

EDUCATION AND CULTURE COMMITTEE INQUIRY INTO STUDENT SUPPORT

SUBMISSION FROM LUCY HUNTER BLACKBURN

Summary

- The relationship between student funding and access is complex and subtle, complicated in Scotland by the poor understanding of the funding system and contradictory government rhetoric around student loans.
- Research from elsewhere in the UK suggests that increasing living cost support can contribute to increased participation, with grant having more effect than loan. But other, non-financial factors are more influential.
- Scotland makes relatively little use of non-repayable grant for lower income students and relies heavily on student loans to fund living cost support.
- Low-income students therefore tend to fall into one of two groups: a substantial minority who borrow nothing towards their living costs and try to manage on very small amounts of grant, and a larger group who will leave higher education with significant amounts of debt.
- Even for those borrowing the maximum, the total value of loan and grant at relatively low incomes leaves a significant unfunded gap for those living away from home. There is substantial assumed “ability to pay” for this group.
- Poorer students are more likely to take out a loan, and borrow more on average, than ones from better off homes. They therefore take on a disproportionate share of the £0.5bn in loans issued each year in Scotland.
- Thus graduates from disadvantaged backgrounds face a future financial disadvantage compared to their wealthier peers. This regressive effect entrenches existing inequalities and has to date been avoided in other parts of the UK.
- Information previously provided to the Committee by the Scottish Government in relation to the 2013 changes to living cost funding has not always been as clear, comprehensive or reliable as the Committee might have been entitled to expect.
- The issues identified above stem from an absence of political willingness to give grants equivalent priority to fee support. They could be addressed by a return to much greater use of means-tested grant.

EDUCATION AND CULTURE COMMITTEE INQUIRY INTO STUDENT SUPPORT

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1. The Committee's inquiry into living cost support for students through bursaries and loans is to be strongly welcomed. I am very grateful for the opportunity to give evidence. This submission should be read alongside that submitted by Sarah Minty of the University of Edinburgh and considers the support available for students undertaking full-time higher education for the first time.

The relationship between student support, access and rhetoric

2. The relationship between student funding and access is complex and subtle. Two substantial recent pieces of research into the relationship between national student funding policy and participation have been conducted by Dearden, Wyness and others. The first of these was funded by the Department for Business Innovation and Skills. I am not aware of any similar recent studies funded by the Scottish Government.
3. [The Impact of Higher Education Finance on University Participation in the UK](#) (2010), considered changes in fees, loans and grants at different points in England over several years. The researchers demonstrated that it is the combined effect of changes in all three elements which matters, noting "the positive impact of aid [ie grants and loans] on participation". However, the study also argued that the aid provided was a far less significant factor in determining applications than "parental education and prior attainment" which are the "key drivers of participation".
4. This may explain why figures on application and acceptances across the UK over the past decade do not show clear patterns which can be easily related back to differences in student funding between the UK nations: [see Annex A](#).
5. A more recent study [Money for nothing: Estimating the impact of student aid on participation in higher education](#) (2014) examined more closely the effect of introducing a £1,000 grant in England in 2004 and suggested a stronger role for grant than found in the 2010 research. **The authors reported that the grant-for-loan swap resulted in a 3.95% increase in participation rates in the group affected i.e. students from households with incomes below £22,500.**
6. A [report laid before the Parliament by the Scottish Government in April 2013](#) recorded that:

...in 2007-08 students said that costs for books/ equipment, rent/ housing, food/drink, entertainment, travel, and commercial loans were of greater concern to

students than the Graduate Endowment Fees. This suggests, as noted in previous reports laid in Parliament, that while the Fee could have been a factor in a student's decision to study at the time, it would be more accurate to consider the Fee in the wider context of costs and debt generally, and how both the fear of, and actual debt, impacts on student behaviour and outcomes. ... Other evidence sources suggest that the fear of debt and cost of study can potentially dissuade prospective students to going to university. People from disadvantaged family backgrounds are especially vulnerable in this respect. ... [BIS research notes that] those from less privileged backgrounds were more likely to be concerned about debt, and those most averse to debt were among the less willing to participate in HE ...

7. The position is complicated by the poor understanding many young people appear to have of the funding system. Evidence suggests that **at the point that young people decide whether to apply to HE they often have a limited understanding of student funding**. The best recent research here for Scotland comes from interviews conducted in 2013 and 2014 by Sarah Minty, who also interviewed young people in the north of England, where understanding was more secure.
8. The research confirms that for many low income students in Scotland debt aversion shapes choices and behaviours, even among those who enter HE. This may be unavoidable in some cases. However, it is possible that it is partly a function of the poor quality of public debate and education about student loans in Scotland.
9. **The Scottish Government has greatly increased its reliance on student loans in the past three years: new lending now exceeds £0.5bn a year.** As discussed below, this particularly affects those at lower incomes. Yet senior government figures have maintained a rhetoric which positions student loans as intrinsically undesirable and problematic. For example:

As somebody who had a modest upbringing in a council scheme in Linlithgow, whose parents in an atmosphere of both free education and full grant, scrimped and saved to send four children to university, I know what a challenge and what would have happened with the imposition of large debt to people like myself. (Alex Salmond MSP, October 2014)

10. This contradiction between policy and political rhetoric is unhelpful and those most likely to be damaged by it are those from low-income backgrounds, for whom the choice is either to borrow large amounts or manage on minimal amounts of state support.

