidence, you make it clear that, should

"English HEIs be funded at a level per student significantly above that for Scottish HEIs, then Scottish HEIs would be at a competitive disadvantage."

You also said that currently there is a broad equilibrium in funding. However, the Executive's view is that funding per student is considerably higher in Scotland than it is in England—a figure of 20 per cent has been quoted. There seems to be a mismatch. What is the correct information? If the total funding per student is key and the equilibrium is disrupted, we need to know what the baseline is from which we are starting. Is funding per student higher in Scotland than in England?

Roger McClure: That is a question to which you have every right to expect a simple, straightforward answer. Unfortunately, there is not one, for the simple reason that the funding councils in England and Scotland distribute their resources differently. For example, SHEFC does not make separate capital allocations to institutions. We allocate all our resources and it is down to the institutions to make provision for replacing or developing their estates from the total resource. However, a substantial slug of funding in England goes out as a separate capital allocation. That is just one example, but there are many other examples of top-sliced strands of funding that HEFCE distributes in particular ways to institutions.

Recently, Universities Scotland sent me a copy of a funding analysis that a consultant carried out for it. The document ran to 10 or 12 pages and there were probably three or four assumptions on each page, with each assumption building on the previous one. I am not ducking the funding question; it is just difficult to answer.

Dr Masters: There is another issue. As Roger McClure just said, it is extremely difficult to answer the funding question; different people will come up with different numbers. However, the key point is that, with the current level of funding, there is a rough equilibrium between Scotland and England because there are no vast cross-border flows of students or migrating staff. Scotland punches slightly above its weight in terms of research and various bits and pieces. The system will never be perfectly in equilibrium, but it is roughly in equilibrium at the moment.

Clearly, top-up fees would significantly increase the funding per student in England. We can argue about the extent of the increase, but it would certainly disturb the current equilibrium. If an equilibrium is disturbed, it will correct itself. I genuinely believe that one effect would be that people would be attracted to institutions that are better funded. Teachers as well as researchers would move and the researchers who moved would not just be the high-level researchers, on whom, as Rowena Arshad said, we tend to concentrate. However, teaching is what is important within our institutions. If people start to migrate because they will get paid better in better

facilities, that will have a real impact on what we are doing. That is the key, rather than arguing about whether there is a difference in funding of 2, 3 or 5 per cent. However, it would be nice to have an answer to that question.

Fiona Hyslop: Yes, it would be nice.

Dr Masters: We have all asked for an answer to that question at some time.

The Convener: We have a copy of the Universities Scotland report, which I will circulate to members so that we can all be equally uncertain about the situation.

Rowena Arshad: May I just add one tiny point about perception? The funding issue also affects overseas students' decisions about which institution to go to within the United Kingdom. People still seem to believe—we all know that the view is erroneous—that if they pay more for something they will get better value and better quality. We must bear in mind that perception, because we need to develop our overseas market.

Fiona Hyslop: I was going to follow up the comments about perception in paragraph 3 of your written submission, which states that

"Even if no significant funding gap actually opened up, any perception"

of a gap would cause a problem. Are you saying that, if the Westminster MPs are complacent and do not pay attention or if we exaggerate the funding disadvantage, we could talk ourselves into competitive disadvantage?

Roger McClure: You could put that the other way round. There could be a positive response that said that we in Scotland are not prepared to accept a second-class system. By the way, we also spell out in our submission our belief that the equilibrium will deteriorate rapidly once it is disturbed. Once there is a perception that an institution is second class, there is less research funding, fewer overseas students come and the gap begins to widen increasingly quickly. Scotland must therefore send out the signal that its higher education system is important to it and that it will not allow that system to become second rate.

If anybody doubts whether perceptions are important, I would refer them to annex 2 of our submission. The graph shows a big dip after 1998-99 in the participation in Scotland of full-time England, Wales and Northern Ireland-domiciled students. The fee regime did not change at that time—we had not abandoned tuition fees—but a huge debate had taken place and there was a lot of worry and uncertainty. Our conclusion is that that dip can be linked with the uncertainty, rather than with any financial change.

Dr Masters: I entirely agree that perception is important. It is incredibly difficult to put a number on the impact of top-up fees, because we

genuinely do not know what it will be. However, as Roger McClure said, the mere fact of stating that the Executive is committed to maintaining the quality of Scottish higher education would send out a strong signal not only to the sector, which might influence people who are thinking of moving, but to overseas students, who are an important cultural and economic part of what we do in Scotland.

Roger McClure: They are also important to the research councils.

Mike Watson (Glasgow Cathcart) (Lab): I will take up Mr McClure's point about the graph in annex 2 to your submission, which pertains to full-time England, Wales and Northern Ireland-domiciled students who study at Scottish institutions. I note that the drop was of about 2,000 students, which is about 10 or 12 per cent. Was the gap in those years filled by Scottish students? I understood that university places were fully taken up, so no gap existed.

Roger McClure: That is my understanding, too.

Mike Watson: What occurred was just a shift in where students came from.

Paragraph 6 of your submission says:

"We do not know ... how many English HEIs will feel able to charge higher fees let alone at the maximum rate".

In the past couple of weeks, I have spoken to two principals of Scottish universities, who were both clear that all English higher education institutions would try to charge increased fees as far up the scale as they could go. I am rather surprised that your submission says, "We do not know." We do not know the exact figure, but what is your impression of the percentage of higher education institutions in England that would charge fees if they could, up to, say, £3,000? The figure might be higher than £3,000 by the time the system is implemented.

Roger McClure: It is difficult to give a reliable answer. What people say now and what they will do in two or three years' time when they draw up prospectuses and set fees could be two different things. Institutions—particularly those that are not the most prestigious—will weigh up the impact of fees on recruitment. If a large tranche of substantially fixed costs has to be taken into account, there will be concern about the total income. An institution will weigh up the number of students that it can afford to lose or not to recruit at what level of additional income.

I dare say that the nerve of quite a few institutions in England will begin to fail as the time approaches. The institutions will go for a volume of students, rather than risk making their fee high or increasing it at all. That is a personal judgment; we are three years out from implementation and who

can say how the environment will change in that time?

Dr Masters: In the commercial sector, one would almost certainly charge the full fee, but one would rebate it through bursaries or other means. Who can speculate? The last thing that an institution would want is to be seen as a cheap institution. The key question is: how much does the student pay? One might charge the full fee then rebate it or a proportion of it through bursaries to balance the books. That is a difficult matter about which to speculate.

