Student grants in Scotland: a case of the rocks versus the sun?

Almost a decade and a half after the first elections to the Scottish Parliament, university tuition fees retain their headline-grabbing power. Student grants however do not. This is about to have important consequences for students from lower-income backgrounds and for comparisons between Scotland and other parts of the UK.

From this autumn, maintenance grants for higher education will fall sharply in Scotland. As happened the last time reductions were made on this scale in the 1990's, the government is replacing grant with student loan. These changes will increase the cost of studying full-time in higher education for those from lower-income households.

The changes in grant will be felt most by the group traditionally at the centre of the tuition fee debate: full-time first degree students from low-income families. For those most affected, these changes will significantly narrow the gap in the cost of study between Scotland and other parts of the UK. In some cases, the gap will disappear entirely and even be reversed. For anyone interested in the politics of student finance in Scotland, or just the politics of Scotland more generally, what it is most striking is how little controversy these changes have generated.

Summary

The analysis below falls into two parts. The first part describes the effect of the reductions in student grant on first-time full-time Scottish-domiciled students and places these in the context of other changes to student support taking effect in Scotland. The remainder of the analysis is included because of the strong emphasis put on Scotland's position relative to the UK, by those explaining and defending the changes. It compares in detail the systems for Scottish, English, Welsh and Northern Irish domiciled students, looking in particular at projected levels of government debt (ie student loan) for students from each jurisdiction and how that debt is distributed across different household incomes. All government debt is discussed below as a cost to students, reflecting that they are expected to pay it back.

The main findings are:

a. For young Scottish students studying in Scotland from households below £25000, the grant loss will be between £890 and £1640 a year. Mature students will generally lose less, though a few of these studying outside Scotland could forego £2150 a year. These changes will apply to new and continuing students. A little over 40% of full-time students supported by the Scottish Government are from households with incomes below £25000.

b. Increases in spending power form an important element of the new arrangements from this autumn. At incomes up to £25000, spending power for young students studying in Scotland and living away from home will rise by between 2% and 17% (for those living at home the increase will be higher).

c. Even after these increases, for students living away from home, England and Wales will both provide significantly higher spending power than Scotland at incomes up to around £54000 (except for those at incomes up to around £16000, where Scotland provides £73 a year more than England). Wales will provide the highest figure in the UK for those outside London, at £7736. For students living at home, Scotland will however generally provide more spending power than other parts of the UK.

d. Scotland now stands alone in its diminishing use of student grant and will have the lowest maintenance grants in the UK, by a significant margin.

e. The budget line which meets the cost to the Student Awards Agency Scotland both of grants and tuition fees is due to fall by 9.5 per cent in real terms. The whole of the reduction will need to be absorbed by the third or so of this budget currently spent on non-repayable student maintenance support for Scottish-domiciled students. This implies a reduction of around 25% in real terms on spending on grants in 2013-14.

f. Student loan has largely replaced grant as the means of supporting living costs in Scotland. The Scottish Government is budgeting for an increase in new student loans issued of 85% in real terms between 2012-13 and 2014-15. For young students studying in Scotland and living away from home with incomes up to £25000, student loan debt will rise by between 45% and 60% (for those living at home the increase will be higher).

g. Over four years young Scots from lower-income homes will now need to borrow £22000 to obtain their full state support for living costs (£26000 for mature students).

h. The Scottish system will remain the cheapest in the UK for those from better-off households, provided always that they study in Scotland. In particular, on government models Scottish students from households with an income over £34000 will be able to complete an honours degree with the least debt of almost any UK graduates, even allowing for the extra year of study required.

i. In terms of annual debt, and therefore the debt associated with courses of equal length across the UK, Scotland still also performs comparably well for those from households with incomes over £25000.

j. However, on a like-for-like comparison, at lower incomes the annual debt figures for all Welsh students and for young Scots in Scotland are very close, with the young Scots generally only doing marginally better, although the absolute lowest annual debt for any students at this level of income is for a group of Welsh students around £18000. For all mature students, Wales has the lowest figures for annual debt, up to incomes around £23000.

k. At lower incomes, honours graduates from Scotland will now face the highest levels of final debt in the devolved administrations. The only exception to this is in comparison with those from the lowest incomes from Northern Ireland: after adjustment for like-for-like spending, these will have the same level of final debt. This relatively high positioning among the devolved administrations in relation to final degree-length debt at lower incomes has not previously been the case and is a consequence of the planned grant reductions.

l. Students from Wales will be liable for fees, but will also benefit from a combination of generous maintenance and fee grants, which are fully portable across the UK. From this autumn, those from lower-income households in Wales will be able to obtain an honours degree with less borrowing than their equivalents elsewhere in the UK, including Scots in Scotland. In some cases, Welsh students choosing to study for four years in Scotland will have less final debt than equivalent Scots.

m. Northern Ireland's system is similar to Wales, for those who study in-country, though its grants are lower and its fee support not portable to other parts of the UK.

n. English-domiciled students will generally face the highest levels of debt in the UK. However, national grant and additional support provided separately through English universities will bring down the overall cost for those from lower-income households. Borrowing for that group will still remain generally higher than in Scotland, but at lower incomes the difference can be smaller than might be expected and in rare cases disappears.

o. Scotland concentrates its support more than other jurisdictions on those who study in-country. Scottish students from lower-income homes who study elsewhere in the UK now face the highest annual borrowing of any group of UK students. Even allowing for a year's less study, leaving Scotland to study is much more costly than staying at home.

p. Scotland is the only part of the UK where mature ("independent") students are given lower grants than young students.

q. Scottish and Northern Irish graduates, particularly those earning higher incomes, will pay lower interest on their student loans compared to Welsh and English graduates, but at any given salary will face higher monthly deductions, which will become compulsory at a lower level of earnings, because repayments begin at a lower income. There are doubts however about the sustainability of the English and Welsh loans system, not least because of its higher repayment thresholds.

r. With much the lowest grants and universal free tuition, Scotland is the part of the UK moving closest to treating higher education support as a flat-rate benefit, while other jurisdictions choose instead to give more grant to those from lower-income homes. As a result, the Scottish government is the only one in the UK which expects graduates from poorer backgrounds to end up with a higher government debt, and therefore a larger claim on their future earnings and less disposable income in later life, than their peers from wealthier homes.

Changes to grant in Scotland from 2013

From autumn 2013, changes to grant levels will have a significant impact: see figures A and B.

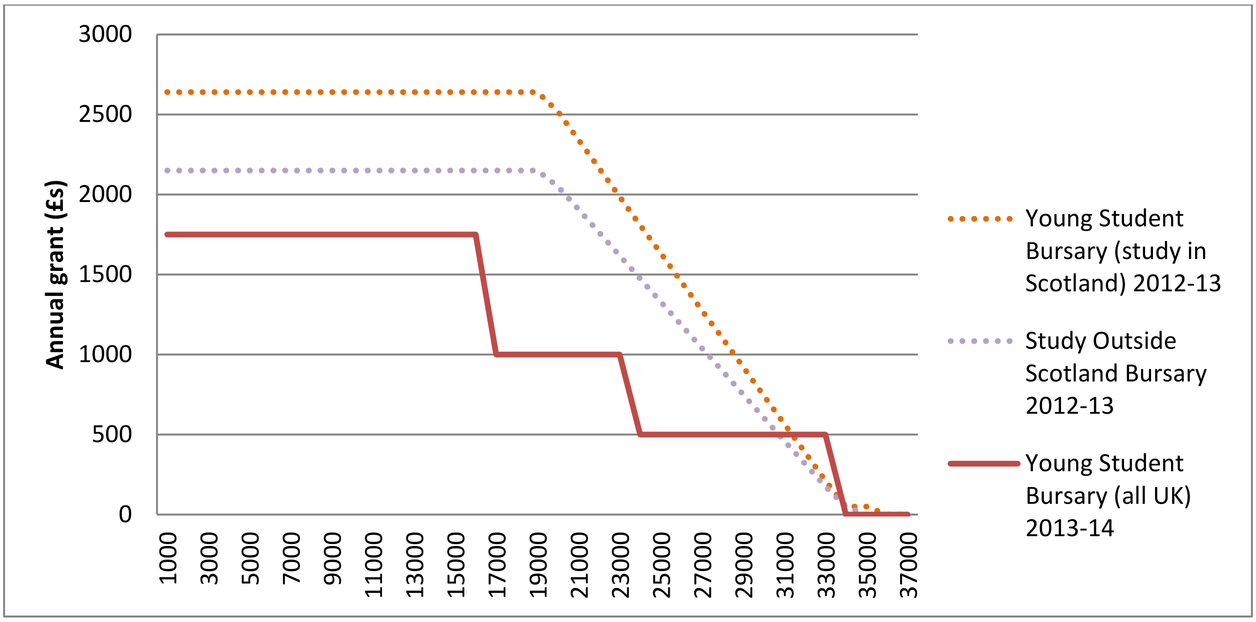

Figure A: Scottish Government Maintenance Grants 2012-13 and 2013-14: young students (cash terms)