The Scottish loan-based model of funding for living costs in full-time HE in practice

11. Scotland makes relatively limited use of non-repayable grant for lower income students. This has been particularly true since 2013, when the Young Student Bursary and

Independent Student Bursary were both reduced in value, so that total spending on these two grants fell by 40%. Students, including ones mid-course, lost up to £1,640 a year. The threshold for maximum support was reduced from £19,310 to £16,999.

12. In 2015-16, there was a flat rate increase in grant of £125 for those below £24,000, and the threshold for maximum grant was raised to £18,999, so that the real terms cut to spending on grant since 2012-13 now appears likely to be around 36%. The arrangements for 2015-16 are shown below.

Table 1: Living cost support for full-time, first-time students in HE from Scotland 2015-16

Household income	Bursary	Loan	Total	% as loan	Implied 4 yr debt (before interest)
£0 to £18,999 (young)	£1,875	£5,750	£7,625	75%	£23,000
£0 to £18,999 (mature)	£875	£6,750	£7,625	89%	£27,000
£19,000 to £23,999 (young)	£1,125	£5,750	£6,875	84%	£23,000
£19,000 to £23,999 (mature)	£0	£6,750	£6,750	100%	£27,000
£24,000 to £33,999 (young)	£500	£5,750	£6,250	92%	£23,000
£24,000 to £33,999 (mature)	£0	£6,250	£6,250	100%	£25,000
£34,000 and above	£0	£4,750	£4,750	100%	£19,000

Note: total debt will be higher on 2+3 models or first year entry with an HN qualification.

13. This loan-based model has proved unattractive to a substantial minority of the poorest students. Figures produced in response to parliamentary questions in February 2015 show that in 2013-14, the most recent year for which figures are available, **34,670** students were on the maximum grant and therefore in theory able to claim the maximum support (the “minimum income guarantee” or MIG), worth £7,250 that year: PQs S4W-24400 and S4W-24402. However, only **25,130** actually received MIG in practice: PQs S4W-24401 and S4W-24403.

Table 2: Take-up of maximum living cost support (“minimum income guarantee”) 2013-14

	Actual on full grant	Actual on maximum living cost support	% take up of maximum living cost support
YSB claimants	17,330	11,485	66%
ISB claimants	17,340	13,645	79%
Total	34,670	25,130	72%

Source: PQs S4W-24400 to 24403

14. As Table 2 shows, **in particular only 66% of young students potentially eligible for the MIG benefitted from it in practice.** Those who did not must have declined to take out the full loan required to achieve the MIG.

15. Other information from these PQs shows that relatively few students on a grant took out some loan, but less than the maximum they could (Table 3). A much larger group of students on a grant borrowed nothing. This means **most of those who could in theory have received £7,250, but did not, must have borrowed nothing and restricted themselves to the relatively low levels of grant on offer.**

Table 3: Borrowing patterns among students receiving YSB or ISB in 2013-14

	YSB	% of all YSB takers	ISB	% of all ISB takers	Total	% all YSB/ISB takers
Taking no loan	8,090	25	2,620	15	10,710	21
Taking part of loan	1,775	5	300	2	2,075	4
Taking whole loan	23,065	70	14,480	83	37,545	75
<i>Total</i>	<i>32930</i>	<i>100</i>	<i>17,400</i>	<i>100</i>	<i>50,330</i>	<i>100</i>

Source: PQs S4W-24400 and S4W-24402

16. In establishing the new arrangements in 2013, the Scottish Government appears to have taken no account of the possibility that many poorer students would not be willing to take out a loan, either at all or at a high enough level to get their full support. This was despite the evidence cited above from the government to the Parliament in April 2013 about debt aversion at low incomes, and the government’s own rhetoric around loans.

17. **In the context of government doing little to challenge debt aversion and on occasions encouraging it, the heavy dependence on loans to provide living cost support seems**

likely to be detrimental to certain low-income students. Those unwilling to borrow will be more vulnerable to, for example, poorer outcomes or non-completion, due to hardship or excessive term time working to supplement low levels of grant