Mike Watson: A related point is raised by paragraph 7 of your submission, which says that

"Where significantly higher net recurrent income per student is achieved, we ... know"

a number of facts, which you conclude put English institutions at a considerable advantage over their peers in Scotland. How many direct comparisons can be made? How many Scottish higher education institutions have direct English equivalents or peers? All of them?

14:45

Roger McClure: That would have to be a judgment call. At the very least, the top half dozen Scottish institutions—the research-led ones—would definitely see themselves as directly competing with English institutions. At the moment, through reputation and resources, they can attract good staff—they would argue that their staff are among the best. However, in the newspapers the other day, it was reported that English institutions could benefit from an extra £1,000 per student. If an institution the size of the University of Glasgow could benefit in that way, it could get £14 million a year, each year, as an advantage over the University of Glasgow. That is a substantial margin and would be a considerable concern.

Mike Watson: That, in a sense, is my point. If we make peer comparisons, we do so department by department rather than institution by institution. I understood Dr Masters's earlier comment but, nonetheless, the comparison is between a particular department in one Scottish university with the equivalent department in an English university. We may well find different departments doing much better or much worse. What I am suggesting is that we should not be considering the 14,000 students at the University of Glasgow, because that is not the correct level for comparison. We should be considering things at a much more local level, so to speak, institution by institution.

Roger McClure: The question arises about how a competitor institution to Scottish institutions would deploy its additional income. In paragraph 7

of our submission, we have tried to list the options that would be open to an institution in that position. It is anybody's guess as to which members of staff in which departments prefer to live in Scotland to the extent that they would not be attracted by higher salaries and better facilities in England. That is why, throughout our submission, we have stressed that we can speculate as much as we like but we cannot know what will actually happen. An exception to that is that we can be pretty confident that staff tend to move for better facilities and better direct rewards.

Mike Watson: I accept that this is largely a matter of guesswork, but I suggest that you are better able to make such guesses than most other people, which is why I probed you on that point.

My last point relates to the conclusion to your submission, where, unsurprisingly, you say:

"The level of funding per student is the key driver of quality rather than overall income."

You go on to state clearly the effect that you think the introduction of top-up fees in England would have.

Dr Masters has said that it is for politicians here to decide how to meet that challenge and Roger McClure has said—I paraphrase—that no one is suggesting that we should repatriate higher education funding to London. Well, I think that quite a few people are, in effect, suggesting that when they suggest that every decision—and not just every education decision—that is made by the Government at Westminster should simply be replicated in Scotland so that we do not lose out.

You have not said explicitly—and I understand why—what you think might be done as a result of the introduction of fees in England, but to what extent is it realistic for any sector in Scotland to say that just because something has happened south of the border, it must happen in Scotland as well? Obviously, the opposite will happen in a number of key areas.

Dr Masters: I do not think that it is realistic. In our submission, we say what the likely consequences of the introduction of fees will be. The decision is ultimately a political one, but if we believe, as I do, that maintaining the quality of higher education in Scotland is crucial for the future well-being of the nation—there is a lot of evidence from other economies to suggest that it is—some difficult decisions will clearly have to be taken. That is all that we are saying.

You will know better than I do that education is a devolved matter. It is up to the Scottish Parliament to decide how important it is. As I am sure we all recognise, there is a limited cake to be distributed. Our submission says that, if top-up fees are introduced in England and nothing is done to

address that in Scotland, there will be a decline in the quality of higher education in Scotland. That will initially be seen in a migration of people or a decrease in the quality of people teaching in higher education in Scotland. That will be the net result. Parliament will have to decide whether it believes that the issue is so important for Scotland that it has to be addressed.

Roger McClure: A distinction should be drawn between maintaining competitiveness and distinctiveness. Under the current arrangements, where funding arrangements are broadly in equilibrium, the two systems are quite distinct in traditional areas such as length of time for degree study. However, there are other areas where one might have expected the two systems to have remained closer. For example, the two countries are diverging quite rapidly on the way in which higher research funding is distributed. In Scotland, we have chosen to reward research in one way while England has gone down a different route. I am happy to say that most people I talk to in England would rather be in Scotland. There is plenty opportunity for distinctive approaches, just as there are in other walks of life. As I understand it, Scotland is competing with England on all sorts of fronts, not just at Murrayfield.

Dr Masters: I do not think that that was a good example.

The Convener: I want to follow up on the figures that Mike Watson was asking you about and the drop of 2,500 students between the years 1998-99 and 1999-2000. At the same time as there were 2,500 fewer English students coming to Scotland, the number of students from the European Union remained the same and the number of Scottish students going south increased slightly. Given that the number of university places had not changed and all the places were filled, that means that an extra 2,500 students, presumably mostly from Scotland, went to university in Scotland during that year. Is that correct?

Roger McClure: That certainly is the implication of all those figures when they are put together. However, I do not have the total figures with me. If you want an exact breakdown of what happened that year—

The Convener: That would be helpful, because it would appear that the consequence of the debate that we had in 1999-2000 was an opening-up of access to university for Scottish students.

Roger McClure: The fees issue preceded that debate. Fees were initially introduced in both countries and then removed from Scotland. I think that the dip in figures reflects that.

The Convener: Whichever debate is reflected, the dip in figures was the end result.

Chris Ballance (South of Scotland) (Green): I would like to ask Roger McClure about raising standards of further education teaching in Scotland. What are your thoughts about co-ordinating standards throughout the sector? As a corollary to that, how do we enable students to assess the effectiveness of colleges and courses? There is a wide range of quality in the FE sector. What are you doing and what would you like to be doing to monitor and raise standards?

Roger McClure: That question is some way off from what I understood to be the subject of the inquiry. Are you talking about higher education in FE colleges or about all programmes in all FE colleges?

Chris Ballance: The variation of quality seems to be more in the range of FE courses than in higher education courses in FE colleges.

Roger McClure: I will do my best to answer the question. As I am sure the committee knows, there are a number of well-established processes for assuring quality in FE. In many respects, the situation in FE mirrors what happens in higher education. However, the processes in FE colleges are not as mature as the ones in higher education institutions.

The first stage for most of the programmes is that they are validated by the Scottish Qualifications Authority. Its procedures for assuring the quality of the programmes form one part of the apparatus. We have a contract with Her Majesty's Inspectorate of Education to inspect the quality of each college in detail. We do that on a cycle of roughly four years—we are about to come to the end of the present cycle. The reports are scrutinised by the funding council and published. In cases where there are deficiencies, we require the colleges to follow up and provide us with their plans for correcting the deficiencies.