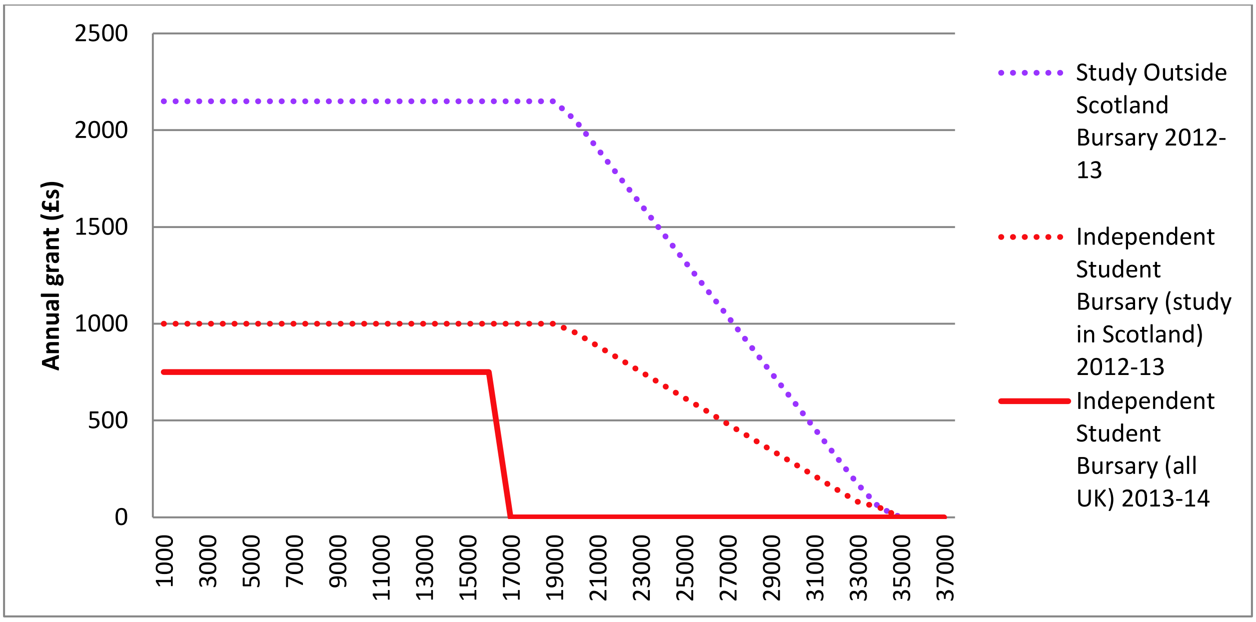

Figure B: Scottish Government Maintenance Grants 2012-13 and 2013-14: independent students (cash terms)

Note: Figures from the website of the Student Awards Agency Scotland: figures for 2012-13 were only available on-line until April 2013. Fig A: entitlements in 2013-14 drop in steps at £17000, £24000 and £34000 with no tapering. Fig B: Entitlement in 2013-14 ceases at £17000 with no tapering.

The maximum grant for young students studying in Scotland – known as the Young Students Bursary - will be £1750, two-thirds of its current amount and available only at incomes below £17000, rather than the current £19,310. For those at incomes between £17000 and £29000, bursary will be between just over a quarter and just over half its current value: see figure A.

The most affected group of young students are those studying in Scotland from households between £17000 and £19310, who are caught by the threshold reduction. They will lose grant worth £1640 a year. Below £17000, the loss will be £890 a year, at £20000, the loss is £1518 and at £25000, £1131. Losses of at least £700 a year will affect all those at incomes up to £27000.

Mature – formally termed "independent" - students studying in Scotland will also see their grant reduced, to a flat rate of £750 available only for incomes below £17000: this is shown in figure B. The current maximum is £1000, available for incomes up to £19300 with smaller sums available below that.

The current Students Outside Scotland Bursary, which has been available to young and mature students, will also be replaced by these two new grants. Certain mature students studying elsewhere in the UK lose the highest amount of any group, with those at incomes between £17000 and £19300 facing a reduction of £2150 a year.

The net effect of these changes is to increase significantly the amount of student loan that lower-income students will need to take out to support themselves. As a result of lost grant, over a four year honours degree some young students will need to borrow £6500 more (with that figure rising for longer courses).

The reductions in grant will affect a substantial number of students. According to government data, around one-third of young students and 90 per cent of mature ones come from homes with incomes below £24000. This amounts to a little over 40 per cent of all full-time students or about 50,000 in absolute numbers[1].

The changes will apply immediately to new and existing students.

Reaction in Scotland

These reductions are being made alongside a number of other changes. When the whole package was announced in August 2012, it received a very positive response from NUS Scotland and others[2]. Robin Parker, the President of NUS Scotland, said: "The announcements today are a huge step forward …. this is very welcome news indeed."[1]

In December 2012, the Education and Culture Committee of the Scottish Parliament reported on the proposed changes as part of its budget scrutiny. It noted the welcome from the NUS and others and did not comment in any detail on the grant reductions, though it did request "that the Cabinet Secretary clarifies the impact on poorer students, especially in terms of overall debt levels".[3] However, the issue seems to have been lost in the subsequent wider budget debate. The Conservatives, Labour and the Liberal Democrats have criticised the loss of grant[4], but when reported their criticisms have been balanced by supportive comments from the NUS and the issue has not run in the media to any extent.

Similar or smaller impositions on students have caused much more controversy in the past, even when they have been phased in more gradually. The original tuition fee regime, which dominated the first elections to the Scottish Parliament in 1999, imposed a loan-funded, means-tested annual charge of up to £1000 (around £1600 at current prices) on new students and also replaced grants with loans, although this aspect received less coverage. Most recently, the graduate endowment created a one-off additional liability for young first-time full-time degree students in Scotland of around £3000[5] at current prices, which students could again choose to fund through additional student loan. Commitment to its abolition was a high-profile policy of the Scottish National Party in opposition, maintained consistently[6] and included in its first Programme for Government: "…in the autumn, we will introduce a Bill to abolish the Graduate Endowment Fee. This measure will immediately benefit around 50000 students who will no longer be asked to pay almost £2300 after graduation. Not only that, but each and every student studying at university in the years ahead will no longer be saddled with this burden. This is a major step towards our aim of tackling student and graduate debt."[7]

Political concern about student debt in Scotland has not been limited to the endowment. Possibly the strongest critique of student loans issued by any administration in the UK was the Scottish Government's consultation on the future of student support in 2008, which argued: "We believe that it is wrong for students to be put into debt by the state….By charging for education, either through fees, or through contributions to living costs, you are effectively making graduates pay twice for the benefits that they are receiving. We do not believe that this is fair."[8] Its response to the consultation was "based round the key principle of reducing debt."[9]

The grant reductions now planned will add considerably to the overall debt of students from lower-income households without increasing the cash they have to spend. In terms of their practical impact, they are therefore no different from the endowment. In terms of scale, the impact will be far larger than that of the endowment for many poorer students, the group often cited as particular beneficiaries of the Scottish system (many of whom were exempt from liability for the endowment[10]). They take the system in the opposite direction from the government proposals of 2008. It is a striking change, which deserves an explanation.

Grant reductions in context

For parliament and the media, it has evidently been important that NUS Scotland was involved with the negotiation of these changes, as the government has been keen to emphasise[11]. The organisation has supported them for several reasons.

Tuition fees

First, the new package continues to respect, even within a context of diminishing resources, the principle that students should not contribute directly to the cost of provision. In evidence to the Parliament's Education and Culture Committee, the President of NUS Scotland said: "We have laid the foundations to make access much fairer in Scotland by keeping tuition fees off the table"[12].

The government supports free tuition in two ways.

- Most of the funding for higher education teaching is through the Scottish Funding Council (SFC). Funding for the current costs of higher education institutions (HEIs) by the SFC is set to rise by almost £40m in 2013-14, giving a 1.4 per cent real terms increase, in response to concerns about a funding gap emerging between Scottish and English universities in the wake of higher tuition fees in England.[13] The SFC also funds higher education in further education colleges, principally Higher National Certificates and Diplomas, but the funding for that element of their work is not separately identified in the same way.
- Alongside this, the Student Awards Agency Scotland (SAAS) makes a tuition fee payment for every full-time supported student direct to institutions[14]. SAAS funding is significant in supporting teaching costs: to give a sense of scale, the amount paid by SAAS to HEIs is equal to just under 30 per cent of the value of the teaching grant they receive separately from the SFC[15]. These payments come from the same part of the SAAS budget as student grants, the "student support and tuition fee payments" cash budget line. This line is due to fall by £23.5m next year, which will equal a 9.5 per cent real terms reduction[16]. Tuition fee payments currently account for around two-thirds of this budget line[17].The whole of the reduction will therefore need to be absorbed by the remaining third currently spent on non-repayable student maintenance support for Scottish-domiciled students, which is the only substantial element of the higher education budget available to be reduced after satisfying the policy on fees. This will require a reduction of around 25% in real terms on spending on grants[18]. Figure C illustrates this effect.