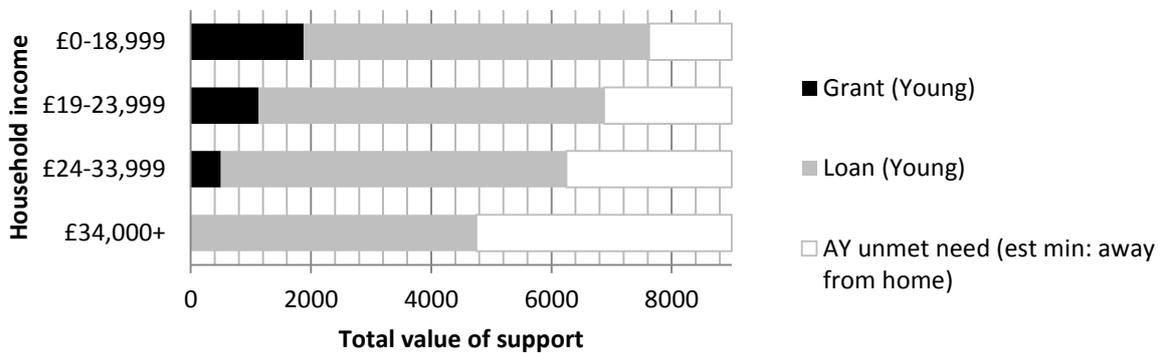
18. Avoiding debt will be easier for students who can live at home while they study. However, this option is less available to those who do not live within affordable daily commuting distance of one or more institutions offering higher education (or whose application to their local institution is unsuccessful). Other groups likely to be unable or unwilling to live at home will include those with families in poor housing, or whose family homes are physically or emotionally unsafe. Even for those who can, study choices may be severely restricted by living at home.
19. Some non-borrowing students may not need more than a low grant (for example, their very low declared family income may mask access to resources from other family members). However, many are likely to need the help. A contributor to the Student Room website in July 2013, reacting to having just discovered that their payment had been reduced (it was previously somewhere between £180 and £260 a month), said:

😞 i'm getting £100 a month and i spend £14 a day on train fair to uni. So this really sucks I'm not sure if i can afford to go back to uni. 😞

Living cost support away from home and “ability to pay”

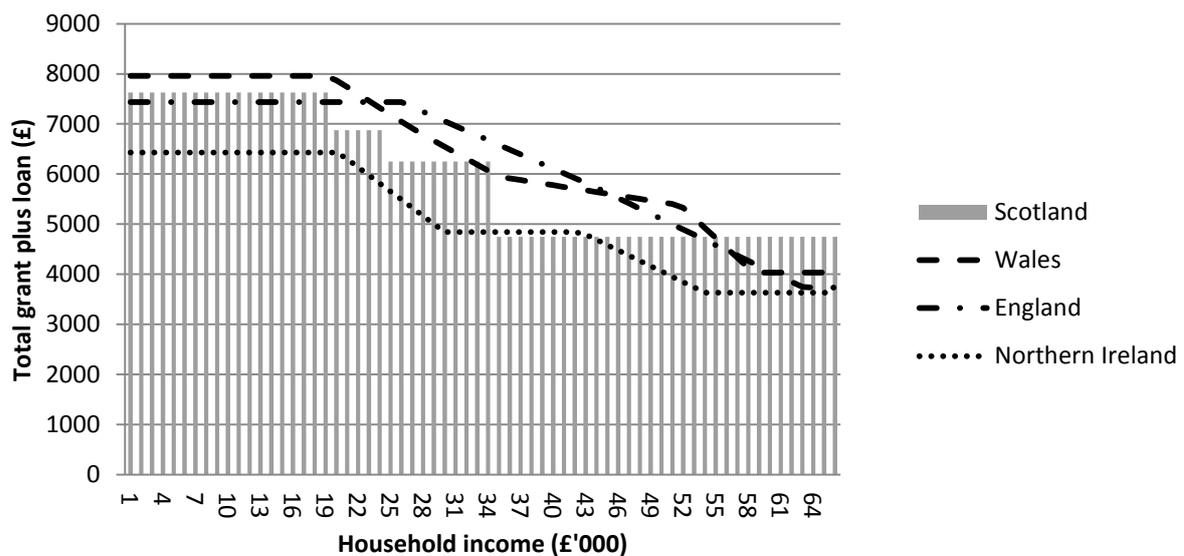
20. In 2013, the Scottish Government introduced a single scale of living cost support for all students, regardless of whether they lived in the family home, away from home or away from home in London. Total living cost support, meaning the combined amount of loan and grant, rose for most students, except for those going to London, for some of whom total support fell.
21. Figure 1 below assumes a £9,000 annual need for a student paying rent and other costs away from home over 9 months of the year (this is a conservative figure, substantially below NUS estimates). For those living away from home, the total package is almost £1,500 below estimated need for those on the most generous level of support. It is more than £2,000 below for those in the next group, at incomes up to £23,999. For those in the next band, the shortfall is almost £3,000 a year, or one-third of what is likely to be needed. **At relatively low gross household incomes, there is an assumption that families will have the ability to pay relatively large sums towards living costs.**

Figure 1: Living cost support for students from Scotland in 2015-16 compared with notional £9,000 requirement away from home



22. Figure 2 compares total support (grant plus loan) for students away from home from the different UK nations in 2015-16.