Beyond that, in general terms, we encourage colleges to strengthen their internal management and governance. Colleges need to ensure the quality of their internal procedures, because those procedures are in operation all the time. Ultimately, colleges need to strengthen their internal management and governance; that is the only real way in which quality can be assured.

One example of the way in which we work to assure quality is the publication of performance indicators. At the end of last month, we published the latest set of indicators, which set out retention and achievement results for every college in Scotland. We will be asking the boards of the colleges to review their figures and ask whether they are achieving the standard that they ought to be achieving. I am not sure whether that response answers the question.

The Convener: Given the notice that you had, it was excellent.

Chris Ballance: I think that the effect of the introduction of top-up fees in England on the FE sector in Scotland will be fairly minimal, given what you have just said. However, it is quite difficult for a student from the outside to assess standards.

Roger McClure: That is probably true. However, as with higher education, one of the features of the further education quality assurance apparatus is a move towards the greater involvement of students in assessing courses and filling in surveys. It is becoming part of normal practice for tutors, lecturers and programme managers to carry out annual surveys of their courses in order to get student input.

Dr Masters: I would like to add a word of caution. I do not disagree that the introduction of top-up fees will not have an immediate effect on FE—indeed, I do not think that anyone would disagree with that. In Scotland, however, we are moving towards having a tertiary funding council. One of the things that we are good at is articulation. If we are going to see a decline in the quality at the top in the long term, I am worried that that could have an effect not on the FE colleges per se but on the ability of students to transit through the system. In my view, we have to be careful to see the totality of tertiary education in the future. The tertiary education sector in Scotland is doing better than the equivalent sector just about anywhere else. It is important not to lose sight of that.

Christine May: I am pleased to hear you recognise that that is the case, as that is the issue that lay behind my question—perhaps I did not put it very well. If we have an opportunity at a later stage in the debate, the committee might wish to take account of that point. Perhaps we should devote time to an examination of the issue.

Mr Richard Baker (North East Scotland) (Lab): What is the comparison between HEFCE and SHEFC in the top-slicing of funds? What is the potential for streamlining top-slicing to give institutions more control over their funds? Would that be desirable?

Roger McClure: That has been a hot topic for some time in our discussion with Universities Scotland. If my memory serves me correctly, I think that we have got to the position where the top-slice is about 5 per cent. I am looking at our former director of funding, who is sitting in the public gallery and I can see that he is nodding vigorously. Ninety-five per cent of the funds go directly to the institutions and 5 per cent are top-sliced. The council has worked hard to reduce to a minimum the amount that is top-sliced. The ability to make significant allocations in a strategic way can be a powerful way of bringing about change. I do not have the figure for England, but I am pretty confident that it is substantially higher than 5 per cent.

The Convener: I thank the funding council witnesses for their evidence, which has been helpful.

15:00

Our next witnesses are from the National Union of Students Scotland. We have with us Rami Okasha, who is the president of NUS Scotland, Melanie Ward, the deputy president, and Jane-Claire Judson, the public affairs officer. I ask them to say a few words in supplementation of their written evidence.

Rami Okasha (National Union of Students Scotland): We thank you for inviting us to give written and oral evidence to the inquiry. We welcome the inquiry, which we think is necessary because the issue will affect the 500,000 students in further and higher education that NUS Scotland represents in Scotland. Like other witnesses, we note the difficulty of inquiring into something that has not happened yet.

We think that what will happen within the mathematical majority in the House of Commons is unclear and we note that no bill has yet been introduced. We are pleased that the committee is to maintain a watching brief over what Westminster is doing in this regard and how it will impact on Scotland.

If the white paper were implemented tomorrow, there would be significant consequences and problems for Scotland. We have been critical of the white paper, which is a poor document that is riddled with incoherence. We also think that there is a paucity of mentions of Scotland in the document and that there is little understanding in the white paper of what has happened since devolution. Although it contains numerous international examples, it makes hardly any reference to what is happening in Scotland, Wales or Northern Ireland.

Top-up fees are significant; we believe that the cross-border flow of students and the nature of the statistics that relate to students in Scotland would change as a result of their introduction. Our ultimate concern is that there would be students who would be unable to get a place in Scotland and unable to afford a place in England, which would deny thousands of people the opportunity to go through higher education.

As we say in our submission, in many areas—such as research, teaching and widening participation—the white paper represents an attempt to enable England to catch up with some of the things that we have been doing in Scotland for many years. However, the proposals are constructed in a way that would be damaging to Scottish higher education. Many of the problems that we highlight are probably only solvable in their entirety at Westminster. In that sense, we hope

very much that the committee will be able to highlight the areas that Scottish MPs must work on as the white paper progresses through the House of Commons and beyond. We also hope that, as MSPs, you will work with your counterpart MPs to solve problems before they happen.

The Convener: The first of my two questions is a general one and relates to an area that was mentioned by the previous witnesses. If we leave aside Scottish MPs, is it reasonable for us to assume that English and Welsh MPs dealing with legislation that directly concerns only England and Wales will pay any attention to its consequences for Scotland?

Rami Okasha: I hope that all Westminster MPs would realise that they have a dual role of representing their constituents and the interests of what happens within in the UK. I would be disappointed if English MPs were utterly uninterested in what is happening in Scotland.

The Convener: You should prepare to be disappointed. Do you really think that English MPs will be particularly interested in what is happening in Scottish education, given that they know fine well that they have no responsibility for it whatsoever?

Rami Okasha: It depends on what you mean by “interested”. One of the white paper’s thrusts is to achieve an increase in participation in higher education in England. It is clear from our conversations with MSPs that MPs are very interested in the fact that we have achieved such an increase in Scotland by abolishing tuition fees and restoring limited maintenance grants, rather than by increasing top-up fees. English MPs are interested in that Scottish model for widening participation.

The Convener: I have a specific question about your second recommendation, which again touches on an issue that we brought up with the previous witnesses. The change in England might result in an increasing number of English students coming to Scotland, which might mean fewer places for Scottish students. Given that the proposed fees could be portrayed, if not as deferred fees then as an after-graduation tax to be levied on graduates when they reach a certain income, will they have as strong an impact on people’s consciousness as an upfront fee would have? It is so long since I went to university that I cannot remember what was going through my mind then, but I suspect that the thought that some charge or tax might kick in seven, eight or nine years after graduation might not be uppermost in students’ minds when it comes to choosing a university.