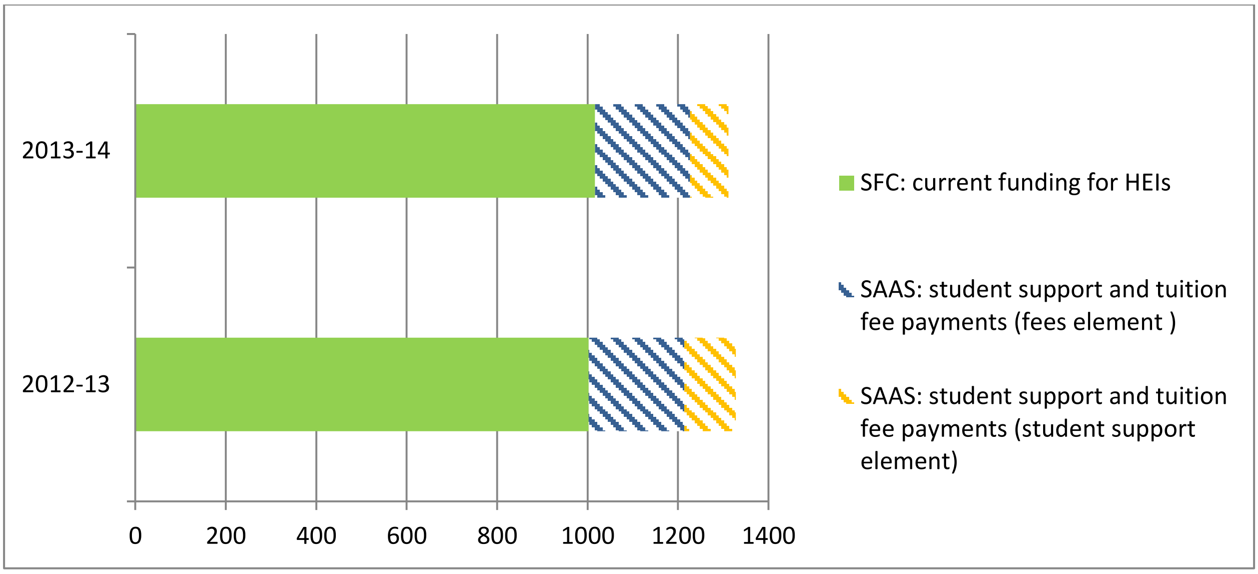

Figure C: Real terms figures for SFC current funding for higher education institutions and SAAS cash support for tuition fees and student support (ie excluding loans) in 2012-13 and 2013-14

The Cabinet Secretary for Education and Lifelong Learning has highlighted that loans make government money go further[19]. This is because the government has to budget for the full value of grants, but student loans cost the government only around one-third of their face value. This charge is paid for from a separately ring-fenced “non-cash” budget line, which under the Barnett formula is rising as greater use is made of student loans in England, to fund fees[20]. The switch from grant to loan in relation to living cost support at lower incomes therefore enables the government to prevent cuts in the value of up-front payments to students, while in the words of the 2013-14 budget document “maintaining access to free higher education”[21] for all full-time first-time Scottish and EU students studying in Scotland.

Spending Power

Secondly, the Scottish Government is also increasing the total support available to students, in terms of the combined value of loans and grant, through releasing additional loan: see figure D below. There will now be one rate of support for all students, replacing different scales for those studying away and those living at home. Increases therefore vary between different groups of students. For young students studying away from home in Scotland, spending power will increase by between 2 and 17 per cent in cash terms. For those living at home, who are currently on a lower rate of support, the percentage increases will be greater[22].

The highest rate of £7250 is available to those with incomes below £17000. This delivers a commitment in the SNP 2011 Manifesto that: “that we will start on the task of setting a minimum student income which should in time equate to around £7000”[23]. The has been identified as a significant win by the NUS, which has campaigned for a "minimum income" of £7000 and emphasises that surveys of its own members show that they are now more concerned about general access to cash while they study than the size of their student loan[24]. In passing, this means that one explanation for the lack of controversy cannot be that living cost support is regarded as essentially optional, while the endowment (or fees) was not. If increasing living cost support is a high priority for students, then the assumption must be that in most cases the lost grant will need to be made up with loan.

Giving evidence to the Scottish Parliament's Education Committee, and responding to concerns expressed by one member about the scale of future reliance on loan rather than grant, the President of the NUS further explained: "the ideal situation would be that students received a full grant. However, the views of students in our biggest research report indicated that the most important thing to them was the amount of money that they had in their pockets. Their amount of graduate debt was of secondary importance. Both of those things are really important, and we should strive to remove problems with both, but the most important thing was simply that they should have enough money in their pockets so that they can pay their bills and get through their courses."[25]

The extent to which the NUS has been concerned to shift the terms of the debate from debt to hardship can be gauged from a statement included in a position statement issued in 2009: "Our own research *Overstretched and Overdrawn* [showed] that reducing commercial debt was the priority for students, and particularly the poorest students, over reducing graduate debt. We believe increasing levels of student support, even through increased student loans, is in keeping with the SNP's manifesto commitment to reduce student debt."[26] Student loan is preferred over other commercial debt because it is cheaper and repayments are income-related. Student loans therefore enable students to make a call on their future earnings to support their current costs, in a more benign way than commercial borrowing.

A further, related gain for the NUS comes with the near-removal of the means test from student loans, which will benefit students from households at the higher end of the income scale by increasing their access to the government scheme, in some cases nearly fivefold. This change will reduce how much these students have to rely on family contributions, meeting a long-time NUS aim. From next year, the minimum non-means tested loan will be £4500 for all incomes above £35000. This replaces a loan worth £4333 at £35000 falling to a minimum flat-rate of £940 at incomes around £61000. In 2013-14, families at higher incomes will potentially be able to reduce their annual contributions by up to £3560. In practice, at least some higher-income families might be expected to continue to make contributions closer to the current level, in order to limit their children's eventual debt or increase their spending power, or both.

The coincidence with increases in spending power has clearly been important in taking the heat out of the debate about grant reductions. In the words of one report: "In political terms, the grants-versus-loans issue makes a nonsense of the public debate between Labour and the SNP…. For students themselves …. cash in hand today counts more than red ink tomorrow."[27]

The NUS has also welcomed an increase in help with fees for part-time students, which will now be funded pro rata to full-time ones for those with incomes up to £25000 (previously £22000), for a wider range of courses. The new system is also less complex than before and much less so than its English equivalent, aligning grant and loan levels for students living at home and away, and students studying in and outside Scotland and embracing some students in medical disciplines previously in separate arrangements. The move to a flat-rate student loan above £34000 removes the need for these students to submit income data. For those still on NHS bursaries, different numbers will still apply. Various supplementary grants remain[28].

<u>The Changing Pattern of Student Support</u>

For those on lower incomes, achieving the twin outcomes of free education and extra cash in hand will not come cheap. For incomes below £17000, a young student studying in Scotland and living away from home will be borrowing an additional £1760 each year, to retain free tuition and gain £870 more in spending power: the rest of their new borrowing is needed to make up for lost grant. Between £17000 and £19310, the same £1760 additional borrowing will generate a spending increase of only £120 a year. At a household income of £20000 £1945 more loan buys £427 more spending per annum; at £25000, £1687 buys £556. The detailed figures are different for young students living at home, mature students in Scotland and for young and mature students studying outside Scotland, but the general pattern is the same. Figure D summarises the changes in annual borrowing between the two years for young students studying in Scotland and living away from home: new spending power accounts for the gap between the dotted line and the top line, lost grant for the difference between the dotted line and the line below.

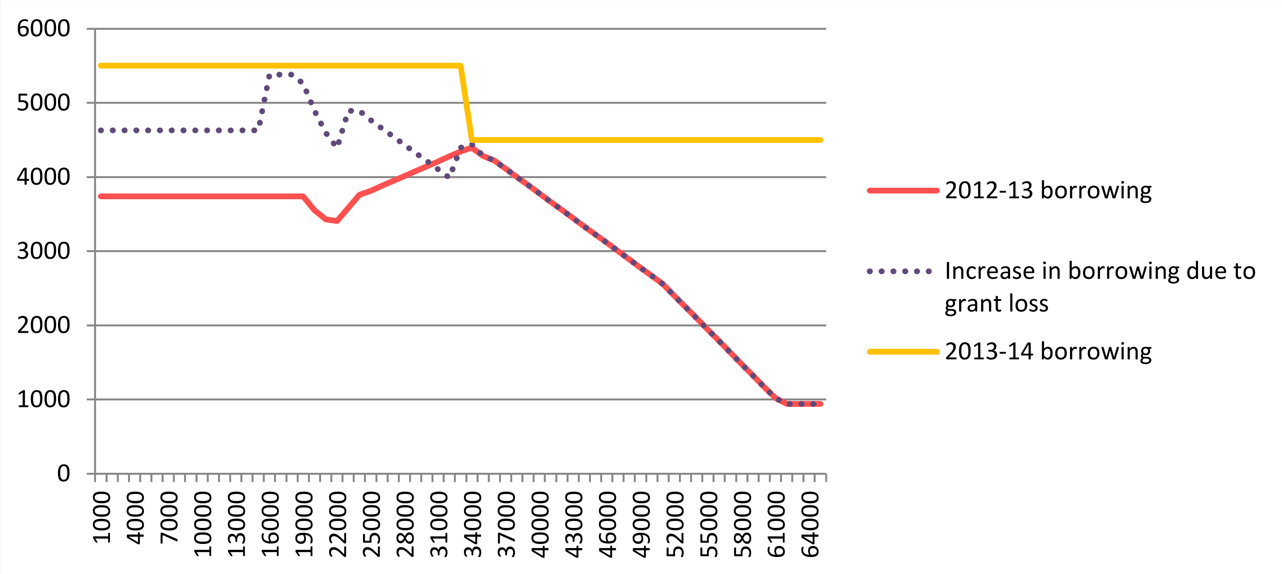

Figure D: Young Scottish students studying in Scotland and living away: changes in annual borrowing between 2012-13 and 2013-14

Figure D also illustrates that for young students studying in Scotland from incomes up to around £25000 the new arrangements will substantially increase borrowing in absolute terms, by between around 45 and 60 per cent compared to 2012-13. These figures apply for those living away from home. For those living at home the percentage increases will be greater, because they start with lower debt but are rising to the same upper line[29]. Borrowing is also due to increase for students from higher income households, but only on the scale shown above if their families take full advantage of the opportunity to reduce contributions.