Figure 2: Spending power (total loan and grant) 2015-16: away from home



Source: official student finance calculators in each part of the UK and SAAS figures

23. For those away from home, living cost support in Scotland remains less generous compared to the rest of the mainland UK for most students between £19,000 and around £45,000. In particular, since 2013, as part of the government’s programme of “simplification”, Scotland has adopted a stepped system, which results in a sharp drop in support as soon as income reaches £19,000 and again at £24,000 and £34,000.

24. **The families of students at some relatively low incomes face a greater expectation of “ability to pay” towards students’ upfront living costs away from home than applies in most other parts of the UK.** In 2016-17, when the UK government abolishes grants in

England it will increase the living cost support for students at incomes up to £25,000 to £8,200, albeit all as loan (the impact of this is considered further below).

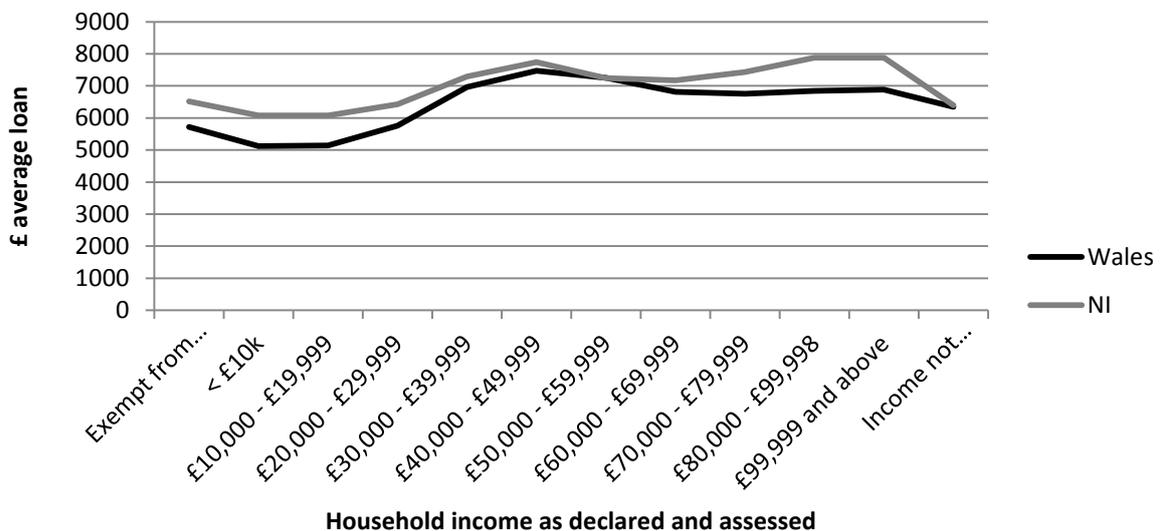
Long-term equity

25. It can be tempting to look at student support policy purely from the perspective of immediate effects, for example on access. However, it also has long-term effects on social equity, which deserve equal attention.
26. In Scotland, the arrangements for student funding are currently unique in the UK in being designed so that that poorest students borrow the most. This pattern on paper is also reflected in actual borrowing. Low-income students are more likely to borrow than those at higher incomes and on average will borrow more.
27. In 2013-14, the **average annual borrowing** by students who were entitled to a means-tested loan, available to those at incomes up to £33,999, was **£5,780**: for those only taking a non-means-tested loan, it was **£4,140** (source: SAAS annual statistics).
28. The figures do not allow such a straightforward comparison of **borrowing rates**, particularly since changes made to their presentation last year. In 2013-14, 78% of students who declared an income below £34,000 took out a loan, compared to 69% of all Scottish students (source: SAAS annual statistics). However, for technical reasons the figure of 78% now excludes most low-income mature students, who from earlier data we know are particularly heavy borrowers, with borrowing rates typically in excess of 85%. Extrapolating from all the data we have, **those with incomes under £34,000 appear to be around one-and-a-half times more likely to take out a loan than those with incomes above that level**. Moreover, within the higher income group, figures from earlier years suggest that borrowing rates fall further as income rises: at incomes over £60,000 it is likely that a minority of students are taking out any loan.
29. This combination of higher average borrowing and higher borrowing rates at low incomes means that Scotland's student loan debt is falling very disproportionately on those from poorer backgrounds.
30. The Scottish arrangements are therefore building up a regressive distribution of student debt amongst graduates. Those who started with least will end up owing the government most. This has implications for social justice in the long-term and the embedding of inequalities over the generations. Those least able to rely on family help through immediate support or inheritance are those who will also be expected to forego more of their salaries in future, reducing their relative capacity to pay for housing, pensions, childcare or other costs. This is simply unfair. It is not a widening access issue as such: but **it raises the question of whether the cost of widening access is expected**

to be covered disproportionately by deductions from the future earnings of those from poorer backgrounds.

