

Scrutiny of the draft Scottish budget 2015/16

NUS Scotland Written Evidence | October 2014

Summary recommendations

1. A minimum of £5.8m funding to meet unmet demand in FE bursaries and to increase FE bursaries in line with inflation.
2. A £10m investment to increase grants for the poorest HE students, combined with increases in loans for students further up the income spectrum.
3. Expansion in student loans so that all taught postgraduate students receive support for tuition fees and living costs.
4. A more progressive student loans repayment system, particularly looking at increasing the repayment threshold for student loans (so that poorer graduates do not need to make repayments) and a shorter write-off period (so that debt is written off more quickly for the poorest graduates).
5. **Ultimately, our priority for the draft budget is to ensure fair and well-funded student support for all students.**

Introduction

NUS Scotland welcomes this opportunity to provide written evidence, as part of the committee's scrutiny of the draft Scottish Budget for 2015/16. The proposed settlement can have long-lasting effects on a number of national outcomes – both direct (for example, in ensuring positive destinations for graduates) and indirect (for example, in helping to reduce inequalities and poverty). NUS Scotland believes that with further progress in the budget, we can achieve even more.

Following a number of years of proposed cuts to college budgets, which NUS Scotland worked hard to reverse at least in part, we are pleased to see a more steady state provided for in the draft budget, with a small increase in college budgets in cash terms, from £522m to £530m.

However, concerns remain as to whether colleges have the necessary resource to deliver on their vital mission, and continuing to deliver at least the same number of college places, at a continued level of high quality.

While we recognise that long-term savings can be made through regionalisation, it is important that in the short to medium-term we protect public funding for colleges to ensure they continue to serve students across Scotland, and ensure that that efficiencies generated by regionalisation are not simply cuts to vital services, cuts to pay or quality of staff, or impact upon the academic experience of students.

For our universities, the additional £19m provided for universities in the 2014/15 budget, protected in 2015/16, demonstrates the Government's commitment to at least closing any funding gap between Scottish and English universities, whilst rightly continuing to rule out tuition fees.

NUS Scotland has also previously welcomed the significant and much needed increases to higher education student support. However, while the new student support system for higher education is a huge improvement, we must make sure support increases with inflation as the cost of living increases. To do so, we must now look to increasing grant support for the poorest students.

Equally, further education students continue to be supported through a discretionary system, which offers no guarantees over their funding. We believe this system is a glaring injustice for some of the poorest students in the country, which requires fundamental reform towards an entitlement-based system, but equally short-term investment through the draft budget.

Over the course of this Budget settlement, we hope to see reform of the student support system elsewhere too. For postgraduate (PG) students, we want to see improved support to ensure that your talent, not your bank balance, is the key factor in seeking and receiving higher levels of education.

Recommendations

1. Additional £5.8m funding to increase bursaries in line with inflation (£1.6m) and to meet unmet demand among Further Education (FE) students (£4.2m), with a commitment to move to an entitlement for financial help within FE.

The student support budget for FE level courses sits within the overall college funding budget. Unlike for HE students, student support budgets are not funded through a separate body – like SAAS – but through the SFC. In academic year 2014/15, student support funds amounted to £104m within the college budget provided to the SFC.

We have welcomed the Scottish Government’s continued protection of FE student support and we call on this to take place again, ensuring that some of the poorest students in the post-16 system are protected from the increasing cost of living. With a GDP deflator of 1.6% in September this would amount to just over £1.6m per year increase for student support funds.

Furthermore, we believe that the discretionary and first-come-first-served student support funds in colleges leave some students out of education or struggling with insufficient financial support. Shortages in recent years have led to colleges underfunding students, paying less than the SFC guideline amount for student bursaries. In addition, further evidence from the SFC suggests that current student support funds are not sufficient to meet demand.

As the results of our research into the Scottish student support system, *Still in the Red*¹, found, the current system creates a number of huge concerns for NUS Scotland. Less than half of students who responded to our research survey and had received an FE bursary said it was clear to them before starting their course how much money they would be granted. Consequently, over half of those students (31% of college bursary students overall) said this made it difficult for them to decide whether to study at all.

It remains our concern that, without sufficient financial support, many students studying at FE level will be unable to afford to successfully finish their education, or may even be unable to take the financial risk of moving from secure funding (whether through benefits or work) into an insecure and uncertain funding arrangement. We know that financial hardship puts real strain on a student’s ability to complete their studies. Currently, almost 30% of students in FE fail to complete their course successfully.