Rami Okasha: A small number of students will not find the sums of money that we are talking

about significant. However, for the vast majority of students—and, increasingly, those who come from poor backgrounds—the amount of money and levels of debt that will be involved will act as severe deterrents to those who want to go to university. The prospect of graduating with a debt that will probably be greater than their parents' salary and their own starting salary might make people wonder whether going to university is a worthwhile or indeed a possible investment for them to take on over the course of their lives. That is a significant problem.

Jane-Claire Judson (National Union of Students Scotland): Student debt and the financial situation of students have had a high profile in the media. As a result, students are very much more aware of their financial future and do not look just at the next five years but at the next 10 to 20 years. When they think about savings, pensions, investments and whether to buy a house or have a family, they have to bear it in mind that they might have up to £25,000-worth of debt when they graduate.

Melanie Ward (National Union of Students Scotland): NUS research shows that the fear of debt and the perception that debt attaches to higher education are the most offputting factors for students from low-income backgrounds who consider going to university. Debt is a very real problem.

Murdo Fraser: My first question is similar to the question I asked the SHEFC representatives. In your submission and introduction, you made some criticisms of the white paper, especially of the fact that it does not take Scotland into account. Would you prefer a UK-wide solution to university funding?

Rami Okasha: We need to consider outcomes. The reality is that, in many cases, students choose which university to go to on a UK-wide basis.

Students from England will consider Scottish universities to be potential places to study and vice versa. That is extremely important. Like the representatives of SHEFC, we believe that it is right that higher education is devolved to the Scottish Parliament; it is appropriate that the decisions are made in Edinburgh. In a sense, we would prefer Westminster to follow the Scottish Parliament rather than vice versa.

Murdo Fraser: My second question is to an extent hypothetical. Let us say that top-up fees are introduced in England and Wales—the inquiry is all about anticipation that they will. We heard from previous witnesses that if that happens, and the Scottish Executive has to make up the shortfall from public funds, we would be talking about approximately £180 million a year. You have your own view on the likelihood of the Scottish

Executive's writing a cheque for that amount annually, but let us say for the purposes of argument that it does not do so. What is your preference if the Scottish Executive says no, given the damage that might be done? Might we end up having top-up fees by default in Scotland? Do you favour an extension to the student endowment? Have you given thought to the issue?

Rami Okasha: We have given the matter much thought. I understand that the graduate endowment can be used only to fund maintenance for students and not to cover the costs of tuition and funding for universities.

Murdo Fraser's question rests on the wider assumption that there will be a significant funding gap between universities in England and those in Scotland, but it is not clear that that will be the case. The first point that has to be made is that we do not know—we have received no clarification on this from the Westminster Government—whether money that is raised from top-up fees will represent new money for universities. There is a great assumption that it will, but we have received no guarantee that that will be the case.

The committee will forgive us for being a little sceptical about what the Government says on student funding, because when tuition fees were being introduced through Westminster in 1998 we were told that they would represent new money. Tuition fees were going to represent £400 million a year of new money for higher education throughout the UK. The next day that money was effectively withdrawn pound for pound from the grants that were given to universities, so it did not represent new money. We have no belief that the money that will be raised from top-up fees will represent new money. We are not clear that the headline funding gap will happen. That is why one of the recommendations that we make in our submission is that the committee should examine what exactly will happen, rather than make assumptions or conduct investigations beforehand.

All the political parties that are represented in the current make-up of the Parliament clearly ruled out top-up fees in Scotland. I think that many people voted for the parties on that basis at the last election and it would be very disappointing if any political party were to go back on that manifesto commitment.

Murdo Fraser: Do you wish to speculate on what the alternative might be?

Rami Okasha: In essence, it is a matter of priorities for the Executive. It is easy to say that higher education is not such a priority and that health is more important, but all such matters are related: health cannot be a priority unless there exists a willingness to train more nurses and

doctors, who require degrees and must go to higher education institutions and universities. It is a matter for the Executive to decide what its priorities are on funding for higher education.

It is important to examine what the real difference will be, if any, once the changes have taken effect, rather than assume in advance that certain changes will have certain effects.

Christine May: I presume that the conclusions that NUS Scotland has drawn in its submission are predicated on the assumption that top-up fees, if they are introduced, will mean new money? If they do not represent new money the competitive edge disappears.

Rami Okasha: Throughout our submission we have highlighted what would happen under certain circumstances. We have said that if top-up fees represent new money certain things might happen and if they do not those things might not happen.

It is important to recognise that top-up fees represent a new barrier to students' getting to institutions whether or not they represent new money for those institutions.

Mike Watson: I am interested in the comments that NUS Scotland made on the cross-border flows, both in its submission to the committee and in its submission to the white paper. The submission to the committee states:

"the choices of Scottish students will be narrowed."

It adds that there will be

"an artificial increase in demand for places at Scottish institutions in general",

which means that you anticipate that more English students will come north of the border. Why do you assume that they will necessarily displace Scottish students? Why do you assume that English students who apply to Scottish institutions, in the artificial situation that you outline, will be more successful in gaining entry than Scottish students?

Rami Okasha: The Scottish Executive has said that it will not increase the number of places in Scotland. If there are to be more applications, then competition for places will be fiercer. Many university admissions tutors consider A-levels to be an academic advantage over highers, as opposed to certificates of sixth year studies. Although one can have an important debate over whether that is the case—I do not think that it always is—that is the perception of many people.

15:15

Mike Watson: That has to be offset by the fact that English students can take a fourth year at a Scottish university, which they would not be able to take at an English university. Other submissions

have mentioned the effect of that in more detail than does yours. I presume that you have built that factor into the overall equation.

Rami Okasha: Yes. At the moment, the Scottish Executive pays the tuition fees for English students' fourth year in Scotland. Will that continue if English students have to pay top-up fees? We do not know. That will have to be decided under the devolution settlement, and the committee might wish to ask the Executive to consider that.

Melanie Ward: We are aware that there has been a lot of discussion about whether cross-border flows will actually happen. We are convinced that if top-up fees are introduced in England more English students will apply to come to Scotland. In effect, they will have £9,000 less debt if they do so. That is such a lot of money when students are considering where to study, and we think that students will definitely take it into account. Therefore, there will be more applications from English students to come to Scotland.

Mike Watson: Does not that contradict an earlier answer about the effect of students' carrying debt into their working lives after they have graduated? They will have £9,000 less debt, but that impacts on what they have to pay after their course is completed, not before. Was not that reply different to what you said earlier?

