

Scrap the cap:

Towards 'no win, no fee' higher education

Chris Deerin
Alison Payne

About Reform Scotland

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Scrap the Cap

As long as higher education is fully funded by the Scottish Government, there will have to be a cap on the number of Scottish students able to attend university in Scotland, regardless of their grades. Although there are more Scottish domicile students being accepted to Scottish universities than there were 15 years ago, places have struggled to keep up with demand. There has been a 56% increase in applicants, but an 84% increase in the number refused entry. More people want to go to university, but unless the fiscal arrangement is reviewed, ambition will be held back.

It has been reported¹ that Scottish domiciled students with high grades are not being accepted on university courses despite meeting entry requirements.

This is as a result of the funding arrangements for tuition fees in Scotland. As the fees are taxpayer funded, the Scottish Government predefines the amount of funding it will provide to Scottish universities each year to cover tuition. This in effect leads to the cap on places. The Scottish Government has explained the situation as follows:

Each institution is allocated a number of full time equivalent funded places via the Scottish Funding Council for eligible Scottish domiciled and EU students on full-time undergraduate courses. The total number of funded places in Scottish universities is currently over 128,200 in 2019-20. International students and those from other parts of the UK (rUK) are not eligible to access the funded places which have been protected for Scottish and EU students. To enable flexibility in student recruitment, the Scottish Funding Council allows universities to recruit up to 10% above the number of funded places available. In addition to this, universities are able to offer as many places to rUK and international students as they wish.²*

*For EU students starting their course on or before 20/21 academic year.

Data from UCAS shows that there has been a nearly 56% increase in the number of Scottish domiciled applicants to Scottish universities between 2006 and 2021 and a 47% increase in the number of acceptances - a huge increase over only 15 years. However, there has been an almost doubling in the number of Scottish domicile students who have been unsuccessful, from 8,630 in 2006 to 15,850 in 2021.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	'06 to'21
Applicants	35430	35495	38035	40055	46345	46015	45115	45720	44785	51295	52315	51830	51680	49925	51170	55150	+55.7%
Acceptances	26800	27220	29390	31030	32250	30800	30900	31495	30315	34775	35670	36540	37105	35725	38510	39300	+46.6%
Rate	75.6%	76.7%	77.3%	77.5%	69.6%	66.9%	68.5%	68.9%	67.7%	67.8%	68.2%	70.5%	71.8%	71.6%	75.3%	71.3%	-5.8%
Not accepted	8630	8275	8645	9025	14095	15215	14215	14225	14470	16520	16645	15290	14575	14200	12660	15850	+83.7%

Source: UCAS

¹ [No places at Edinburgh University law course for top students | Scotland | The Times](#)

² [University fees EU students: FOI release - gov.scot \(www.gov.scot\)](#)

The Scottish Affairs Select Committee's report on Universities³, published in 2021, questioned the impact tuition fees was having on accessing higher education in Scotland:

"As students pay for their own tuition in other parts of the UK, a similar cap does not exist elsewhere (other than for a temporary period during the covid-19 pandemic). It was reported in 2020 that, for the previous academic year, the unofficial 'cap' had led to only 55% of university applications from Scottish students being offered a place at Scottish universities, compared to 74% of English students at Scottish universities, raising questions about impact the free tuition policy has on widening access for Scottish students."

The report goes on to raise concerns about Scottish universities' reliance on international students:

"The Scottish Government and Scottish universities should work with the UK Government and universities in other parts of the UK to seek out examples of best practice in diversifying income streams away from potentially volatile international student fees. In doing so great care should be taken to ensure that core focus on education and research is not lost in favour of commercialised corporate ventures."

A 2016 report from Audit Scotland⁴ also suggested that the cap was resulting in more students being unsuccessful in their applications:

"It has become more difficult in recent years for Scottish and EU undergraduate students to gain a place at a Scottish university. The main reason for this is that applications have increased at a greater rate than increases in the number of funded places available for Scottish and EU students. Applications have increased by 23 per cent since 2010, yet the number of offers made by universities has increased by only nine per cent."