Currently the SFC runs an ‘in-year redistribution’ (IYR) of college student support funds, allowing colleges to request additional funds (bursary, childcare, and discretionary) and return any unused funds, allowing any surplus funds to be redistributed.

The national outcome for the last IYR is shown below:

Table 3: SFC In-year redistribution

	2012 (£m)	2013 (£m)
<i>FE student support budget</i>	95.6	102.8
Funds requested through IYR	8.2	11.8
Funds allocated through IYR	5.4	7.6
Unmet demand	2.8	4.2

Source: Scottish Funding Council

The above figures demonstrate that at current budget levels there was still over £4m of unmet

¹ Full report available at <http://www.nus.org.uk/PageFiles/12238/STILL%20IN%20THE%20RED%20REPORT%20FINAL.pdf>

demand from students even after the IYR redistributed any remaining available fund. This gap is more than double compared to the previous year.

It is clear that there is significant unmet demand from colleges for FE student support which we believe the draft budget should urgently address. As we have been proposing for some time now, we believe the best way to achieve for FE students is to move to a national entitlement to financial support for college students, delivered locally that would provide the certainty and security people need when deciding to undertake further studies.

We believe the government should commit an additional £5.8m to the FE student support budget to meet current unmet demand and to increase bursary rates in line with inflation. We would also welcome engagement with MSPs and the government, over the next budget year, to work with NUS Scotland and the SFC to model the cost of a full entitlement, and move towards this system for all students.

2. Meeting the cost of living for HE students (£10m for HE bursaries, and additional funding for student loans)

Students within HE (in college and university) receive financial help through SAAS in the form of student loans, and for the poorest students, through a mix of bursaries and student loans. While organisations can, in theory, make efficiency savings to cope with below real terms protection, individuals and families are not able to adjust in the same way. It is therefore extremely important that the Scottish student support budget is increased at least in line with inflation.

NUS Scotland remains very supportive of the simplification of student support undertaken by the Scottish Government for 2013/14. The changes saw a significantly enhanced settlement for the poorest students, up to—in the current academic year—£7,500. The new support package saw over £200m a year in additional funding into the pockets of students. However, while financial support increased

overall, the amount of bursary support provided to the poorest students reduced.

We would like to see increases in the financial support package available to HE students in Scotland to ensure that the package is protected in real terms. To maintain the systems' simplicity we would suggest this should take the form of a £250 a year increase. For the poorest students this should come in the form of bursaries (a cost we estimate at £10m for a £250 increase for both young students and independent students) and an increase in the loan entitlement available for students higher up the income spectrum.

This would bring maximum grants available up to £2000 and £1000 for young and independent students respectively.

3. Extending postgraduate student loans (student loans for all PG masters students to cover fees and living costs)

In recent years, Scotland has taken some important steps towards legislating and investing to improve our poor rates of access to higher education for people from our most deprived communities at the undergraduate level. However, we believe there are still significant financial barriers to accessing postgraduate (PG) education for our poorest students in particular.

Research carried out on behalf of The Sutton Trust has found that "11 per cent of 26-60 year-olds in the workforce now holds a postgraduate qualification, up from 4 per cent in 1996."² The research also found that those holding a master's degree can expect a premium over and above those holding a bachelor's degree equivalent to an extra £200,000 over their working life.

In Scotland, as in the rest of the UK, there has previously been low levels of support available for postgraduate study. This has meant that

² "Postgraduates earn £200,000 premium as basic degree no longer enough", The Sutton Trust, <http://www.suttontrust.com/news/news/the-postgraduate-premium/>

prospective students have been unable to undertake a postgraduate degree without incurring significant levels of commercial debt. We recognise that unlike in the rest of the UK, students in Scotland currently may be eligible for a postgraduate tuition fee loan (PTFL) up to a maximum of £3,400 to cover the tuition costs of their degree. However, this loan often falls short of the average tuition cost of a postgraduate degree, and is not available for all postgraduate degrees.

Crucially, there has previously been no support available to cover living costs during a postgraduate degree. The impact of this lack of support was evident in our research report, *Still in the Red*, which found that 75% of PG taught students responded that they were not receiving enough support to concentrate on study, compared to 67% of all students. As such, we welcome the Government's decision to introduce a loan of £4,500 for postgraduate students on a selected range and number of courses.