Melanie Ward: I do not think so. We said earlier that the fear of debt stops students going to university. If someone can have £9,000 less debt by coming to Scotland, Scotland will be more attractive to them.

Mike Watson: Okay—I might have misunderstood you, and I apologise for that.

Your submission states:

"Students take teaching excellence into account more and more in choosing a course."

How do they do that? What sort of information is available on teaching excellence, and how is it graded?

Rami Okasha: Under one of the proposals from the Department for Education and Skills in the white paper—made without consultation of the NUS, I must point out—the NUS is invited to set up a website where the information that is currently collected on teaching quality would be presented in an accessible format, which would allow somebody to find out at the click of a button what academic reviewers thought of the institution at which they were considering studying. I think that such considerations will play an increasing role.

Mike Watson: Thank you—I was interested in particular about the mechanism for accessing that information.

You seem to be taking a less apocalyptic view, if

I can put it that way, about the effect on Scottish higher education research. Your submission says:

"the incentives for researchers to move are already in existence at those institutions."

To an extent, that swims against the tide of most of the evidence that we have received so far. Can you say a bit more about why you think that there will be less of a problem in research?

Jane-Claire Judson: I am happy to expand on our submission. Scotland is already extremely successful at research. Universities Scotland has published pages of figures that show that. They used many different sorts of statistics on research funding, including per capita and per institution measures. Scotland won £54 of competitive research funding per head of population in 2001, compared to £36 per head in England, £27 per head in Wales and £22 per head in Northern Ireland. That is a good comparator for showing that we are very successful in that area.

Scotland has 8.6 per cent of the UK population, but secures an average of 12 per cent of UK research council funding and 14 per cent of European Union research funding for the UK. That demonstrates that we are coming from a strong position. Researchers who are based in Scotland know that they are in a strong, successful sector, and they recognise that their institutions are successful in what they do.

We are giving researchers credit for seeing through the 6* funding charade down at Westminster. When the Higher Education Funding Council for England sent out a letter about the 6* funding arrangements, King's College London had to take a decision to close one of its chemistry departments. The effect of those arrangements in England will be to concentrate research at the top five or six institutions. Because those institutions already have a high reputation, they already pay better salaries and have better facilities. Scottish researchers could already be going to England if they wanted to, but they are not, which is an important point to pick up on.

Scottish researchers base where they live and work on more than just the salary that they receive. If the salary difference is only £1,000 or £2,000, the attractiveness of studying in Glasgow, Edinburgh or Dundee universities is that the cost of living means that there is better quality of life, so they might decide to live there rather than to go to a London institution.

The funding that is going into research is not necessarily going on researchers' salaries. The myth should be exploded that because extra money is going in it will transfer to researchers. That can be important to students as well, because many of them think about doing PhDs and moving into research. They will look down

south and think that the deal is better here. Roger McClure mentioned a national centre for research. The policies in England are regressive: research is being concentrated, and as Roger said, there is an attempt to create research super-institutions, if you like. Researchers will not want to do that—they prefer to be organic in their research. They want to be at the cutting edge, but they want to be able to choose where they collaborate. Collaboration should not be forced upon them. In fact, we have seen that in Scotland people are extremely interested in collaborating.

Researchers also want very much to keep the link between teaching and research. To a certain extent that link will be broken in England, although not in every institution. It might not happen so much at the top institutions, which are receiving the funding, but it may happen in institutions such as King's College that are thinking about having to close down departments. That might be the effect of the policies down south and we do not want that to happen in Scotland. We do not want the departments that are doing the ground-breaking research that we need for our economy to face such decisions. To a certain extent, in terms of our size Scotland is generally better at research. We can bring institutions together much better and our researchers can collaborate better—that is the route that we should be going down.

Mr Stone: Some of you heard the evidence from Dr Andrew Cubie a few weeks ago, when he identified possible sources of funding to meet the shortfall, such as graduate contributions and contributions from business. He was somewhat coy when we pushed him on the endowment fund. I think that we had two goes at it, but he did not define his position on whether the endowment fund should be ring fenced, or whether it should be broadened and the gates opened. One could possibly consider addressing the top-up fees issue. The argument that we have to do something about the fees at the gate if students cross the border is a separate issue.

I will move you into the unwelcome territory—as I am sure it is to you, given all that you have said in the past—of considering again the possibility not of introducing top-up fees but of having a mechanism similar to that which we have at the moment, albeit with the caveats that we raise the threshold and continue to think about endowments. What do you think about that? It may be possible—although it may not be politically acceptable—to have a combination of that and front-loading of funding from the Executive. That might address the issues, in particular given what you have just said about teaching, and given some of the comfort that we have received in relation to the research side. I am sorry to push that avenue, but it is important given that we are getting to the nub of the issue.

Rami Okasha: Absolutely—you are right to do so. Our position on the graduate endowment is very clear: we believe that it is a matter of principle that the graduate endowment can be used only to fund the living costs of students who would not otherwise be able to become students. That is why the graduate endowment was set up. That has been the consensus in politics in Scotland since 1999, and we do not think that there is a case for disrupting that consensus. We will be opposed to any kind of graduate contributions that are not used exclusively for the maintenance of students.

Mr Stone: What do you think that Dr Cubie was hinting at in that case?

Rami Okasha: I do not know—you might have to call him back and ask him again. I do not speak for Andrew Cubie although, given that he invented the graduate endowment, his views are extremely important. The consensus that we have achieved in Scotland is that the graduate endowment can be used only for the maintenance costs of poor students.

At the moment, the graduate endowment is repaid when someone earns £10,000 per annum. The white paper suggests that the repayment threshold for student loans—to which the endowment is linked—should be raised to £15,000. The Executive will have to consider the repayment rate for the graduate endowment and I guess that that will be an area that the committee will have to examine. Cubie suggested that the threshold should be set at a level where the graduate clearly demonstrates that they have achieved some kind of financial profit, in a sense, from higher education. Five years ago, he suggested a figure of £25,000. That is a modest amount.

Mr Stone: Finally, for the sake of tidiness, can I hear your brief thoughts on subjects that I have already mentioned—graduate contributions and the business interface?

Rami Okasha: There is scope in Scotland for some creative solutions—especially in the commercialisation of research. Research in Scotland is under-commercialised; a lot more money could be generated if research were exploited commercially. As long as it does not interfere with the academic freedom of researchers to do research into what is important and valuable to them, commercialisation will be an extremely important way of producing revenue in the future.