Professor Sally Mapstone, University of St Andrews principal, has emphasised that it is the cap, as opposed to widening access to more disadvantaged pupils, that is to blame for some people missing out:⁵

"More young people from non-traditional university backgrounds are getting into university than ever before, but it also means that competition for places at our most selective universities is more intense and has more profound social consequences than ever before...Contextual admission does not in itself disadvantage anyone. It is the co-existence of a capped numbers policy that does that."

³ [Universities and Scotland - Scottish Affairs Committee - House of Commons \(parliament.uk\)](https://www.parliament.uk/business/committees/committees-a-z/commons-select/scottish-affairs/)

⁴ [Audit of higher education in Scottish universities \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/)

⁵ [St Andrews University principal: Cap on Scottish places, not lower entry grades for the poor to blame for pupils missing out \(telegraph.co.uk\)](https://www.telegraph.co.uk/education/2021/03/24/st-andrews-university-principal-cap-on-scottish-places-not-lower-entry-grades-for-the-poor-to-blame-for-pupils-missing-out/)

Background

Funding for undergraduate higher education in Scotland changed a number of times between 1998 and 2008.

In 1996, the then Conservative Government commissioned Sir Ronald Dearing to lead a national committee of inquiry into the funding of higher education throughout the UK. At this point in time higher education was free at the point of use and students were entitled to receive means-tested grants. Since 1991, the government had been gradually reducing the value of the grant and replacing it with non-means-tested loans.

The committee reported in July 1997, calling for the abolition of grants and a shift to a mixed system of tuition fees supported by low-interest government loans. Later that year, the then Labour Education Secretary David Blunkett announced that means-tested, up-front tuition fees of £1,000 would be introduced and maintenance grants would be scrapped and replaced with student loans. The changes were introduced throughout the UK in 1998.

However, following devolution and the formation of the Labour/ Liberal Democrat coalition as the first Scottish Executive, in July 1999 Andrew Cubie was asked to lead a commission examining the issue of student finance in Scotland.

The Cubie report called for up-front tuition fees to be replaced with a Scottish graduate endowment scheme, whereby the Scottish Executive paid the fees and students would be required to pay £3,000 of it back when their earnings reached £25,000 a year. Bursaries for low-income families were also recommended.⁶

The then Scottish Executive agreed to abolish tuition fees and introduce a graduate endowment from 2001-02, while the first students became liable to pay the fee on April 1, 2005. However, the scheme instead called for students to pay back £2,000 once they started earning over £10,000, a lower threshold than Cubie had recommended.

The graduate endowment scheme remained in place until legislation from the SNP Government was passed by the Scottish Parliament in February 2008. The Graduate Endowment Abolition (Scotland) Act meant students who graduated on or after April 1 2007 no longer needed to pay anything towards the cost of their undergraduate tuition.⁷

That position remains the case today in Scotland, where students from Scotland (and, until Brexit, students from the EU) have their tuition fees paid for by the taxpayer.

⁶ Dobson, A, " The Cubie Report explained", The Guardian, 28 January 2000

⁷ <http://www.scotland.gov.uk/News/Releases/2008/02/28172530>

Practical consequences

As a result of the Scottish Government paying for these places there is an annual cap on the number of places that can be offered to eligible Scottish students. There is, however, no cap on the number of fee-paying students from the rest of the UK or from overseas.⁸

This means that Scottish universities have to be able to roughly match the number of places it offers to Scottish students with the funded places that are available that year. As a result, some applicants who meet the entry requirements may not be offered a place.⁹

According to the Students Awards Agency for Scotland (SAAS)¹⁰ over the past ten years there has been a 10.6% increase in the number of full-time students having their tuition fees paid by SAAS, with an 8.4% increase in funding:

Tuition Fees	'11/12	'12/13	'13/14	'14/15	'15/16	'16/17	'17/18	'18/19	'19/20	'20/21	'11/12 to '20/21
Students	122,490	122,250	126,025	128,585	129,330	130,270	131,485	131,235	130,260	135,475	+10.60%
Amount (£M)	212.1	208.9	214.7	219.0	220.3	221.7	223.4	222.8	221.3	229.9	+8.38%
Avg per student (£)	1,730	1,710	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	-1.73%

Source: SAAS

While tuition fees are met for Scottish domicile students, those from the rest of the UK face an annual charge of up to £9,250, capped at £27,750.