The changes will shift the balance of support between grant and loan. At incomes up to £25000, in 2012-13 grant accounts for between 30 and 41 per cent of total support for young students studying in Scotland and living away from home, and a higher percentage again for those who live at home. In 2013-14, it will account for between 8 and 24 per cent of the package for all young students studying in Scotland from lower incomes. For mature students, grant will become de minimis, accounting for between 0 and 10 per cent of support at these incomes.

The significance of this shift is clear from the budget figures for future years. The Scottish Government is planning for the face value of new student loans issued each year over the current budget period to be £241.3m/£398.3m/£445.7m at 2012-13 prices, giving a real terms increase in new student debt of 85% between 2012-13 and 2014-15[30].

The implications of this change have not yet been fully absorbed into debate in Scotland. For example, in a debate in the Scottish Parliament in February 2013 one contributor drew attention to the fact that “figures from the Student Loans Company show that Scottish students have the lowest level of student debt in the UK. The average Scottish student loan is £6,480, compared with £17,140 in England"[31]. These are figures for the total debt of past graduates. The average actual student debt in Scotland is likely to be much nearer £17000 than £6000 in future, even if the English figures are also rising much further. Another contributor to the same debate noted: "none of that would have happened if my family would have had to pay tuition fees or graduate endowments or if I would have been saddled with student loans. I would never have made it to university at all, because being saddled with a mountain of debt before even starting off in life would have made me think twice."[32]

Comparisons with the rest of the UK

One of the overwhelming arguments cited in favour of these changes, to which the government and NUS Scotland have both drawn attention, is the comparison with what is happening elsewhere in the UK. In the words of Michael Russell MSP, the Cabinet Secretary for Education and Lifelong Learning, this is "the best package of student support in the UK"[33] and "That minimum annual income is part of a package of changes to student support that, together with our commitment to free tuition fees, will provide the best overall package of support in these islands….. I do not think that anybody would accept that there has been any diminution of our support to students. It is quite the reverse—we have the best student support package and access to education based on the ability to learn, not the ability to pay."[34] The President of NUS Scotland has observed: "From next year, Scotland will have the best support package in the whole of the UK available to college and university students studying at higher education level."[35]

The Scottish Government has not published figures which compare the new systems across the UK, but it can be done from published sources. That produces some unexpected results.

Student grant

First, Scotland now stands alone in its diminishing use of student grant.

In all other parts of the UK, maintenance grant has once more become a significant part of the system, reversing the pattern of the 1990's: see figure E. These grants are fully portable to any other part of the UK.

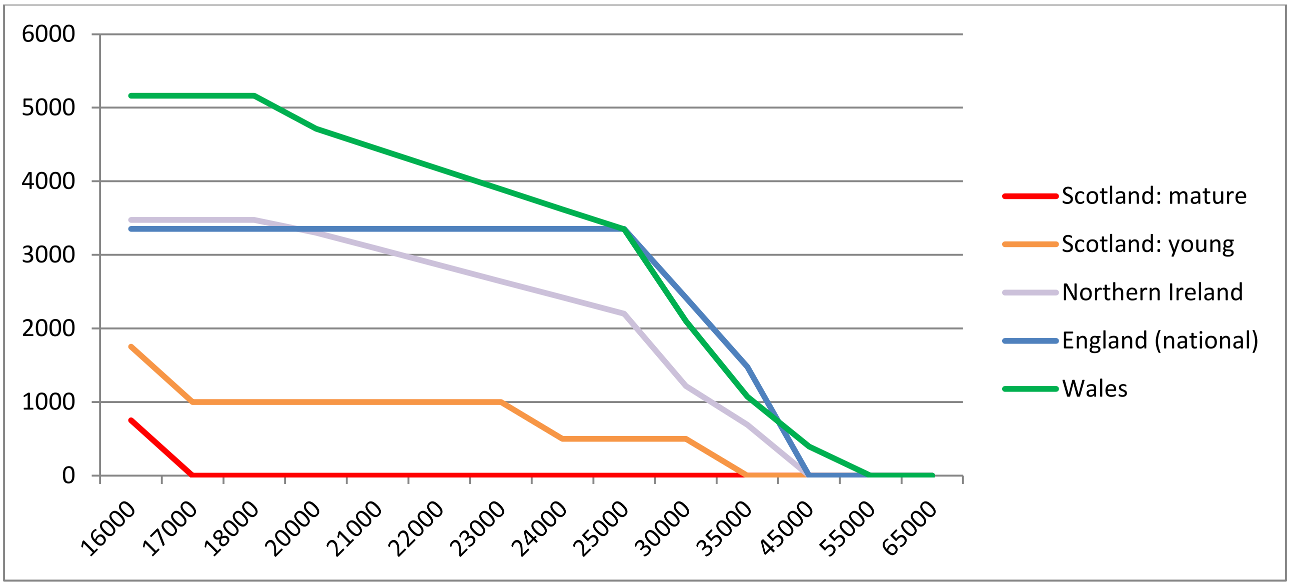

Figure E: 2013-14 Maintenance Grant: UK Comparisons

Note: Figures for England, Wales and Northern Ireland taken from relevant government on-line student support calculators. Figures for England are only for national grant distributed through the Student Loans Company and exclude any grant disbursed through institutions.

For Welsh domiciled first-time full-time students, the maximum of £5161 is worth around three times that for young students in Scotland. For Northern Irish and English students the maxima of £3475 and £3354 are both around double that in Scotland for young students. The multiples are higher again for mature students. In all three other countries, more grant will be available, up to higher incomes and mature students will have access to same level of grant as young students.

For England, these figures include only what is provided at the national level through the Student Loans Company (SLC), which administers both grants and loans for English students. However, for England a proper comparison now also needs to take into account that a significant further element of student support in England has been formally delegated to institutions. This is funded through the National Scholarship Programme[36] distributed by the Higher Education Funding Council for England and the recycling of fee income by institutions. The Office for Fair Access estimates that the student support pot managed by institutions in England will be worth around £571 million a year once the new system is fully implemented [37]. To give a sense of scale, this is equivalent to just over 40 per cent of the amount being made available through the national grant scheme in 2012-13[38].

It is a much more complicated system than in Scotland, Wales or Northern Ireland, but it does mean that students from families with an income below £16000 can almost always expect to get thousands of pounds in further grants or equivalent benefits, wholly additional to their national funding, and significant additional sums can be available for incomes up to

£25000 and sometimes beyond. While Scottish universities (Edinburgh in particular) offer some bursaries, taken as a whole these are on a much smaller scale and do not form part of a centrally-driven system providing substantial extra support for lower-income students across the board. These additional funds may be given for living costs or fees, or both. Their impact on English student funding is examined in more detail as part of the comparison of overall debt levels, below.

Spending power

Spending power is the cash in hand students receive from the combined total of grant, living cost loan and parental or partner contributions. In the past Scotland has published expected contribution figures for parents and partners. It has not done this for 2013-14. Other jurisdictions also no longer provide these as part of their standard public information. So to produce reliable like-for-like comparisons on spending power, Figure F deals only with for the support provided for spending by the state through combined grant and loan. For this purpose, supplementary grants available to particular students in each jurisdiction are left out of the comparison[39]. In England, Wales and Northern Ireland additional support is made available for those studying in London: this is also ignored here.

The 2008 Scottish consultation noted that "around 55 per cent of students stay away from home while at university, so are likely to face greater financial pressures from a number of areas including rent and rising food and fuel costs." For students living away from home, from lower-income households, Wales and England between them provide the most spending power. Wales provides the single highest value, £7736 for incomes up to around £18000. After that, England provides £7177 for incomes up to £25000 and then lower rates, but still the highest in the UK, up to incomes around £44000. Wales then provides the highest amount, until being overtaken by Scotland, which has the highest rate of support for incomes above around £54000.

Uniquely in the UK, Scotland will now provide the same combined value of grant and loan for all students at a particular household income, so for students living at home, Scotland will now make available a substantially higher amount of spending power than other parts of the UK, with a few trivial exceptions compared to England and Wales, and a group between £33000 and £41000 who do better in England.

As before, these comparisons take no account of the effect of additional funding which students studying in England may be able to obtain through institutional grants. It also ignores the system of Special Support Grants, which are available to certain disadvantaged students in England and Wales and also have the effect of boosting spending power.