31. This is an avoidable effect. A different, flatter pattern of borrowing is currently found elsewhere in the UK, due to the greater use of income-related grant. Moreover, at low incomes absolute levels of annual borrowing are now very similar across all three devolved nations. Students from Wales have their fee borrowing capped at £3,810 by the Welsh Assembly Government, wherever they study in the UK, while the maximum living cost grant in Wales is £5,161. Northern Irish students studying in Northern Ireland are charged a fee of £3,805 and receive a grant of up to £3,475. This has the effect of keeping annual borrowing within a range either side of £6,000, with lower income students tending to borrow the least.

Figure 3: Average actual borrowing by income: students from Wales and Northern Ireland 2012-13



Source: Student Loans Company.

32. England shows a similar-shaped line, but at a higher overall level, due to higher fee loans. From 2016, grant will be abolished for new students in England. Over time it will therefore follow Scotland in adopting a regressive distribution of debt, although the phasing in of the changes mean it will take several years for that to take effect across all students. Critics of the changes in England have highlighted the regressive distribution of debt which will result: the points they make apply equally to the current Scottish system. Thus James Elliott of the NUS [commented recently](#):

“Can you imagine a system where the poorer your parents are, the more debt you have to pay off after university? That’s exactly what George Osborne announced in last week’s budget, with the proposal to abolish maintenance grants for students from the poorest families and to replace them with loans. ... The perversity of this

system is that the richer your family, the less you need in loans, but the poorer you are, the more money you have to take out as a loan, plus interest.”

Total debt comparisons across the UK

33. The Scottish government has placed great emphasis on UK debt comparisons in defending the changes made in 2013. In particular, it has regularly quoted the final debt figures issued by the SLC for the different UK nations. These figures do not however provide an accurate guide to actual levels of debt students can now expect on leaving university, as:

- They are historic, reflecting the debt of students have who left higher education in the previous year. The most recent are for students who left HE at the end of AY2013-14, for whom only one year of study was affected by the 2013 changes. The figure for this cohort of Scottish leavers was 26% higher than in the previous year, but can be expected to rise substantially further again over the next two to three years, as the changes feed through.
- Scotland has a higher proportion of students on one- and two-year HN-level courses, which pulls down its average to around three-quarters of the amount accrued over four years, whereas the figures other UK nations are very close to the amount accrued over three. In other words, the figures for other UK nations are in line with the typical period of a university degree, while those for Scotland are not.
- Importantly, the average conceals variation by income with those from lower incomes tending to borrow *above* average, rather than *below* in Scotland uniquely.

34. As already seen, annual borrowing for poorer students in Scotland is in fact now comparable to that for their equivalents in the other devolved administrations and not, as the SLC figures are sometimes taken to imply, significantly lower.

35. Indeed, particularly after taking into account that they will generally be required to study for a year less, **Welsh students from low incomes appear likely to leave university with substantially less debt in practice than their Scottish equivalents, while benefitting from greater upfront support towards their costs.**

Additional issue: Information provided by the Scottish Government to the Committee

36. Information provided to the Committee by the Scottish Government in relation to the 2013 changes to living cost funding has not always been as clear, comprehensive or reliable as the Committee might have been entitled to expect. In particular:

- a) **fewer than half the number of young students the Parliament was originally led to expect would benefit from the policy of a £7,250 “minimum income guarantee” actually did so in practice.** Estimates provided to the Committee in 2012 were surprisingly high, given what was known about the numbers entitled to maximum support at the time, and appear not to have taken into account that some students might not wish to borrow the required sums. They also implied that spending on

grants would be around £15m or 25% higher than allowed for in the budget; and spending on loans more than £200m or 50% higher.

- b) the government's response to a request from the Committee for clarification of the impact of the changes on poorer students' overall debt levels failed to clarify that the changes would decrease grant for poorer students, requiring them to borrow more to achieve the same level of support as before. The response did not provide any information on the impact of the changes on poorer students' overall expected levels of borrowing, which were due to rise significantly.
- c) ministerial evidence to the Committee contesting the argument that the new arrangements weighted student borrowing towards poorer students, rested substantially on a factual claim for which the government could not afterwards provide further information.

37. Annex B sets out the analysis supporting these points in more detail.

38. It is difficult for the Parliament to hold government to account if it is not provided with clear and accurate information. The performance of the government in this respect in relation to the 2013 changes to student support deserves greater attention.

Conclusion: the multiple benefits of higher grant

39. Many of the shortcomings of the present system for lower income students could be addressed through a return to greater use of means-tested grant. Spending on means-tested grants is now at barely half its value in real terms compared to a decade ago. There has been an absence of political willingness to give funding for grants equivalent priority to fee support.

40. As well as perhaps playing a limited role in increasing participation, a return to higher grants would reduce the risk that those students who are already committed to higher education are adversely affected by the impact of debt aversion on their choice of course and lack of resources while they study, and would prevent the build up of a long-term regressive distribution of student loan debt among Scottish graduates.