The Convener: I do not think that we had envisaged going down the route of the Hutton inquiry and recalling witnesses to explain themselves.

Melanie Ward: I would like to add a small point. When we discuss graduates' contributions towards

their higher education, and consider what they have gained from higher education, it is important to remember that graduates already pay back into education through income tax. The average graduate will pay £90,000 more income tax than a non-graduate. Graduates already put more back into the state funding system in that way.

Fiona Hyslop: Your points on research were well made, but I would like to go back to cross-border flows. You say that you would be against Scottish universities charging top-up fees for English students.

Rami Okasha: Yes.

Fiona Hyslop: How will you ensure that Scottish students have continuing access to universities in that competitive environment? Would you want quotas for Scottish students?

Rami Okasha: No—it would be regrettable to apply quotas to where students are allowed to study. However, charging top-up fees in Scotland for English students would exacerbate the problem for Scottish students who were trying to find a place to study. Scottish institutions would have an incentive to target English students for recruitment because English students would be paying more money to the university. Under that system, it would be even more difficult for Scottish students to get a place than it would be if top-up fees were introduced in England.

Fiona Hyslop: That point is well made. On competition, you spoke about a concern that some university tutors would consider A-levels above highs and certificates of sixth year studies. SHEFC has said that part of the Scottish solution is to argue for first-class research and higher education funding; is not there also a potential Scottish solution—to ensure that Scottish students can still access education in a competitive environment—in championing first-class secondary education qualifications? That would ensure that qualifications were more equal, rather than A-level results being seen as better than higher still results?

Rami Okasha: Absolutely; I guess that that is something that you guys will be discussing with the Education Committee as well.

Mr Baker: I know that you represent 60 of the 60-plus further and higher education institutions in Scotland. I have two questions for you. The first is on research—Fiona Hyslop has already kindly covered a question that I was about to ask. You mentioned that the threat to research may not be as great as has been suggested in other evidence that we have heard. At the moment, Scottish institutions can bid for research funding from UK-wide bodies. Will top-up fees, and the extra funding that English institutions will receive as a result, put Scottish institutions at a disadvantage in

trying to get funds from those bodies?

Jane-Claire Judson: There will have to be some clarification from the Westminster Government on what the top-up fee is for, on whether it will be ring fenced for teaching and supporting students, and on whether it can be siphoned off and put into research. If institutions are to be allowed to use top-fees in applying for research funding, a problem may arise. However, as I say, there will have to be clarification on whether the top-up fee is new money, on whether it will be ring fenced for specific provisions such as student support and teaching, and on how research funding will work out. Obviously, we are currently going through a review of the research assessment exercise. Your point is valid and a watchful eye should be kept on the issue.

15:30

Mr Baker: You have said that you are opposed to Scottish institutions charging top-up fees to English students who come here. If that does not happen, what are the implications for cross-border flow? Universities Scotland did not seem to be unduly concerned about the issue but, in a way, that was because there was a suggestion that universities here might charge those fees. Do you have any solution to the problems that might arise if there are top-up fees in England but not in Scotland?

Rami Okasha: I am not sure that I have a solution but, to turn the question on its head, I can tell you about another problem, which relates to the European dimension. EU students in the UK are charged the same as any student in the part of the UK in which they are studying. That means that, under the treaty of Rome, EU students would pay top-up fees in England but not in Scotland. We imagine that any student from an EU state—from the west of Ireland to the east of the Baltic states—who wants to study in the UK, will want to study in the part of the UK in which it will be cheapest for them to do so, which will be Scotland, by a degree of some £9,000. The European aspect of the situation has to be monitored carefully.

The clearest, easiest and most simple solution to the problems that we have talked about is not to introduce top-up fees in the UK. That is our perspective and we hope that the fact that the committee has heard a great deal of evidence about the consequences for Scotland of the introduction of top-up fees in England will have an effect on whether Scottish MPs decide to vote in favour of the white paper.

Susan Deacon: The last paragraph of your submission states:

“Policy must be developed with what is best for Scottish

higher education in mind, rather than developed with the sole purpose of aligning with the English higher education sector. Policy developed without the core values of Scottish higher education would distort what is a successful and high quality sector. This would not be in the best interests of Scottish students, Scottish colleges, Scottish universities, the Scottish Economy, or, ultimately, the Scottish people.”

The comments that you and other witnesses have made suggest that there is considerable evidence that policy that has been developed on this issue has not been as mindful as it ought to have been of points such as what is best for Scottish higher education, how the changes reflect the core values of Scottish higher education and what would be in the best interests of students, the sector and the economy.

While accepting that we are where we are, how best can we go about formulating policy for higher education in a devolved context within the UK while ensuring that the aspirations that you have outlined are met more effectively than they have been to date?

Rami Okasha: Any solution will require more investment from the Scottish Executive in further and higher education. It would be entirely correct for any further investment to be dedicated to particular areas, such as career services, so that we ensure that graduates can contribute to the Scottish economy. We would like money to be invested in developing an exit strategy for all students leaving universities so that there is clarity about what they can do next. The money that is invested in that could be recouped through the policies outlined in “A Smart, Successful Scotland”, which the committee has heard about in previous evidence.

What happens at Westminster will limit what Scotland can do in higher education. Although, rightly, Scottish higher education policy is decided in the Scottish Parliament, ultimately the higher education system has UK and non-devolved aspects. It is a difficult situation.

Susan Deacon: That is the nub of my question. How can the policy-making process—as opposed to the points of substance that you have outlined—be managed more effectively? NUS Scotland is an interesting organisation to ask that question of, as your relationship with your UK counterparts in some respects parallels the other relationships in the sector.

Rami Okasha: That is very much the case. It is difficult to manage that process more effectively, but that needs to be done. If the committee were to report that the consequences for higher education in Scotland of the introduction of top-up fees in England would be significant, that would be a political incentive. For lobbying organisations with an interest in the issue, it would be a political

tool to ensure that top-up fees are not introduced in England. I hope that the committee is prepared to stick its neck out and say that it is concerned about what the consequences in Scotland would be.

Melanie Ward: In the previous parliamentary session, when the Enterprise and Lifelong Learning Committee did an inquiry in this area, it said that it believed that student choice and learning experience should be the crux of Scottish education policy. That is one of the things about which we are most concerned.

One of the matters on which we have not touched is the effect of top-up fees on Scottish students who go over the border to England. We have mentioned £9,000 a few times. If students have a choice of studying in Scotland and having £9,000 less debt than if they went to England, many of them will stay in Scotland. If we consider the figures from the Universities and Colleges Admissions Service, we can see that, after up-front tuition fees were abolished in Scotland, there were 20 per cent fewer applications from Scottish students to study in England.

