Introdunction
NUS Scotland welcomes the opportunity to submit evidence to the Finance Committee’s inquiry. We have previously submitted evidence to the Smith Commission on the full range of further powers we believe merit devolution to the Scottish Parliament, including: more financial, welfare and taxation powers to the Scottish Parliament, responsibility for electoral matters—particularly for the franchise—and believe the outcome of the Commission should be tested, via a citizen-led process, against the will of the Scottish electorate.

For the purposes of this inquiry, we have focused on one specific, but important, aspect of financial accounting which we believe should explored in any discussions around further devolution of financial powers.

Financial accounting rules around student finance
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.

As an example, the increasing reliance on student loans in England—particularly as a result of the increase to £9,000 fees in England, and the tuition fee loans these attract—has led to an increase in the availability of student loan funding in Scotland. However, given the Scottish Government’s absolutely correct decision to abolish tuition fees we have far less of a reliance on student loan funding in Scotland.

Much of this student loan funding comes in the form of AME (Annual Managed Expenditure) funding for new lend student loans, and non-cash DEL (Departmental
Expenditure Limit) funding for the impairment or default rate on these loans (the RAB charge). As with all other budget lines, the amounts of both are tied to the funding decisions taken by Westminster, and as result, following the introduction of higher fees in England, there was a marked increase in new lend and RAB funding available in Scotland; however, it is very difficult for the Scottish Parliament to use these budget for other (non-loan) purposes within FE or HE.

This offers very little to no real 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.

We believe the Scottish Parliament should be provided 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.

This would be in addition to further, more general, borrowing powers whether stemming from the 2012 Scotland Act or the forthcoming Scotland Act. Further borrowing powers, ring-fenced for FE and HE in line with the student loan budget, would be crucial to allow the Scottish Parliament to move away from a system based on personal debt, through student loans for living costs if it chose to do so, in line with the political will in Scotland.

**For more information, contact:**

Philip Whyte  
Senior Policy & Public Affairs Officer  
Philip.whyte@nus-scotland.org.uk