41. Assuming that student loan will have to continue to play some part in the system, government rhetoric also needs to change, to cease reinforcing students' fears about debt: ministers' rhetoric about debt should match the extent to which they are prepared to rely on it as a means of funding students.

UCAS FIGURES FOR POLAR 3 Q1: UK COMPARISONS

1. Figures for application and entry rates suggests that the influence of total living cost support and, particularly, debt have on participation levels is often outweighed by other factors. The tables below look *over a number of years* (using the most recent UCAS figures), specifically *at young students from disadvantaged backgrounds*, and takes into account *differential demographic change in each part of the UK* by looking at *rates* rather than absolute numbers.

2. The figures below are the most recent set available, at the time of writing, of like-for-like figures covering the longest period. The greatest change in applications from this group over the decade has been in England, followed by Scotland, with Wales and Northern Ireland further behind and similar to one another.

Table 5: Application rates: 18 years olds, POLAR3 Q1 (UCAS' measure of disadvantage)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006-15
England	12.2%	13.0%	14.0%	15.2%	18.0%	18.6%	17.9%	18.9%	20.4%	21.0%	72%
Northern Ireland	18.7%	17.4%	16.9%	17.8%	23.6%	22.0%	22.6%	23.2%	23.3%	25.4%	36%
Scotland	9.6%	9.0%	9.2%	9.8%	13.4%	12.1%	13.0%	13.2%	15.3%	15.6%	63%
Wales	13.6%	12.6%	13.9%	14.4%	15.9%	16.6%	16.8%	16.5%	18.5%	18.9%	39%

[Note: Source: UCAS. These figures should be broadly comparable in showing trends over time for university-level higher education: the figures will not be comparable for all forms of HE, as a substantial minority of HE in Scotland is sub-degree, provided in FE colleges, and not covered by UCAS.]

3. Entry rates, which measure the proportion of 18 year olds entering higher education from different backgrounds, are arguably more critical in terms of actual access. Again, the longest period for which UCAS provides like-for-like figures is from 2006.

Table 6: Entry rates: 18 years olds, POLAR3 Q1

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2006-14
England	11%	12%	13%	14%	14%	15%	15%	16%	18%	61%
Northern Ireland	12%	13%	13%	14%	14%	14%	15%	16%	17%	49%
Scotland	6%	6%	7%	7%	9%	8%	8%	8%	9%	49%
Wales	12%	11%	12%	13%	12%	12%	14%	14%	17%	39%

[Note: as above]

4. Funding differences might also in theory show in the comparative data on **retention**. In 2012-13, the most recent year for which comparable HESA figures appear to be available, projected non-completion was very similar in all parts of the UK (10% in England, 10.2% in Scotland, 10.4% in Wales and 11.2% in NI).

Information provided to the Committee by the Scottish Government

(a) Estimates of students likely to benefit for the “minimum income guarantee”

1. In autumn 2012, the Scottish Government provided figures to the Committee “showing estimates in take-up of the various levels of student support in 2013-14”, reproduced in the Committee’s *Report on The Scottish Government’s Draft Budget for 2013-14* in November 2012 at paragraph 108. The Committee noted that “the Scottish Government expects the minimum income guarantee to benefit 40,668 students next year.” That number was already lower than had been suggested in the original press release announcing the new arrangements (22 August 2012: “around 45,000”), but still surprisingly high.
2. The SG predicted that 24,047 young students would be on the *maximum* level of support in 2013-14, even though in 2011-12, the most recent known year at the time, the *total* number of YSB claimants *at any level* had been 33,285. Separate figures available strongly suggest that fewer than 20,000 of these will have been on the maximum rate of YSB. Even allowing for small numbers of students on other grants due to be rolled into YSB in 2013, **the government was assuming a very substantial increase in those on maximum YSB, without any clear justification.** The cut-off for maximum assistance was indeed due to *fall* in 2013-14 from just over £19,000 to £16,999, which was likely to depress the numbers eligible. An underlying assumption of such substantial growth against a background of tightening rules for eligibility should have been drawn to the Committee’s attention and explained: the Committee’s report does not record that this was done. Government estimates also appear to have ignored the possibility that some students on maximum YSB would be unwilling to borrow the additional sums required to achieve the MIG.
3. In practice, the actual number of maximum YSB claimants was 17,330, in line with previous years and if anything somewhat lower. Many of these students then declined to take out their full loan. As a result, **fewer than half the number of young students the Parliament was advised were likely to benefit from the policy of a minimum income guarantee actually did so.** Why the estimates provided to the Parliament in autumn 2012 for young students were so much higher than what happened in practice deserves attention. The actual figures have only come to light as a result of parliamentary questions.
4. Further, **the autumn 2012 estimates implied a level of spending on loans and grants well in excess of the budget figures under scrutiny.** Had take-up of loan and grant been as shown in the government table, it would have required total spending on grants to be around £15m or 25% higher than allowed for in the budget; and spending on loans to be more than £200m or 50% higher. In the context of budget scrutiny, it was surprising that

the government did not draw attention to the implied substantial overspend against budget. This also deserves further attention.

