

Written evidence on student support: Education committee

Introduction

NUS Scotland welcomes this look at higher and further education student support in Scotland. As we look ahead to the Scottish elections in 2016, our priorities in the short-term are focused on ensuring that we make continuous improvements to the student support available to those studying here and now, while setting strong groundwork for more fundamental reforms and improvements in the long term.

In further education, we remain concerned that the discretionary system of student support continues to leave many students either receiving less than the maximum amount of support that they should, and equally those who go without entirely. Annually we see the level of unmet demand there exists for bursary support, and it is vital that this funding need is met, and that work begins on costing ways to end it entirely.

Equally, while there have been welcome moves to increase bursary amounts by inflation in recent years, this has not been the case forever and means that bursary rates fail to take account of the true increased cost of living for students. Ultimately, moving from a discretionary system to a system closer to an entitlement would solve many of the problems faced by students and colleges in terms of student support, and we believe the case has never been stronger for urgent action towards this end.

In higher education, we strongly welcomed the significant increases available in student support, and the positive effects this should have on access and retention; however, while we recognised the short-term need to increase the amount available through the use of loans, which was ultimately better than seeing no increases at all, in the coming years we need to see increases in support to keep up with the increasing cost of living, and for the poorest students these increases must come in the form of bursaries rather than additional loan debt.

The small increase in HE grants for 2015/16, and the extension of the household income bracket at which students are eligible for grants, is to be welcomed, and we would want to see this protected by ensuring grants rise in line with inflation while retaining the simplified approach to amounts available.

However, we cannot escape the funding available to Scotland, and with moves in England to fully abolish grants and increase student loans combined with the large scale increase in loan funding available to Scotland as a result of £9,000 fees in England, with an attendant c.£3bn reduction in grant funding going to English universities, we would urge the government to work with the Treasury to ensure Scotland is not beholden to policy changes elsewhere, and we do not see a continued overreliance on loan in Scotland.

Further education

While we are supportive of the Scottish Government's continued protection of FE student support, the simple fact remains that the system is not fit for purpose, leaving far too much uncertainty for students. Under the current FE student support system, there are three fundamental issues that need be addressed:

1. The budget is cash limited meaning the total supply of funding absolutely fails to take account of actual student demand.
2. FE bursaries are discretionary, meaning there is no guarantee students will receive funding, even if they meet all the necessary criteria.
3. There is leeway in the system (colleges can pay a bursary at 80% of the guideline level), meaning it is a postcode lottery where some students may receive the full amount at one college, but a lesser amount at a neighbouring one.

At the end of last calendar year, using a freedom of information request, NUS Scotland asked Scotland's colleges how overstretched their FE student support budget is, and whether applications and awards have been increasing. Of those colleges responding, the figures showed:

- By December 2014, 65% of colleges had already spent all of the FE bursary money available to them, or overspent on their budget. The figure for childcare funds was 55%.
- Some colleges reported particularly large levels of spend compared to the budget they received.

- South Lanarkshire College have spent 149% of their available bursary budget; Ayrshire College have spent 132%; and Perth College have spent 126%. Average spend was 120% of the available budget.
- Between 2012/14 and 2013/14, the number of bursary awards made to students by colleges increased by 18%, while the budget provided by the Scottish Funding Council only increased by 3%.
- Childcare fund awards to students increased by 22%, while the budget only increased by 6%.
- In 2014/15 bursary and childcare budgets saw small increases of 1% and 2% respectively, with evidence that colleges are again experiencing increased applications.

At the same time, as the results of our research into the Scottish student support system, *Still in the Red*, found, the current system creates a number of real injustices and concerns for students. Less than half of students responding to this research who received a FE bursary said it was clear to them before starting their course how much money they would receive. In turn, over half of those (31% of college bursary students overall) said this made it difficult for them to decide whether to study at all.

In a follow up survey by NUS Scotland, undertaken earlier this year, these figures were further reinforced. In this new survey, **57% of FE students stated that they weren't clear how much financial support would be available to them.**

Of these respondents, **71% stated that not knowing how much support would be**

available made their decision to undertake their course more difficult.