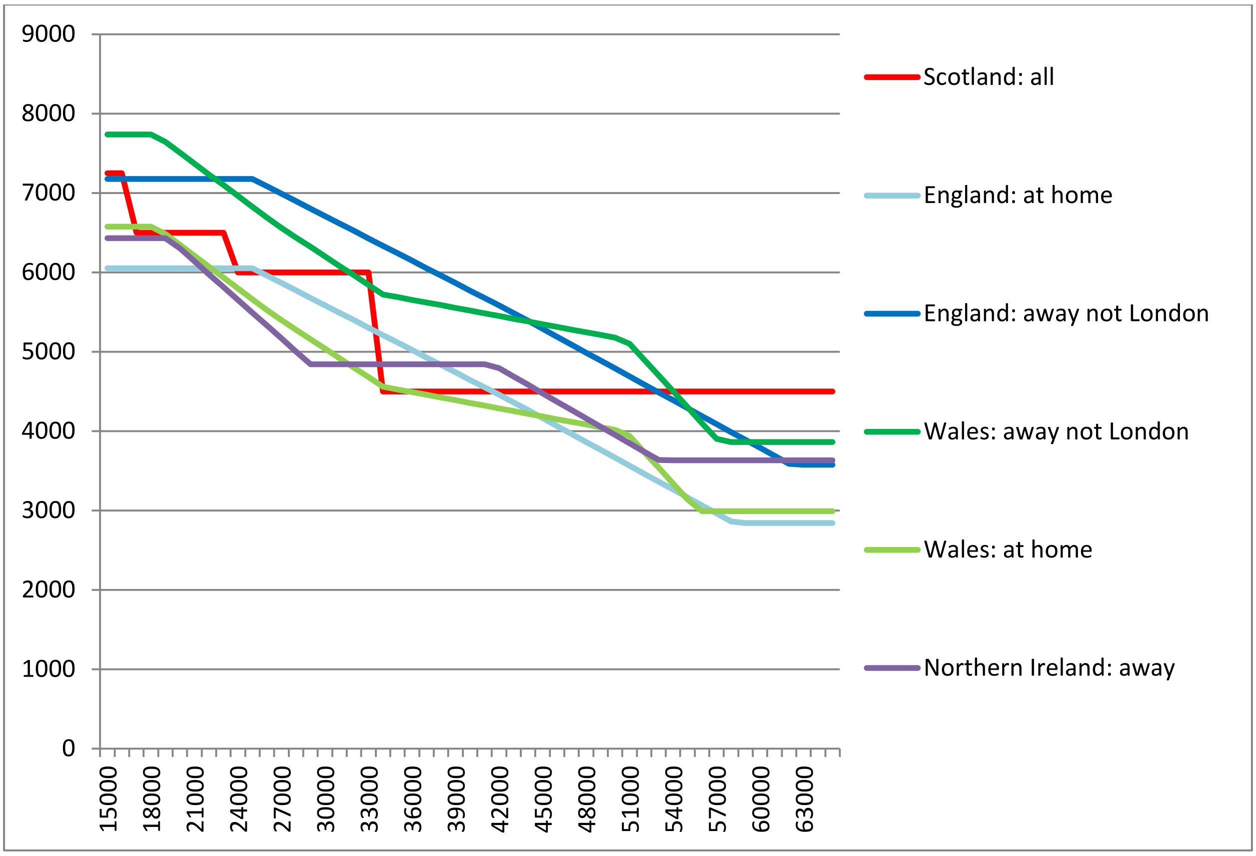

Figure F: 2013-14 State supported spending power (total value of grant and loan) by country

Note: Figures for Scotland from SAAS website. For other jurisdictions, figures derived from official on-line student finance calculators separately available for England, Wales and Northern Ireland. Only the Northern Irish "away" figure is shown: the "at home" falls clearly below the rest.

Parental and Partner Contributions

Family contributions have traditionally been important in supporting students from higher income families: until the introduction of student loans these were the only source of living cost support for those means-tested out of the grants system.

The Scottish Government produced expected parental contribution figures for 2012-13, taking student spending to an expected level of £5570 a year. Although contribution figures have not been published for 2013-14, using £5570 as a benchmark it is still possible to show how the much higher minimum loan will bring the general level of contributions more into line with the rest of the UK and how the shape of the contributions will now compare: see figure G.

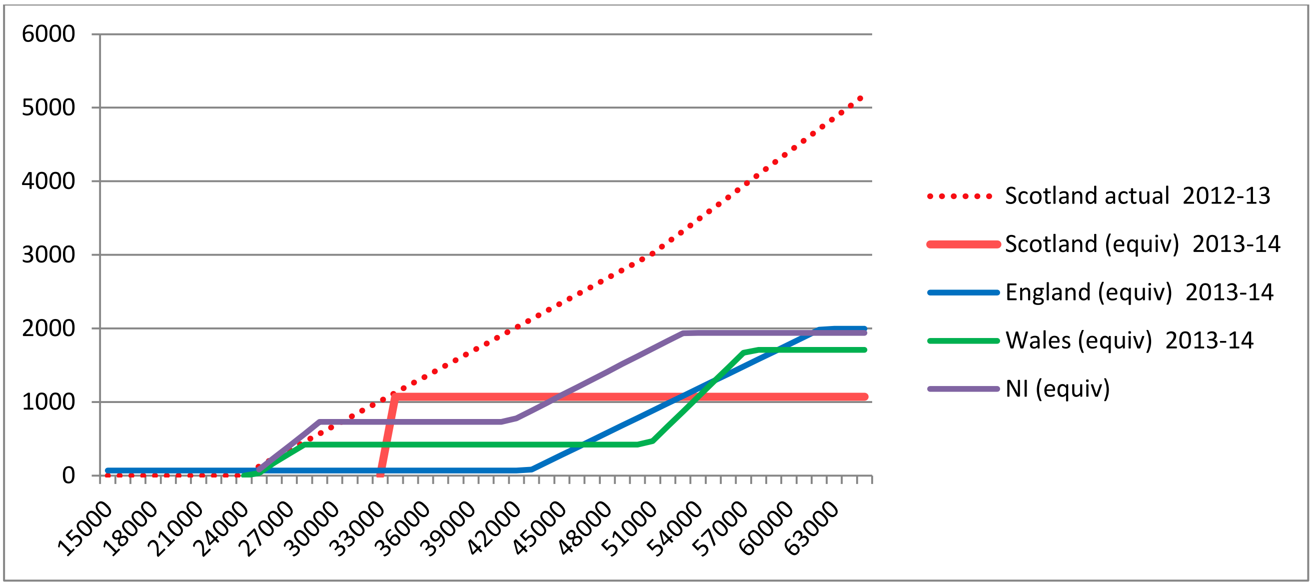

Figure G: Parental contributions in the UK 2013-14, equalised to £5570, the expected level of supported student spend in Scotland in 2012-13

Scottish households at all incomes over £25000 will be able to contribute less than in previous years, except for a small group around £34000 for whom the position is unchanged. Notably, state support for students in Scotland is at a flat-rate for all households with an income over £34000. This leads to a uniform contribution from all households above that level, to reach any particular level of student spending power. By contrast, in England, Wales and Northern Ireland, the expected contribution flattens out at higher incomes. To provide their children with the same spending power, Scottish households below around £53000 will need to provide more than equivalents in England and Wales (£45000 for Northern Ireland), while households above that level will be able to contribute less.

Tuition fees

There are two elements to tuition fees: what institutions charge and how students gain access to funding to cover their liability. For the first of these, the systems vary in different jurisdictions and are described below. For the second, the means to pay, the same basic system applies across the UK. In every jurisdiction, students can take out a non-means-tested loan on the same terms as for living costs, to defray the immediate cost of fees. The liability then becomes part of their overall student debt, added to whatever is borrowed to support living costs. The total amount borrowed, for fees and living costs added together, is then repayable in proportion to future earnings. The higher the loan, the longer it will take to repay.

Scotland of course funds the full cost of tuition fees for first-time full-time Scottish-domiciled students studying in Scotland. Scottish higher education institutions are able to charge a fee of up to £9000 a year to students from the rest of the UK. Scots studying elsewhere in the UK pay the fee charged there.

On paper, Wales has introduced fees up to a maximum of £9000 per year. However, it has accompanied these with large off-setting non-means-tested fee grants for Welsh-domiciled students: the effect is a net flat rate fee of £3575 next year, for all Welsh-domiciled first-time full-time students, for which non-means-tested student loan is available. The fee grant is portable, so that the figure of £3575 represents the maximum annual net fee for any Welsh domiciled student, regardless of where in the UK they study.

In 2013-14 Northern Ireland institutions can charge Northern Irish students a flat-rate fee of £3575 a year and up to £9000 to other UK students. Northern Irish students travelling to rest of the UK pay the fees charged to "rest of UK" students where they study.

In England, institutions can charge a maximum annual fee of £9000 (the average charged in practice is not far below the maximum, at around £8500). English students travelling to rest of the UK pay the fees charged to "rest of UK" students where they study.

The principal argument made in favour of the Scottish system compared to the regimes elsewhere in the UK is that they do not restrict access to higher education on the grounds of ability to pay: in the words of a motion tabled in the Scottish Parliament by the Cabinet Secretary for Education and Lifelong Learning on 18 February 2013 , "the Parliament believes that access to higher education should be based on ability to learn, not ability to pay and will not introduce upfront or backdoor tuition fees". [40] He added in debate, "In England, one needs to find up to £9000 per year to go to university; in Scotland, one does not."[41]

However, student loans are available to all students, at any income, to meet up-front fee costs across the UK. To find £9000 in England (or £3575 in Wales and Northern Ireland), a student needs only to apply to the Student Loans Company, just as students in all parts of the UK, including Scotland, will need to apply to the SLC to obtain some or all of their living cost support. A pound of loan for fees functions just like a pound of loan for living costs. Fees are an issue of debt, not upfront access to cash.