5. If the government felt that the Parliament had misunderstood the figures provided, it had the opportunity to clarify the position after the Committee’s report was published. It does not appear to have done so.

Table 7: Estimates and actuals for students on maximum support from 2013-14

	YSB	ISB	Total	Source
Total grant recipients in 2011-12, including all those on less than maximum	33,285 YSB	16,755	52,960 <i>inc further 1,450 Students Outside Scotland and 1,470 Health Bursaries, incorporated into YSB/ISB from 2013</i>	SG statistics for 2011-12 here
On maximum support only: 2013-14				
SG August 2012 initial prediction	-	-	45,000	Press notice here
SG Autumn 2012 prediction to Committee	24,047	16,621	40,668	Table at para 108 here
Actual on full grant	17,330	17,340	34,670	S4W-24400 and S4W-24402, here
Actual on MIG (full grant plus maximum loan)	11,485	13,645	25,130	S4W-24401 and 24403, link as above

(b) Response to Committee’s request for clarification of the impact of changes on poorer students’ debt levels

6. In its report on the 2013-14 budget the Committee “**request[ed] that the Cabinet Secretary clarifies the impact on poorer students, especially in terms of overall debt levels and potential drop-out rates**”. The Government’s response was contained in a letter dated 19 February 2013, in which the then Cabinet Secretary for Education provided some general background to the planned changes and student loans, and emphasised the increased total value of support being made available through loans, adding:

“those from poorer backgrounds will see a greater proportion of the support provided in the form of a bursary, that is to say, a non-repayable grant. For the poorest students, this will mean bursary support of £1,750 on top of a loan of up to £5,500. The benefit of this is that such students will have more certainty around how their total support package is composed, compared to e.g. students who are dependent on a parental contribution. We do of course recognise that irrespective of

whether loan debt is regarded as "good" debt, students from poorer backgrounds may have a different perspective on debt and what it means compared to their more affluent peers. Accordingly, we are working to ensure that opportunities represented by student loans are properly understood."

7. The 2013 changes would have a substantial effect on poorer students:
 - by cutting grant, they increased debt for those who wished to maintain their previous levels of support and were willing to borrow more;
 - they reduced available support for those unwilling to borrow more; and
 - they only increased total potential spending power for those willing to take on further additional borrowing, once they had borrowed enough to compensate for lost grant.

Given the Committee's expressed interest in the impact on the debt level of poorer students, it was entitled to have these points made clear, if it was to carry out its scrutiny role properly. The government response failed to clarify any of the points above.

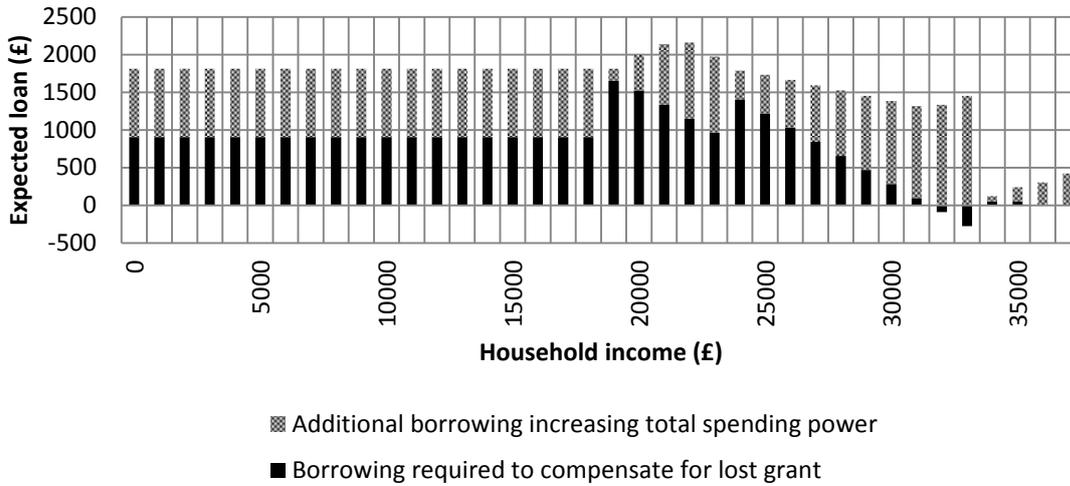
8. The Committee's report had noted the settlement "suggests a reduction in bursary support", implying this point was not absolutely clear to it from the available evidence. The government response did not clarify the position.

9. Indeed, the government's statement that poorer students would "see a greater proportion of the support provided as bursary" was true, but only *in comparison with students from higher incomes* (this was not new: it had long been the case). In the context of a discussion of *the impact of change*, it was unfortunately worded, being easily misread to suggest that grant would form a larger proportion of funding for poorer students in the future than in the past, when the opposite was the case.