Considering that support levels for postgraduate students are low, and that support is only available for students on select courses, it is unsurprising that demand for postgraduate courses has stagnated in Scotland over the past decade.

In 2012/13 there were 11,725 Scottish domiciled entrants to PG courses compared to 12,405 in 2002/03. Furthermore, as demonstrated by the below figures, while Scottish students make up 73% of first degree entrants at Scottish universities, this reduces to 46% for postgraduate degree entrants. Correspondingly, the proportion of international students entering PG courses is higher than international students entering undergraduate level study. We are concerned that this underrepresentation of Scottish domicile students on PG courses may be partly due to the low levels of financial support available.

Entrants to higher education at Scottish HEIs and colleges by domicile and level of study, 2012/13

	Postgraduate		First degree	
	(n)	(%)	(n)	(%)
Scottish	11,725	45.95	33,910	73.00
Rest of UK	3,615	12.34	4,920	10.48
EU	3,730	13.03	4,500	10.28
Non-EU	10,175	34.96	3,125	7.69
Total	25,515	100.00	46,455	100.00

Source: Scottish Government

We believe that increasing the number of Scottish-domiciled students entering and completing PG courses would have a positive impact on individual development as well as the skills and knowledge of our workforce. We also believe it is a fundamental issue of fairness - reaching your full potential in education should rely on your ability to learn not your ability to pay.

As such, we would like to see student loans provided to all PG masters students to cover fees and living costs. In addition, we urge the Government to ensure that institutions are unable to set fee levels that are above the supported amount for any postgraduate courses.

4. A more progressive student loan repayment threshold

NUS Scotland fundamentally supports universal free undergraduate tuition as we recognise its immense societal benefits. However, we recognise that student loans remain a fundamental part of the financial support students receive for living costs.

The current terms and conditions of student loans in Scotland are that graduates repay 9% of their income above an income threshold of £16,910, until the student loan debt is repaid. After 35 years, the student loan debt is written off if graduates have not already repaid it.

However, in the rest of the UK, the repayment threshold does not kick in until a graduate earns £21,000 and the debt is written off after 30 years (rather than 35). It should be noted

though, that the highest earning graduates to incur interest above inflation on their debt.

We want to work with the Scottish Government to explore whether improvements could be made to the repayment terms and conditions of student loans in Scotland so that they were more progressive. This could include looking at increasing the repayment threshold to £21,000 or reducing the period of time before the debt is written off. Both of these policy options would benefit the lowest earning graduates.

We believe that only those graduates who earn closer to average salaries in Scotland should have to pay back their loan.

We would urge MSPs and the Government to consider the budgetary repercussions of Westminster's £9000 fees and plans to increase or uncap student numbers in England. If these result in headroom within the RAB charge budget (non-cash DEL), we would urge the Government to explore whether this money could instead be used for progressive reforms to loan terms and conditions as suggested above.

Conclusion

It is clear that, through the previous Scottish spending review, a number of significant investments have been made in further and higher education.

The increases in overall amounts of student support available, the continuation of free undergraduate education, widening access provisions through the Post 16 Education Bill, and the creation of additional funded places specifically for widening access and articulation must ensure that we see a marked shift in Scotland's poor rates of fair access. We also support the commitment to protecting college and university funding, and hope to see this commitment continue in the years to come.

However, if we are to truly capitalise on these improvements and ensure that they are not eroded over time as a result of inflation, it is vital that student support is prioritised to ensure that all students are able to take advantage of this progress.

This means we must see increases to FE student support budgets to meet unmet demand and to keep up with the cost of living. Similarly we want to see increases in support for HE students to keep up at least with inflation – we believe these increases for the poorest HE students should come in the form of grants. We would like to see improvements in funding for postgraduate funding to cover tuition costs and living costs, removing a key financial barrier to Scottish-domiciled students continuing in postgraduate studies. Finally we would like to see reforms to the student loan repayment system to see a more progressive system than is in place currently. This should look at the income threshold over which student loans are repaid, and the period after which student loan debt is written off.

NUS Scotland recognises the undoubted pressure Scottish finances face, and the effects of the programme of austerity driven by the current Westminster government. However, we strongly believe that investing in further and higher education is for a crucial for economic recovery, as well as alleviating the social cost of the austerity programme.

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