In England, Wales and Northern Ireland, students are strongly guided throughout the application process towards using loans to pay fees. By contrast, the SAAS website advises Scottish students planning to study elsewhere in the UK that "*If you don't have the money to pay your fees at the start of your course* [author's emphasis], you can apply to us for a student loan to pay part or all of your fees"[42], implying that Scottish students, exceptionally, are expected to treat fee costs as far as possible as an immediate cash liability, with loans only available to those unable to deal with fees on those terms. However, there is no evidence that institutions expect this and elsewhere the website is clearer that "The amount of loan for tuition fees you can get does not depend on your own income or that of your parents or your husband, wife, civil partner or partner, as appropriate". Scottish students in practice have the same access to non-means-tested loans for fees as others in the UK. However, the wording quoted above from the SAAS website is consistent with a common presentation in Scotland of fees as first and foremost a call on domestic cash resources.

Total debt

The total debt students accumulate as they study is a combined result of loans for fees, where applicable, and loans for living costs. A comparison of total debt brings out how important the role of student grant is in reducing the overall cost of higher education for those from lower income homes.

Annual debt in comparison: expected debt

Figure H provides figures for expected annual student loan debt, including debt for fees.

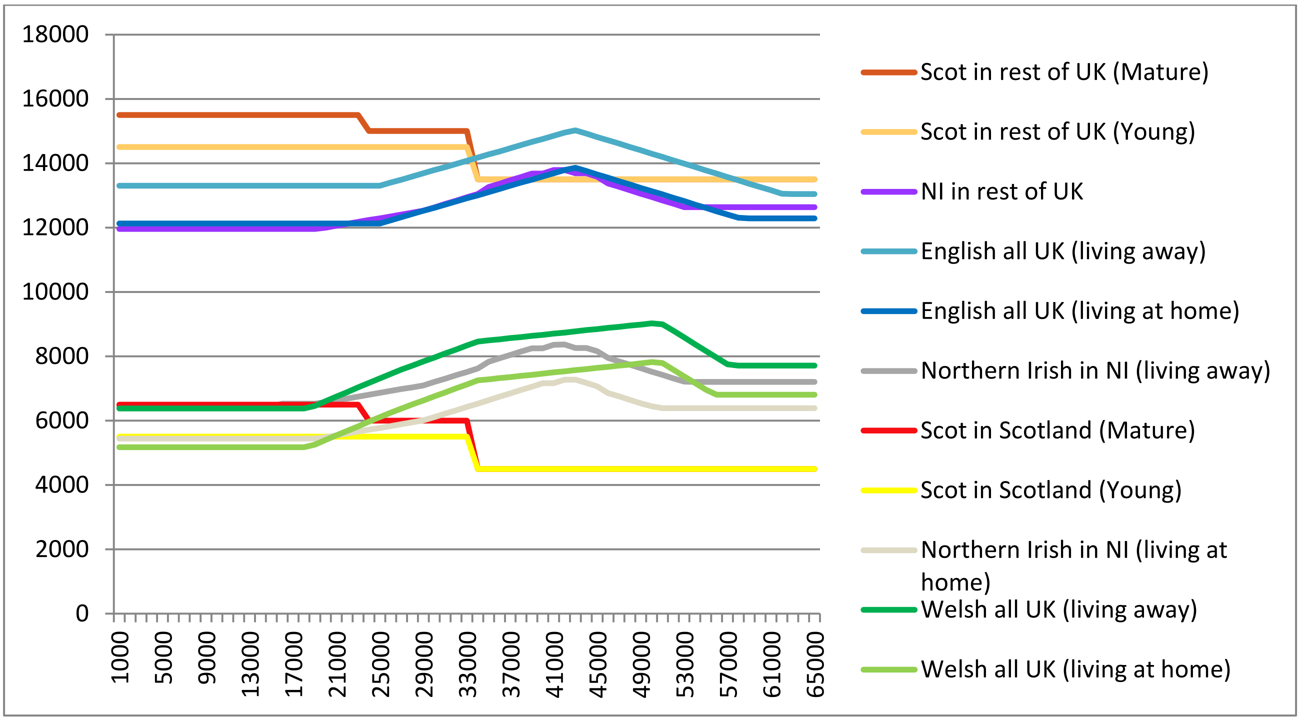

Figure H: 2013-14 Expected annual student loan debt by country

Note: Figures derived from SAAS website and relevant student support calculators. Figures for England are only for on support provided through national grants and loans (both provided through the Student Loans Company south of the border). For England the calculations assume a fee of £9000, rather than the actual average of £8500, which will slightly overstate the costs. Fees for HN equivalent courses in particular tend to be lower: the average appears to be nearer £7000. Figures for England and Wales uprated to take into account higher interest applied to those student loans during the period of study[43]. Figures for Wales exclude the commitment to a one-off £1500 debt write-off.

For lower-income students, from 2013-14 the figures for Scots in Scotland, Welsh students studying anywhere in the UK and Northern Irish students in Northern Ireland are all very close. Young Scots in Scotland have near-identical expected debt to "living at home" students in the other devolved administrations: mature Scots in Scotland are near-identical to "away" students from Wales and Northern Ireland. For those studying in Scotland, Scotland does however provide for some of the lowest annual debt in the UK, for those from households with higher incomes, particularly over £34000.

The figures for Welsh students hold wherever they study in the UK because all their support is fully portable. The Welsh Assembly Government is also committed to writing off up to the first £1500 of any debt incurred for living costs at the point students begin to make repayments, subject to some conditions: although it appears most students should benefit from this at the full amount, it is not factored into the calculations here, as its effect on annual debt will vary depending on course length.

The impact of high fees without any fee grant shows clearly in the English system, which will produce the largest cost for the largest number of students. However, these figures in particular need to be treated with caution for incomes up to around £25000, as they exclude the impact of the element of decentralised income-related grant now provided through individual institutions, which can have a significant impact for lower income households and which is dealt with separately below, as part of examining the total cost of a degree.

Scotland assumes the highest annual expected debt for any low-income group in the UK, for students studying outside Scotland, who are caught between high fees and minimal grant. Mature students in this group have the highest annual debt of any group in the UK.

Aside from absolute levels of debt, Scotland shows a unique pattern in the UK, with expected debt falling as household incomes rises. Scotland is therefore the only jurisdiction where the system is predicated on graduates from lower-income backgrounds facing the highest debt of any group: this is a consequence of having relatively low maintenance grants and no fees. Low-income mature students will conclude their studies with 45 per cent more debt than all students from the most well-off backgrounds. Young students from lower-income homes will have 22 per cent more debt than their contemporaries from higher-income homes. Exceptionally in the UK, Scottish graduates who came from lower-income backgrounds will therefore face a larger tax (in all but name) on their future earnings than those who started out from better-off homes, remaining in the repayment system for longer and so having less disposable income in later life.

The difference in final debt is likely to be even larger in practice, given that those from higher-income homes are more likely not to need to use their whole loan entitlement. The Scottish Government budget for 2013-14 indeed assumes the government will only need to issue loans worth 60 per cent of what it would cost, were all students to claim their full entitlement. In 2013-14, this can be partly explained by the phasing in of the new arrangements part-way through a financial year. However, even in 2014-15, the first financial year fully within the new arrangements, the budgeted figure is still only 70 per cent of the potential total cost[44]. It is difficult to close this gap without an assumption that students from higher-income households will in practice tend to claim less loan than in theory they could.

The figures in Figure H are useful to show the conclusions reached in each part of the UK about acceptable levels of debt and how that debt should be distributed between different types of student. However, they do not provide like-for-like comparisons, due to the variations in spending power built in to the numbers and the variation therefore in the benefit individual students will receive.

Annual debt in comparison: like-for-like debt

Figure I provides a better like-for-like comparison, which is based on the same figures as before, but controls for this variation. The figures here have been re-calculated as though all students were borrowing what they needed to have the same spending power. For ease of comparison, the Scottish spending figures have been taken as the benchmark[45].

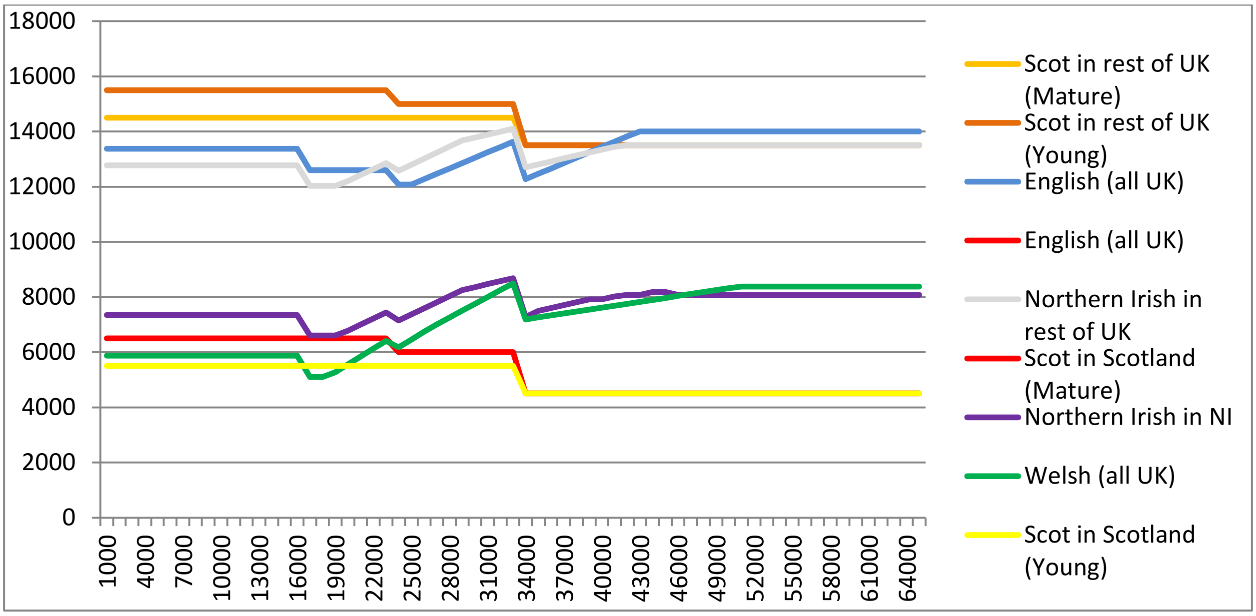

Figure I: 2013-14 Expected annual student loan debt by country: equalised for spending power

Note: Equalising for spending levels removes the distinction between those living with parents and those living away in England, Wales and Northern Ireland.