10. In particular, the Committee was entitled to specific information on the impact of the changes on poorer students' overall expected levels of borrowing. The following graphs fill the gap in information on debt levels at lower incomes left by the government response and show the significance of what was not explained to it at the time.

11. Figure 4 considers how the borrowing needed by low income students to obtain their full entitlement to support has changed in real terms between 2012-13 and 2015-16. It divides this additional borrowing between what is required to compensate for grant lost since 2012-13 and what provides additional new spending power. For students at incomes below £19,000, extra borrowing is evenly split between making up for lost grant and new spending. For students at £19,000, almost all the extra borrowing is compensating for lost grant. At most incomes from there up to £27,000 over half the extra borrowing is compensating for lost grant. After that, most of the borrowing represents new spending power. A small number around £33,000 are receiving more grant than before.

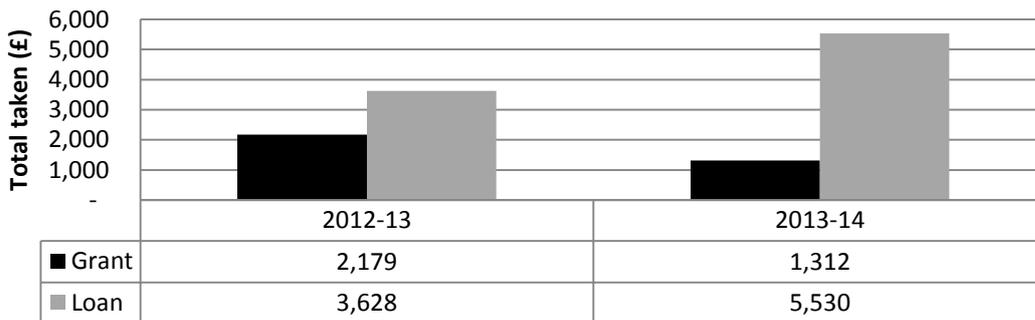
Figure 4: Change in borrowing expected at lower incomes between 2012-13 and 2015-16



Source: SAAS figures, real terms adjustment by author

12. Figure 5 shows the average grant and loan taken out by students declaring an income below £30,000 in 2012-13 and in 2013-14, the most recent year for which actual figures are available. Average grant paid to this group fell by 40%, while average borrowing rose by 52%. These figures exclude students regarded as having no relevant income, whose position before and after the 2013 changes cannot be directly compared, following a change in the presentation of the figures: but this group will also have experienced a fall in average grant and increase in average loan.

Figure 5: Average amount of grant and loan taken by students declaring a household income <£30,000 in 2012-13 and 2013-14



Source: SAAS

13. In addition, it is not clear what steps were taken from early 2013 onwards to promote student loans as a form of “good debt”, as the government response promised. A general negative rhetoric from Ministers about student debt remained common. The Committee may wish to note that a new guide to student finance in Scotland, with information about loans, has been prepared and distributed recently on the initiative of Sarah Minty of the University of Edinburgh, working in partnership with a variety of bodies

and funded by the ESRC. It has been widely welcomed as filling a significant gap in the information currently available to young people about the nature of student loans and other aspects of funding.

(c) Debt distribution

14. My work on the distribution of student debt in Scotland was discussed at the Committee's meeting on 29 April 2014. Responding to the finding that in Scotland, uniquely in the UK, graduates who started from poorer backgrounds were now expected to leave university with a higher debt, and therefore faced a higher de facto tax on their future earnings, the then Cabinet Secretary contested that analysis, resting particularly on the statement that my analysis "assumes that the accrual of debt loan uptake in 2014-15 will be the maximum of each individual Scottish student's eligibility, **which is not normally the case**" (emphasis added).

15. I wrote to the Committee at the time to respond to a number of points in the Minister's response. I was particularly concerned at any implication that normal student borrowing practice meant that the regressive pattern of borrowing designed into the new student funding model on paper would not be seen in practice. I noted that available data suggested that the opposite was more likely to be the case and that, if anything, the theoretical model would tend to under-represent how likely it is that a low income student will leave university with higher debt than one from a better-off home.

16. I asked the government for sight of any further information available to it which explained the Cabinet Secretary's statement on what was "normally the case" in borrowing practice. I was told in response that "We have completed our search for this information. The Scottish Government holds no tailored analysis of data linked directly to the specific comments you highlight". The response did add that 60% of students took out a loan (the figure is 69% once EU students, who are ineligible for living cost support and therefore unable to borrow, are excluded) but did not seek to explain how this related to the statement made at committee.

17. Figures elsewhere in this document show that most students at low incomes borrow and, when they do, most take out their full entitlement. It is "normally the case" that low income students will take out their full loan. Thus the minister's evidence to the Committee regarding the pattern of distribution of student debt rested substantially on a factual claim for which the government could not afterwards provide evidence, reinforcing that statements provided to the Committee regarding the impact of the 2013 changes were less clear, comprehensive and evidence-based than it was entitled to expect.