Martin Lewis explained on his Money Saving Expert website why the potential high tuition charges do not lead to huge debts and should not put people off attending university:¹¹

“With headlines shouting about £50,000 student debt and that getting bigger as loans for living costs increased in 2017, it's safe to say many students and parents are scared by this huge sum – and worry about how they'll ever repay it.

“But in essence that fear is misplaced. That's because the price tag of university is mostly irrelevant. What matters in practical terms is how much you have to repay – and that's a completely separate number from the total amount of tuition fees, maintenance loan and interest.

“What you repay solely depends on what you earn after university. In effect, this is (financially at least) a 'no win, no fee' education. Those who earn a lot after graduating or

⁸ SPICe, <https://spice-spotlight.scot/2019/12/18/the-price-of-free-tuition-in-scotland/>

⁹ SPICe, <https://spice-spotlight.scot/2019/12/18/the-price-of-free-tuition-in-scotland/>

¹⁰ National Statistics Publications (saas.gov.uk)

¹¹ <https://www.moneysavingexpert.com/students/student-loans-tuition-fees-changes/>

leaving university will repay a lot. Those who don't gain too much financially from going to university will repay little or nothing."

International students will pay higher fees than those from the rest of the UK. For example, to study Accounting and Business as an undergraduate at Edinburgh University, the cost for a full time new student in 2022 is £1,820 per year for a Scottish domicile student (met by the Scottish Government), £9,250 per year for someone from rUK and £23,100 for an international student.¹²

The difference in fees has meant that some universities are becoming increasingly reliant on international students, as highlighted in the report from the Scottish Affairs Select Committee.¹³

In 2019 Audit Scotland's report, Finances of Scottish Universities¹⁴, highlighted the growing fiscal pressures many Scottish Universities were facing and that many were seeking to increase income from non-EU students to maintain financial sustainability

Data from the Higher Education Statistics Authority (HESA) illustrates the growth in students from overseas. In 2006/7, there were 8,680 undergraduate students from non-EU countries studying in Scotland¹⁵, by 2020/21 this had increased to 17,755¹⁶, more than doubling in 15 years. (There has been a similar increase in the number of non-EU students studying in England, increasing from 89,100 in 2006/7 to 174,215 in 20/21.¹⁷)

However, it is worth highlighting that there is an uneven spread of international students across Scottish universities, making some more reliant on them than others. The following table from HESA illustrates the number of first degree full-time undergraduate students studying at each Scottish university in 2020/21.¹⁸

At St Andrews, 34.2% of full-time first degree undergraduates came from non-EU countries. At Edinburgh University it was 23.8%, while it was less than 10% for 12 other universities.

Reliance on the Scottish Government to meet tuition costs also varies considerably with over 90% of undergraduate full-time first degree students coming from Scotland at Glasgow Caledonian, the University of the Highlands and Islands and SRUC. At Edinburgh and St Andrews Universities, Scottish domicile students only account for around 30% of these students.

¹² [Full-time fees for new students 2022-2023 | The University of Edinburgh](#)

¹³ [Universities and Scotland - Scottish Affairs Committee - House of Commons \(parliament.uk\)](#)

¹⁴ [Finances of Scottish universities \(audit-scotland.gov.uk\)](#)

¹⁵ [Publications archive | HESA 2006/7](#)

¹⁶ [Where do HE students come from? | HESA](#); HE student enrolments by domicile and region of HE provider (Non-EU, Undergraduate, all modes) This is all year students, not just first year students.