The effect of top-up fees would be a great narrowing of choice for Scottish students. It would effectively prevent many Scottish students from going to the universities that are perceived as the most prestigious in the United Kingdom because of the debt that they would incur and the fear of that debt. That has many implications for widening access and for students from low-income backgrounds. However, it affects not only working-class students, but middle-class students and families, because £9,000 is an awful lot of money to an awful lot of people. Top-up fees in England would have those consequences for Scotland too. There would be many problems in that area.

Jane-Claire Judson: It is often said, and it is true, that communication is key in this matter. You are right to draw the parallel between the NUS and what is happening in Scotland. The NUS has been trying to bring together Scottish MPs, English MPs, MSPs and members of the National Assembly for Wales and get them talking. When we met the minister once the white paper had been announced, it was clear that there had been no such communication. We push for the committee to facilitate that communication in some way and to keep it going.

The Convener: That is an admirable objective, but I do not know whether we will fulfil it.

I thank the witnesses from NUS Scotland for their evidence.

Our final set of witnesses today is from the coalition of higher education students in Scotland, not, as it says on the agenda, the "collation" of higher education students—I urge the committee

not to eat them during this evidence session. We have Will Garton, the president of Edinburgh University students association, and Derek MacLeod, president of the University of St Andrews students association. Do you wish to say a few words in amplification of your written submission?

Will Garton (Coalition of Higher Education Students in Scotland): Yes. I was going to try to persuade the committee that Scottish higher education is in a great state, but after seeing that spelling error, I think that the task will be much harder.

I thank the committee for the opportunity to give evidence. The coalition of higher education students in Scotland represents the students associations of the universities of Edinburgh, St Andrews, Dundee, Glasgow and Strathclyde and the Open University in Scotland. The University of Strathclyde students association is also a member of the NUS, but the other bodies are not affiliated to the NUS. Our objectives and aims are often similar and we agree on many policies. CHES is intended simply to provide external representation for bodies that the NUS does not represent.

We reiterate our support for the rejection of top-up fees by political parties in Scotland. The debate is difficult and involves many unknowns and difficult questions, but we can take comfort from the fact that, however hard the debate is, at least we are not going down the English route. Scotland will benefit as a result. However difficult the situation becomes, it has benefits.

Our submission starts by considering the disadvantages that will arise. I thought that the first question in the committee's call for evidence, about whether disadvantage will be created, was simple to answer. To be candid, I did not think that the issue would require much time, but ministerial statements have been slightly to the contrary, so we felt the need to concentrate on the matter. Scotland needs to respond, or it risks falling behind.

We share concerns about English students coming to Scotland. Contrary to what the media might have projected, we do not think that Scotland will be flooded and we can elaborate on that if the committee wishes. A much larger increase in the number of Scottish students who stay here is probable and would make sense.

We have fears about the so-called brain drain, which has been touched on. The Association of University Teachers told the committee that it was unconvinced that increased resources would be passed on to teaching salaries, which might well be the case, but I presume that there are other implications for resources and university facilities.

Our submission touches on alumni and business

and we can expand on those areas if the committee wishes.

It is worth referring to the graduate endowment, but I hope that our submission makes it clear that a political choice has to be made. The Scottish Parliament can widen participation and access, or it can increase student debt. Those two things are not compatible. The graduate endowment presents a distinct choice.

Finally, our submission returns to the argument about the public purse. The committee might be looking for creative and innovative suggestions and I am aware that our suggestion is not the most original, but it is the most effective. We believe firmly that it presents the only just way to fund Scottish higher education. We understand that that is extremely difficult, but we argue strongly that higher education needs to be a political priority in the Executive's spending budget.

The Convener: By and large, the Scottish Parliament does not have the opportunity to raise significant extra revenue from taxation above the block that it receives from Westminster. Have you or your members formed no views about how we might obtain more money for higher education?

Will Garton: We have an ideal, which relates to the top rate of income tax. We understand that that is outwith the inquiry's remit and the terms of the Scotland Act 1998. The question is slightly more complex and might require a different debate.

I suggest that all that can be done is to give greater priority to higher education in the budget. The budget to 2005-06 for SHEFC is forecast to rise by 15 per cent, but the whole Scottish Executive budget is to rise by 23 per cent. Our immediate suggestion relates to priority.

The Convener: When you use the phrase "greater priority", you mean more money. The other side of that coin is less money for somebody else. Have you no ideas about what sector or budget head less money might go to?

Will Garton: We have thought about that and we might have ideas, but it is not for us to make such recommendations to the committee. We will not go through the committee's budget with a fine-toothed comb and tell it what to prioritise. I am sorry if that answer dodges the question—that is not the intention. We are elected to represent students; we are not elected to Holyrood. We must pass that complicated judgment to members.

The Convener: If it is any consolation, I can tell you that you are not alone in ducking that question.

Murdo Fraser: Far be it from me to accuse the Executive of parsimony, but it is at least conceivable that it will not simply write a cheque

for £180 million a year or whatever. What is your plan B?

Will Garton: We do not have a plan to deal with a situation in which the Executive does not provide the necessary money. However, we believe that a failure to do so will be detrimental to Scottish higher education, the objectives of "A Smart, Successful Scotland" and students.

15:45

Murdo Fraser: That is all given. However, as it is conceivable if not likely that that is the road that we are going to go down, have you given no thought to what the alternatives might be?

Will Garton: We have given a lot of thought to the options, but it is impossible to get away from the fundamentals. The matter has become a political priority, the agenda has been set elsewhere and, despite the conversation that we had earlier about whether we need to respond to everything that happens in England, there is a need to respond in this case.

Mr Baker: At the moment you represent only six of the more than 60 higher education institutions in Scotland. I understand that the organisations outside the NUS want to be represented, but I think that it would be better if submissions came from individual student associations with clear policy-making processes.

In your submission, you recommend the abolition of the graduate endowment and talk about the possible raising of taxation to deliver the money that is required for tertiary education in Scotland. Are you recommending the use of the Scottish Parliament's tax-raising powers? What do you think would be the additional cost of scrapping the graduate endowment, which would have to be added to the cost of compensating for top-up fees?