On this like-for-like basis, at lower incomes the annual debt figures for all Welsh students and for young Scots in Scotland are very close, with the young Scots generally doing marginally better, although the absolute lowest annual debt for any students at this level of income is for a group of Welsh students around £18000. For all mature students, Wales has the lowest figures for annual debt, up to incomes around £23000: as before, this will cover most mature students in practice.

On this adjusted basis, Northern Irish students in Northern Ireland have annual debt above that for Wales and Scots in Scotland at lower incomes, and close to Wales at higher ones. Studying in the rest of the UK raises their annual debt to levels very close to English levels.

Even after adjustment, England remains the country where the highest annual debt is generally expected of its students, particularly at higher incomes.

For students studying in-country, on like-for-like spending Scotland clearly has the lowest annual debt once incomes exceed £24000 and still stands out in its treatment of students from households with incomes over £34000. They will have the lowest expected annual borrowing of any group in the UK, at £4500 a year: for reasons described above, actual debt for many in this group will probably be lower again.

At the other end of the scale, adjusting to remove differences in spending power brings out very clearly how on a like-for-like comparison Scottish students from lower incomes who study in England, Wales or Northern Ireland, at an institution charging £9000 fees, will face higher annual costs than any other group in the UK, including students from England. The comparison with Welsh and Northern Irish students brings out that this is not simply an unavoidable effect of the decision to introduce higher fees in England: the extent to which decisions in England increase costs for students who travel to study there is substantially affected by local policy choice in each devolved jurisdiction.

The overall cost of an honours degree in comparison

Annual debt comparisons are most relevant to those on courses of equal length across the UK, such as some longer courses, ordinary degrees and HNC/Ds. Honours degrees however usually require an additional year of undergraduate study in Scotland. Given that the provision and funding of these degrees remains central to policy debate, any comprehensive comparison needs also to consider the total debt which will in future be needed to cover the cost of study to that level[46].

It is simplest to do this looking separately at students studying in-country and cross-border students. Figure J deals with the first group. For other jurisdictions, comparative figures are provided both for actual debt and, as before, for debt adjusted to Scottish spending levels, to provide like-for-like figures.

The following assumptions have been made:

- the shortest time an honours degree can commonly be achieved is 4 years in Scotland and 3 years in the rest of the UK[47]
- all comparisons below are for new starts in 2013 at current prices

- new entrants will not be subject to significant further changes to their support packages
- total loan figures for England and Wales have again been up-rated to reflect that student loans will carry a 3 per cent higher rate of interest during the period of study[48]
- figures for England again only take into account national grant and loan provided through the SLC
- the Welsh £1500 debt write-off is not taken into account for consistency with earlier figures
- no allowance is made for the additional year out of the labour market associated with an additional year of study: this potentially creates an additional cost to students on longer courses, but one that will be very uneven and unpredictable.

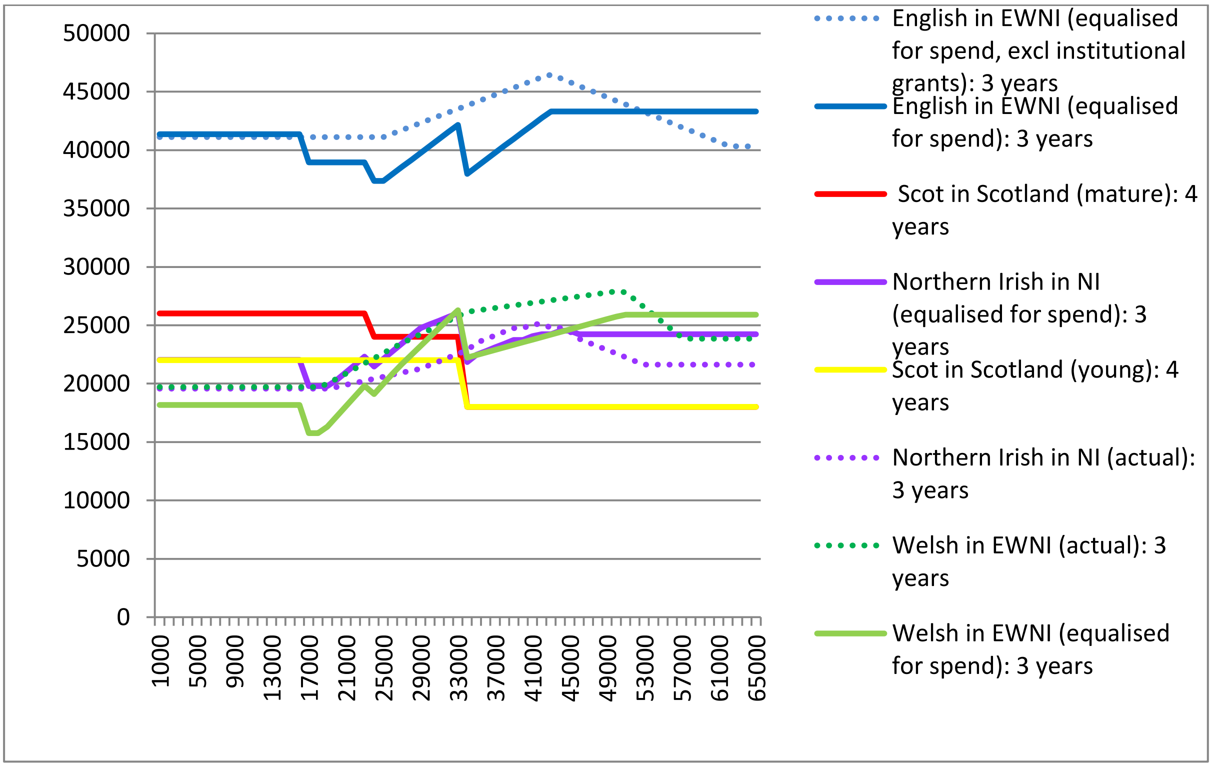

Figure J: 2013-14 Expected student loan debt at the end of shortest length commonly-available honours degree, studied in country of domicile, actual and like-for-like with Scotland

At lower incomes, honours graduates from Scotland will now face the highest levels of final debt in the devolved administrations. The only exception to this is in comparison with those from the lowest incomes from Northern Ireland: after adjustment for like-for-like spending, these will have the same level of final debt. This relatively high positioning among the devolved administrations in relation to debt at lower incomes has not previously been the case and is a consequence of the planned grant reductions. Lower-income mature students in particular will be significantly more indebted in Scotland than in the other devolved administrations. As before, Scotland's distinctive advantage is for students in the top half or so of the income distribution who study in-country, where it provides some of the lowest debt figures for any group in the UK, even with a fourth year. Once again, these figures are likely to over-estimate actual final debt for many in this group.

For students from households up to £25000, students from Wales in particular need to borrow less than their Scottish equivalents to complete an honours degree, even with like-for-like spending. This is true not only in-country but wherever they can pursue a three-year degree, because of the full portability of Welsh support. The differences will be substantial. On like-for-like spending, young honours graduates from low-income households in Wales will be able to achieve an honours degree with between around 70 and 90 per cent of the final debt of equivalent Scots; for mature students, the figures will be around 60 to 80 per cent. Even at higher-incomes, on like-for-like spending Welsh final debt is no higher than what will be expected for low-income mature students in Scotland. Northern Irish final debt levels are held within similar limits.

For the English figures, the scale of support which has been decentralised to institutions means that the raw figures here only a reasonable guide to the borrowing which will be required at incomes above £25000, where such grants are very limited. At these higher incomes, the English figures are between 60 and 140 per cent higher than the figures for Scotland at the other end of the scale. As with annual borrowing figures, it shows clearly that English students from higher incomes are alone in having no option to reduce the costs of their study through any kind of national non-means-tested support for tuition, whether local and complete (Scotland), local and partial (Northern Ireland), or partial and fully portable (Wales).

Degree-length debt: Effect of decentralised support in England

As so much of the support for lower-income students in England is now decentralised for incomes up to £25000, the only way to do proper like-for-like cross-border comparisons for that group is to consider England institution by institution.