¹⁷ [Publications archive | HESA 2006/7](#) [Where do HE students come from? | HESA](#)

¹⁸ [Higher Education Student Statistics: UK, 2020/21 - Where students come from and go to study | HESA](#)

Figure 7, First Degree, Full Time

First degree full-time undergraduate students	Domicile of Student							Total	Scots as % of total	English as % of total	Non-EU as % of total
	England	Wales	Scotland	Northern Ireland	Other UK	EU	Non-EU				
The University of Aberdeen	890	20	5,440	135	5	1,840	790	9,120	59.6%	9.8%	8.7%
Abertay University	165	5	3,295	25	0	460	40	3,995	82.5%	4.1%	1.0%
The University of Dundee	865	30	7,500	460	10	820	775	10,455	71.7%	8.3%	7.4%
Edinburgh Napier University	335	10	8,255	185	0	965	350	10,095	81.8%	3.3%	3.5%
University of Edinburgh	7,855	195	7,420	480	45	2,305	5,710	24,010	30.9%	32.7%	23.8%
Glasgow Caledonian	125	0	11,640	100	0	650	220	12,730	91.4%	1.0%	1.7%
Glasgow School of Art	390	10	805	20	0	175	200	1,605	50.2%	24.3%	12.5%
University of Glasgow	2,490	70	12,175	550	10	1,915	2,490	19,700	61.8%	12.6%	12.6%
Heriot-Watt University	740	20	4,960	300	10	350	860	7,240	68.5%	10.2%	11.9%
Queen Margaret University	80	5	2,455	55	0	640	50	3,285	74.7%	2.4%	1.5%
Robert Gordon University	80	0	7,315	20	0	880	330	8,630	84.8%	0.9%	3.8%
Royal Conservatoire of Scotland	145	5	460	15	5	120	150	900	51.1%	16.1%	16.7%
University of St. Andrews	2,250	90	2,475	135	25	450	2,815	8,240	30.0%	27.3%	34.2%
SRUC	15	0	475	5	0	20	5	520	91.3%	2.9%	1.0%
University of Stirling	570	15	5,875	385	15	1,105	545	8,510	69.0%	6.7%	6.4%
University of Strathclyde	485	20	11,985	225	0	485	935	14,140	84.8%	3.4%	6.6%
University of the Highlands & Islands	75	5	3,130	5	0	180	25	3,415	91.7%	2.2%	0.7%
University of the West of Scotland	680	5	11,060	25	0	500	185	12,450	88.8%	5.5%	1.5%
Total	18,225	505	106,730	3,120	130	13,865	16,470	159,050	67.1%	11.5%	10.4%

Source: HESA

Policy Recommendation: Deferred fees

While it is true to say society as a whole benefits from having a well-educated workforce, the individual graduates themselves also benefit from the higher earnings they accrue.

However, at present in Scotland, only wider society pays through the tax system for graduates who are originally from Scotland, while the graduate does not contribute in any way that reflects the personal financial benefit from having a degree. Although graduates may earn more and subsequently pay more tax, many top-rate taxpayers may not have gone to university, so higher tax contribution should not be seen as payment towards higher education.

There needs to be a better balance between the individual graduate and taxpayers in contributing towards higher education. As a result, Reform Scotland believes graduates should contribute towards the cost of their higher education through a deferred fee, to be repaid once they earn more than the Scottish average salary.

The Scottish Government could also look to introduce schemes that cut or scrap repayments for graduates who remain in Scotland working in certain sectors for set periods of time.

Deferred fees should not deter people from going to university. The amount you pay back would be based on the amount you earn.

If a graduate does not gain too much financially from going to university, they will repay little or nothing at all. The financial expert Martin Lewis has referred to this as being in effect a “no win, no fee” education.

This policy would:

- End the cap on Scottish domiciled students;
- Reflect the benefits to both individuals and society of university education;
- Help share the burden on public finances as we face long-term expenditure difficulties.