Will Garton: I think that you have misread the submission slightly and I apologise if it is not clear. We are not recommending that the graduate endowment be scrapped; we are talking about a political principle that we believe in, but we also note that there are difficulties in acting on that. At the moment, those difficulties mean that the graduate endowment must stay in place. We are not asking for it to be scrapped and I am sorry if that is not clear.

We do not have a policy on the question of raising the top level of income tax, which would involve fiscal autonomy for Scotland, so I cannot comment on that. I can deal only with questions relating to the remit of the inquiry.

Mr Stone: Earlier, the NUS did rather a good job of challenging the arguments about research that we heard from the funding council. Do you support the NUS position?

Derek MacLeod (Coalition of Higher Education Students in Scotland): Which position do you mean?

Mr Stone: The funding council said that there would be a threat to research in Scottish universities if the white paper's proposals were accepted. However, the NUS, rather eloquently, said that that might not be the case, given that we are coming from a position of strength in that field.

I am beginning to wonder whether the link between research and teaching is quite as co-ordinated as it should be in institutions. Could the co-ordination be improved in ways that might have a financial benefit?

Derek MacLeod: Although we are in a strong position in terms of research at the moment, I think that we will quickly lose that position if the white paper's proposals are accepted. We cannot afford to do that.

On your second question, teaching and research are fundamentally linked. Teaching and research are strengths of the institutions that perform well and, in those institutions, the two aspects are linked. There could be better co-ordination, but the link is fundamental. If one were taken away from the other—

Mr Stone: I am not advocating that they be separated. I am asking whether the left hand always knows what the right hand is doing. Is there a way in which they could work better together and could there be a financial benefit arising from that, which might help to address the situation that we might be faced with?

Derek MacLeod: They could work better together and there could be a financial gain if they did so.

Christine May: I want to move on from a consideration of research to a consideration of the overall possibilities in the higher education institutions. Let us say that the Scottish Executive said that it was prepared to meet some of the additional costs—some of the putative £180 million. Students are usually pretty good at seeing where savings can be made. Is there no scope for the institutions to do more work similar to that done on collaboration in research? What might that be?

Will Garton: Far be it from me to tell my university where to save its cash. There may well be scope, but I do not feel that I can comment accurately. Just as I am not going to get into suggesting how the Scottish Executive should use its budget, I am not going to go through the budget of my university or any others and tell them where they should stop spending money. There are hard choices everywhere, but the question would be better answered by the universities.

Derek MacLeod: SHEFC raised a point about collaborating in research and that opportunity could well be followed up on. Such collaboration will be a component of the solution but not the entire solution. If the Scottish Executive were to come up with some funding, as Christine May suggested, research collaboration among the institutions would work strongly in their favour. However, we should not rely on that as the entire solution.

Christine May: I was asking you to speculate on other areas in which there could be similar types of collaboration. In future, such collaboration could result in the funding gap being reduced. The quality of teaching and the standard of courses could also improve.

Will Garton: On the issue of research and collaboration, the Scottish Executive has looked carefully at e-learning and has made it a priority in universities. It offers the possibility of linking up universities throughout Scotland. We have to investigate that potential over the longer term so that we can get the best out of it. I doubt whether it will offer a long-term sustainable solution to the funding gap, but it is certainly something to be investigated and expanded on.

Fiona Hyslop: I want to ask a similar question to one that I asked of the previous witnesses. Were top-up fees to be introduced down south, should Scottish universities charge top-up fees to English students?

Will Garton: No. I concur exactly with what the NUS witnesses said—there would be enormous problems. It is hard to speculate; we do not know what will happen. However, equity in English universities, as well as access through academic ability rather than through the ability to pay, will be destroyed. Universities need to fill their places—they can go no more than 3 per cent over or 1.5 per cent under, although I may be slightly wrong in those figures—and therefore the market may regulate where some universities will charge less. It will be very much in English universities' interest to fill their places, as they will lose out financially if they do not. Those institutions will try to take as many students as possible. I do not think that we will be swamped—to use a word that has been bandied around—but I think that there will be an increase in applications. I would not support extra charges for English students, simply because I do not think that that would get to the root of the problem.

The Convener: I thank the witnesses very much indeed for their evidence.

We will move on quickly to agenda item 2. We have a paper on how we might go forward with this inquiry. At our previous meeting, members said that they might wish to take stock of where

we had got to so far. The same messages have been coming through from various witnesses, albeit with interesting additions from time to time. There will be no meeting next week; our next meeting is scheduled for 7 October. The minister will be attending but he will not be with us until 4 pm. We could have a session prior to that in which we consider the evidence that we have received so far and present a paper outlining some of the ways in which we might proceed with the inquiry. Our next meeting, which is in a fortnight, would be an opportunity for us to take stock. Is that acceptable?

Christine May: Did you say that there was no meeting next week?

The Convener: Correct.

Fiona Hyslop: Brian Adam will return to the committee at its next meeting, but I have a general point. I notice that you propose that the item be taken in private. There is concern throughout the Parliament about ensuring that we open up the proceedings of the Parliament and its committees. The consideration and stocktaking of the analysis to date and the progress of the committee's inquiry are exactly what people want to find out about. Considering the report of the Procedures Committee in the previous parliamentary session on how the Parliament lives up to its principles, I ask the committee to reflect on whether the item has to be considered in private.

Susan Deacon: I sat on the Procedures Committee along with Fiona Hyslop and I endorse what she has said. The point is well made that the Procedures Committee found widespread evidence of a general exhortation for more business to be heard publicly. In addition, there is the suggestion that we take stock, and it is at such a stage that people want to hear what we are doing with what we have heard. I do not know how we would proceed from here or how other members are minded, but I think that it would be appropriate for us to have that discussion in public.

The Convener: I have no strong feelings about it. If that is the general desire of the committee, I am happy to have that discussion in public.

Mike Watson: I am not unhappy about that suggestion, but I wonder whether Fiona Hyslop's and Susan Deacon's views apply also to our discussion of the draft stages of reports, which have traditionally been in private.

Fiona Hyslop: If you read the recommendations of the Procedures Committee, you will see that each inquiry has to be taken on its own merit. Certain inquiries may need to be discussed in private, but with one as open as this there may be a strong case for saying that there is no real need for the committee to discuss it in private. It would

be up to the committee when the report was up for discussion.

The Convener: So we agree to proceed as recommended, with the exception that we will do so in public.

Members indicated agreement.

The Convener: Appropriately enough, as previously agreed we now go into private session. I should explain that it is for consideration of the selection of an adviser, and we will be discussing the personal qualifications of individuals.

15:57

Meeting continued in private until 16:07.

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