It remains our concern that, without sufficient financial support, many students studying at FE level will be unable to afford to study, forcing them to drop out, and forcing others to stay on benefits rather than retrain or improve their skills– a huge waste of talent but also a waste of public resources. We know that financial hardship puts real strain on a student’s ability to complete their studies, readily apparent in FE where almost 30% of students fail to complete their course successfully.

Unmet demand

Through this year’s in-year redistribution, we saw colleges stating that they needed £14.7m more than the original budget provided by the SFC, with the SFC responding with £3.5m, leaving £11.2m of unmet demand. This is a 128% increase in unmet demand, rising from £4.9m of unmet demand last year.

While we appreciate that, with further work between Scottish Government, SFC and colleges, this figure was able to be reduced to around c. £7m, we are still left with a situation where (a) colleges are extremely cautious about the funds they have available, having genuine and worrying impacts on the money available to students, and (b) there does still remain a worrying level of unmet demand each year.

Delivering inflationary increases

We supported the Scottish Government’s decision in 2013/14, and continuation in subsequent years, to protect the individual weekly rates for FE bursaries against inflation. We would hope to see this protection continued

in. On the basis of the current FE student support budget and ONS GDP deflators, this would require a funding commitment of around an additional £2m (on top of additional funding to ensure we fully meet demand in the system).

Equally, we remain concerned that, while overall bursary funding continues to be insufficient to fully meet demand, the benefits of uprating the weekly amount with inflation will be lost. Without addressing the issue of demand outstripping the funding available colleges may be forced to:

1. Reduce award amounts further below the 100% guideline rate to try and make the money go as far as it can, and/or:
2. Provide students with the full 100% amount but still have significant amounts of unmet demand from other students.

As such, it is vital that any additional funding to match inflation is combined with funding to meet the unmet demand shown above.

Higher education

Similarly, NUS Scotland was pleased when the Scottish Government heeded our calls to improve student support for higher education students, ensuring that we removed financial worries as a major barrier to studying, and, as our research has shown, a major reason for Scotland’s high dropout rates.

In a comprehensive survey of students in Scotland, undertaken earlier this year, we found that:

- 51% of respondents either disagreed or strongly disagreed with the statement "I

feel able to concentrate on my studies without worrying about finances”

- 67% of respondents either strongly agreed or agreed with the statement *“I sometimes feel overwhelmed by my finances”*
- 59% of respondents either strongly agreed or agreed with the statement *“I feel I have little control of my financial situation”*
- 79% either strongly agreed or agreed with the statement *“In general I worry about my financial situation”*
- 64% either agreed or strongly agreed with the statement *“I regularly worry about not having enough money to meet my basic living expenses”*.

At a time when Scotland continues to make progress on improving its rates of fair access to higher education—which cannot end simply at getting students into an institution, but must carry on through to graduation and outcomes—49% of respondents stated that they had seriously considered leaving their course. The single largest reason given for this (by 62% of those who had considered dropping out) was financial difficulties.

While, as discussed below, we firmly believe that free higher education is an incredibly important foundation of fair access, it does not in and of itself mean we will achieve fair access. True success relies on institutions pushing themselves to set ambitious targets to improve the rates of entrants from our most disadvantaged backgrounds, and investing in initiatives and means to achieve those, along with the necessary financial support to ensure students are able to remain in education, without fear of, for example, taking on unmanageable levels of commercial debt, including payday loans or working unreasonable

amounts of hours in part-time (if not full-time jobs). Indeed, our survey found that over two-thirds (67%) of respondents indicated that they are working more than the Cubie recommended 10 hours per work, with 61% saying that his had a negative impact on their studies.

However – and as with FE bursaries - in order to ensure the long-term success of this investment in Scotland’s higher education students, we believe it is important to ensure that support rises annually, at least in line with inflation, which we were pleased to see happen in the Scottish budget for 2014/15, the first year after the new system was introduced, and a similar, though smaller, increase for the poorest students in 2015/16.

Ensuring we make continuous progress on improving student support—and doing so through grant increases, for students from the most disadvantaged backgrounds, at least—remains our overriding priority and, in common with students studying FE courses, just 27% of HE funded students, in our recent student support survey, felt that the financial support they receive would be of a sufficient amount to support them until the end of their studies.

