

Terry Shevlin

Clerk

Education and Culture Committee

The Scottish Parliament

8 May 2014

Dear Terry,

My recent work on student debt levels in Scotland was discussed at the Committee's meeting on 29th April, when Liam McArthur MSP asked the Cabinet Secretary for his view on my observation (accurately quoted) that: "In Scotland, uniquely in the UK, graduates who started from poorer backgrounds are now expected to leave university with a higher debt, and therefore face a higher de facto tax on their future earnings".

Having seen the Minister's response, I am writing to correct for the record one important error of fact, perhaps based on a misunderstanding of the point being made, to address an issue wrongly implied as a further technical fault and to clarify a view he ascribed to me.

My point as quoted above is that *among Scottish students*, being the group for which the Scottish Government and Parliament have direct responsibility, those from the lowest incomes are now expected to complete their studies with the highest student loan debt and that this situation is not paralleled in any other part of the UK.

Possibly assuming I was claiming that low-income Scottish students will be borrowing more than those in England (I am happy to confirm that is not my view, though a comparison with Wales does produce that result in many cases) Mr Russell stated that: "the analysis fails to properly recognise the existence of free tuition". I am pleased to confirm that that is not the case. My comparisons of debt levels include debt both for living costs and fees, where the latter occur. When comparing what happens in the Scottish system to graduates from different levels of household income (as above) fees are of course factored in at nil cost, for those who stay in Scotland to study. Where elsewhere I follow the Scottish Government in looking at comparisons across the UK, fees are factored in either at £9,000 or else at the lower rate applying of £3,685, for all Welsh-domiciled students and Northern Irish students in Northern Ireland.

Mr Russell also appeared to suggest that my analysis of debt distribution rests on an unreliable assumption, stating that it "makes a number of very broad assumptions. For example, it 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."

By considering the expected result if students take out their full entitlement to support, my analysis was of course using the same assumption as commonly underpins Scottish Government descriptions of the value of student support, such the announcement in August 2012 of the new “minimum income guarantee”, the achievement of which also rests on students, specifically those at the lowest incomes, taking out their full loan. This is also what Mr Russell and I both do in treating fees in England as creating an additional debt of £9,000, rather than using the slightly lower average figure which applies in practice.

I more concerned, however, at any implication that normal student borrowing practice means that a pattern of higher debt at lower incomes *on paper* should not be expected to translate into the same effect *in practice*. I think the Committee ought to be aware that what data is available suggests that the opposite more likely to be the case and that, if anything, the theoretical model will 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. Students from lower incomes are much more likely to take out a loan and the published figures from SAAS strongly imply that when students do borrow, they normally do so at or close to the maximum.

In 2012-13 88% of those in the group assessed as having no access to family support took out a loan: including all those with incomes up to £30,000, the figure was still 79%. At the other extreme, for the group who did not apply for any form of means tested help, such as an income-assessed bursary or loan, the same figure was by contrast less than half that (39%) and even including all those who declared an income over £30,000 loan take up only reached 57%. With an expectation of higher debt at lower incomes built into the funding model, it would take an absolutely exceptional change in patterns of borrowing behaviour to produce any other result in practice than the situation outlined in the quotation at the start of this letter.

The Minister described Scotland as having “the best support package in the UK” as “a fact” and discussed my attitude towards that point of view, noting that I “seem[ed] to find it difficult to cope with that view”. It would be fair to say that my focus is on questions of equity within the Scottish system, rather than on how Scotland compares with any one other place in general terms, and that, to my mind, the real value of proper cross-UK comparisons is to illustrate that there is more to consider here than a binary choice between the model adopted in England or the Scottish status quo, as so often seems to be assumed.

However the Committee may wish to note that, having been prompted to make detailed cross-UK comparisons by the Scottish Government’s own focus on these, I concluded in my most recent report that: “no one system can be claimed as best in the UK, other than subjectively and on the basis of partial comparisons. For low- to middle-income students who live away from home, who are likely to need the greatest help, the total value of living cost support provided to Scottish students is unexceptional in UK terms and sometimes relatively poor. Scotland does however provide relatively high support for high-income students and most of those who live at home. Even in absence of tuition fees, levels of final debt for low-income Scottish students who study in Scotland are comparable with and in certain cases higher than debt levels for similar students from the other devolved administrations. Only students from relatively high income homes enjoy consistent superior benefits from the Scottish system, but only as long as they study in Scotland.”

I am sorry to have to write again to correct and clarify the report of a discussion at Committee of material I have produced. I would be grateful if it were possible to publish this correction somewhere on the Committee's website and I would of course be happy to provide further briefing to the Committee on any of the points here.

Yours sincerely,

Lucy Hunter Blackburn