However, as we have previously stated, while uprating to protect by inflation is important, so too is retaining the simplification of the budget. As such, we believe as well as increasing by inflation this should be rounded up to the next £250 increment.

Perhaps most importantly, we believe any further increases should, for the poorest students particularly, come through in the form of grants, not add further to debt through loans. Among the results of our most recent

student support survey, 58% of respondents agreed with the statement “*I am concerned about my levels of debt once I have completed my course*”, and we would have concerns that this is a sentiment shared most strongly among those from lower income backgrounds.

While, discussed below, much of this has been as a result of a huge expansion in the amount of loan funding available to Scotland, it is clear that we must do more to address the debt burden we place on students, and in particular the burden we place on our poorest students.

We have a narrative in Scotland of free education, and that is true and an incredibly important part of our higher education system; however, only in one (albeit very important) factor - the price tag attached to it. Having a tuition fee-free Scotland is incredibly important, but that doesn't create fully free and fair education in and of itself, and we must push ourselves to do all we can to improve the financial settlement we provide for students. We must also consider the wider costs associated with being a student, and how we support students with those costs

Funding cuts impact on Scotland

Thanks to campaigning from NUS Scotland and students across Scotland, we've managed to achieve strong consensus in Scotland that free higher education is the right policy for students and Scotland. However, having achieved free education in Scotland, under full devolution of education, does not mean that Scotland is immune from policy shifts from Westminster.

In 2011/12 (the last year before the rise in fees to £9,000), the total teaching grant provided by

HEFCE to English universities was £4.3bn; in 2012/13 (the first year of the £9,000 fees regime) it was £3.4bn; and, by 2015/16, it will be £1.6bn.

The Institute for Fiscal studies has projected that, by 2017/18 (as old, £3,000 fee, system students are eventually replaced by a full cohort of new system students), the HEFCE teaching grant will be around £1.1bn; in total, a reduction in grant funding to English universities of around £3bn.

Given that the Scottish block grant is worked out as a proportion of English spending, cash grant funding available for Scottish higher education has not been immune to change. These figures also ignore wider cuts in the available HE funding pot in England, including for research, etc.

The use of student loan funding

Within higher education funding (as with the wider budgeting) there are different types of funding that can be used for different purposes:

1. Departmental expenditure limits (DEL):

This is cash available for spending directly on things. In higher education, this type of funding is used for teaching and research budgets, SAAS tuition fee payments to colleges and universities, student grants and bursaries, etc—things requiring a direct handover of (non-repayable) cash, to students or institutions.

2. Annual managed expenditure (AME):

This is spent on programmes that are demand-led, like student loans, which are more difficult to budget for in any given year. At the same time, while student loans require still giving money directly to

students, some of it will be paid back. This type of budget can only be used for very specific things; using a simple example, in the HE budget line, it is generally for student loans.

As with all other funding, the Scottish Government receives a certain portion of both of these budgets depending on Westminster spending decisions. As noted above, the HEFCE teaching grant (DEL) was cut drastically as a result of £9,000 fees and this was replaced by tuition fee loan payments from students direct to institutions (AME). As such, the Scottish Government saw a very large increase in the available AME funding, and a decrease in DEL.

Once consequence of this was it meant that Scotland had far higher levels of loan funding available than it would ordinarily have needed (given the lack of tuition fees for Scottish students), but it could either 'use it or lose it'. As such, when NUS Scotland was successful in getting big increases to student support for Scottish students, the majority of this came through loans, as it was the only form of funding available to the Scottish Government. As such, it was another example of Scottish Government policy being partially forced by the actions of Westminster.

Reducing our reliance on loan funding

We believe the current devolution settlement, and in particular accounting rules, mean that the Scottish Parliament is often tied-in to the funding mechanisms and decisions developed for further and higher education elsewhere in the UK, and we would like to see this relaxed. The current system offers very little to no flexibility for the Scottish Parliament to take a different route from that set in the UK

Parliament, and instead use this funding to move away from student loans and debt as way of funding living costs. The 'uncapping' of students in England, and the outright abolition of all living cost grant support (to be replaced with full loans) will only exacerbate this.

We believe the UK Government's decision to remove much of the cash-DEL funding for teaching and for student finance, means the time has come for the Scottish Government to seek dispensation to convert non-cash DEL allocation and AME allocation for student loans, to money that can be spent on student bursaries and teaching (cash-DEL). We believe the Scottish Government should urgently work with Treasury to ensure this is possible.

While one-off dispensation would be beneficial for now, we believe a long-term solution would be to provide the Scottish Parliament with a ring-fenced ability to borrow for the purposes of funding students' living costs in line with a set proportion of the debt accrued by the UK Government for student loans. This would be an annual amount, in line with the student loan budget set by the UK Government, but also a long-term borrowing amount in line with the overall total of student loan debt held by the UK Government.

Improving terms and conditions for graduates

Today, many graduates will have no option but to take on lower paid jobs, which do not attract a graduate salary. Due to the lower repayment threshold for their student loans in Scotland (£17,335, before tax, compared to £21,000 for post-2012 students in England) these low earning graduates will still have to repay their

student loan debt, despite seeing no financial benefit from their higher education.

We believe that only those graduates who see a genuine benefit from their degree should have to pay back their loan, and those who do not should be able to work for a salary level below this, without having to make repayments. At the same time, a higher repayment threshold would underpin the progressive principle behind universal free education, and avoid it being in any way undermined by have graduates begin repaying their loans on such a low salary.

As such, we would welcome moves within the draft budget to explore the potential for increasing the repayment threshold to a higher, graduate salary, level. We would suggest, as a minimum, equalising the threshold with elsewhere in the UK (currently £21,000).

Benefits and student support

As with all other forms of income, student support will count as income for the purposes of benefit calculations. As such, we would urge any consideration of the support available to not just consider the support provided by government, but also the wider support (through benefits) available. This is particularly important given that the groups of students who are able to access benefits entitlements and student support will be those who require the greatest financial assistance.

In higher education (where loans and grants are both counted as income) you cannot substitute benefits for a student loan, and you will always be counted (for the purposes of your income) as having taken out the maximum loan you're available for, even if you haven't applied.

In further education—as a result of the discretionary system—you will not be treated as having access to a bursary, so this will not be counted automatically as income unless you actually apply and receive one, as it is a discretionary system and there is no automatic guarantee of receiving one. As such, some students in further education may opt not to apply for a bursary, depending on the level of benefits they receive, and instead keep receiving benefits while accessing, if needed, travel cost, course cost and/or hardship funding instead.

Benefits and further devolution

As part of the Smith Commission and further devolution process, NUS Scotland consistently called for greater devolution over the welfare system to the Scottish Parliament. Particularly, we have been seeking specific powers to ensure that the student support system and benefits system were compatible, regardless of whether the benefit in question was devolved or reserved. This would allow the Scottish Parliament to exempt student support payments from benefit means tests, and allow the Scottish Parliament to determine rules over studying and being eligible for benefits (for example the current '16-hour rule').

Failing this, the Smith Commission made, what we felt was, a clear recommendation that the Scottish Parliament should have the devolved ability to 'top up' reserved benefits as well creating new payments in devolved areas. NUS Scotland welcomed this recommendation as it would have provided a power to mitigate those cases where there is a negative interaction between benefits and student support, particularly for further education students.

However, the clauses as drafted would appear to only devolve a power to top up devolved benefits which we believe goes against the spirit of the Smith Commission recommendations as well as negating the ability of the Scottish Parliament to choose a divergent policy agenda to tackle poverty. As such, we have called for the proposed legislation to be changed to ensure Scotland gets the full powers and benefits originally recommended by the Smith Commission.

We have argued as part of the process that it is vital that full control over devolved benefits is afforded to Scotland so as to allow the Scottish Parliament to design the best system it can and not constrained by UK regulations. This is exacerbated by the fact that the DWP continues to roll out the introduction of universal credit in Scotland, even with the expectation of further devolution in the near future. Along with organisations such as Citizens Advice Scotland, we have been calling for the UC roll out to be frozen in Scotland, pending the passage of any legislation.

It is clear that, for the students who require the greatest financial assistance the most, potential changes to benefits (including tax credits, which many students are also eligible to receive) could have severe consequences. Failing the full devolution of powers to mitigate these consequences, it is vitally important that student support for further and higher education students is set at such a level so as to fully support students, regardless of their circumstances.

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