Once the decentralised element of student support is taken into account, and after meeting fees, an English student from a low-income household will be expected to have a 3-year debt below the figures already shown, sometimes well below, depending on how low their income is, which institution they attend and how much of any additional support is used to reduce borrowing rather than increase spending power. Support in the form of fee waivers can only have the effect of reducing debt: support in the form of bursaries or other help with living costs, such as reduced accommodation charges, can be used to either to reduce debt or raise spending power, or a mixture of the two. A number of institutions provide benefits worth the equivalent of at least £3000 a year to some students, and some are more generous.[49]

Figure K illustrates the minimum actual debt for students in households up to £25000 could achieve, at a sample of the more generous institutions, with the figures for young and mature Scottish students in Scotland added for ease of comparison. The figures shown are for actual final debt, uprated for the effect of higher interest. The figures provided for degree-length debt for Scottish students are equalised here to English spending, to allow more easily for a like-for-like comparison. Otherwise, the assumptions are as before, plus:

- all additional support is used to reduce debt, rather than increase spending power: the figures here therefore represent the potential minimum debt a student could achieve
- actual fees for 2013-14 for each institution have been used

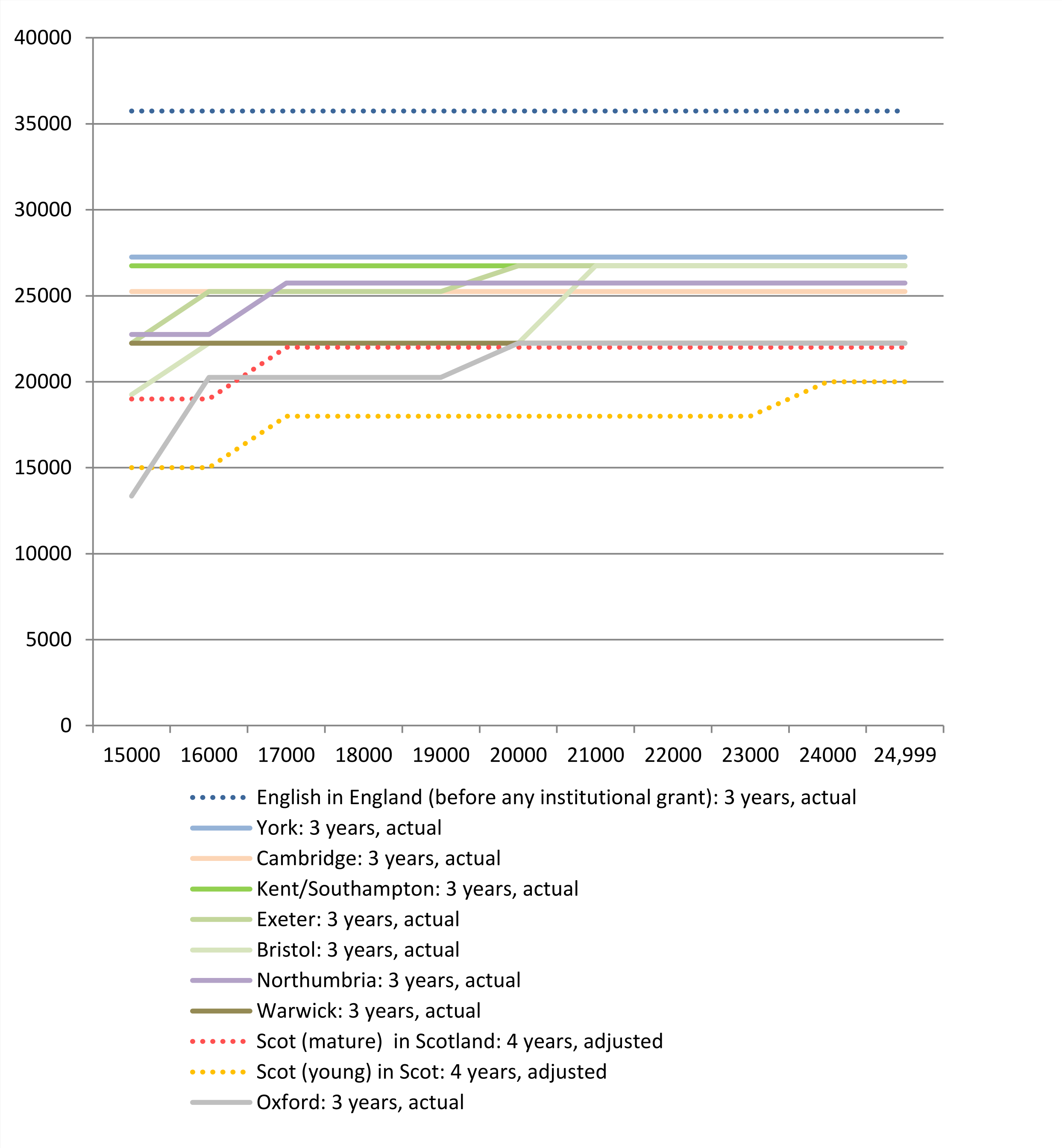

Figure K: 2013-14 Minimum possible student loan for English-domiciled honours graduates from certain English institutions: actual figures for England, Scottish figures adjusted

Note: detail of schemes available on individual university websites, calculations by author. Only schemes open to all students on particular incomes included: additional support available on other bases, such as academic achievement or place of residence, not taken into account

In a handful of cases, some low-income English honours students can expect to end up with no more final debt than an identical mature Scot who studied in Scotland, on like-for-like spending power. At incomes below £16000, a student at Oxford could conclude their degree with less final debt than an equivalent young Scot. Imperial provides one of the most generous schemes, with a £6000 general grant per year to all UK students up to incomes of around £42000: however, given the further interaction with London living costs it is not included in figure J.

England clearly remains generally more expensive, even after these schemes are considered. However, these detailed calculations reveal that for students from lower income families the growing gap in total grant (and equivalent benefits) is beginning to eat significantly into the better-known north/south gap on fees. Given the familiar rhetoric, how far the systems will be within touching distance of each other at the lower end of the income scale may come as a surprise.

Cross-border students

The interaction of four separate student support schemes, different degree lengths and in effect two different fee regimes, creates a different set of comparisons for students crossing borders within the UK to study. Figures L and M capture the effects of this, separating students into the most and least indebted. In Figure L, the in-country figures for Scotland are also provided for comparison. The figures net of the planned Welsh debt write-off are also given, to provide one illustration of its effect. As before and for consistency, £9000 fees are assumed for all comparisons. The average in Scotland is lower: however, as the NUS has highlighted, the highest figure commonly applies in the institutions which attract the largest number of cross-border students[50].

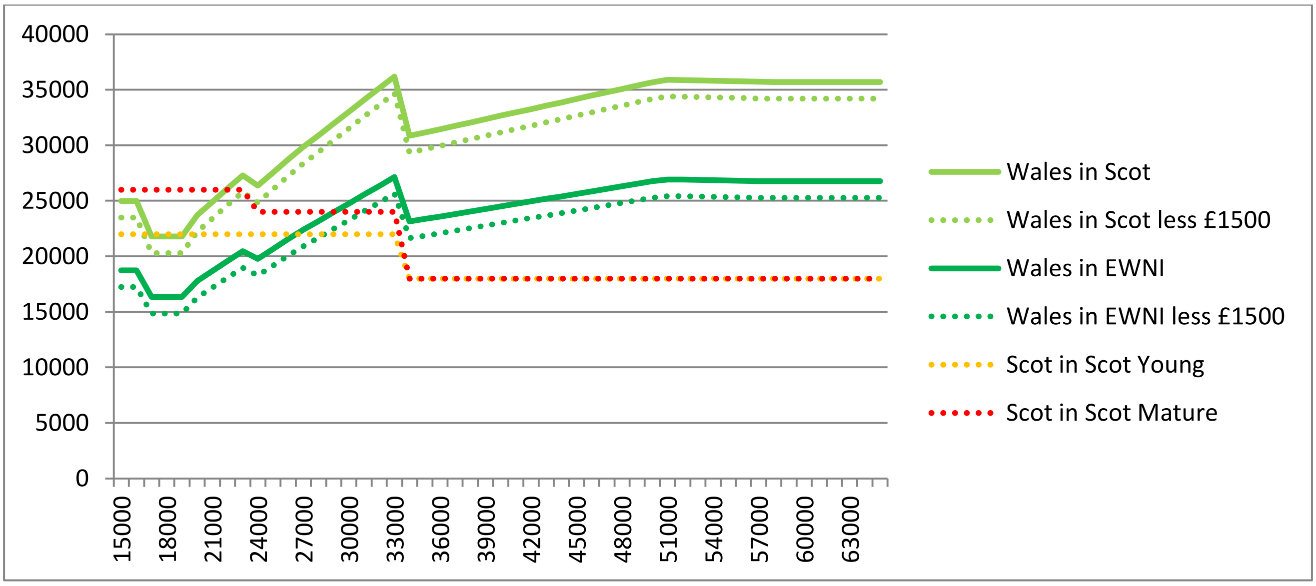

Figure L: 2013-14 Expected student loan debt by country: standard length honours degree studied cross-border: least indebted, equalised to Scottish spend

Note: Spending is equalised to Scottish levels and as before Welsh debt is uprated to reflect higher interest rates.

Welsh students studying in England or Northern Ireland will have the lowest debt of any border-crossing group by a large margin, as a result of the level of fee grant and living cost grant provided by the Welsh Assembly Government and its full portability. They will also sometimes have access to English institutional schemes, some of which are open to all UK students, although some schemes reduce the eligibility of Welsh students. Perhaps most unexpectedly, lower-income Welsh students studying in Scotland, even with fees, a fourth year and any adjustment needed to ensure like-for-like spending power, will still be less indebted than any mature Scots studying with them and less indebted than some young students also. At higher incomes, the effect of the extra year shows more clearly, as living cost grant is withdrawn.

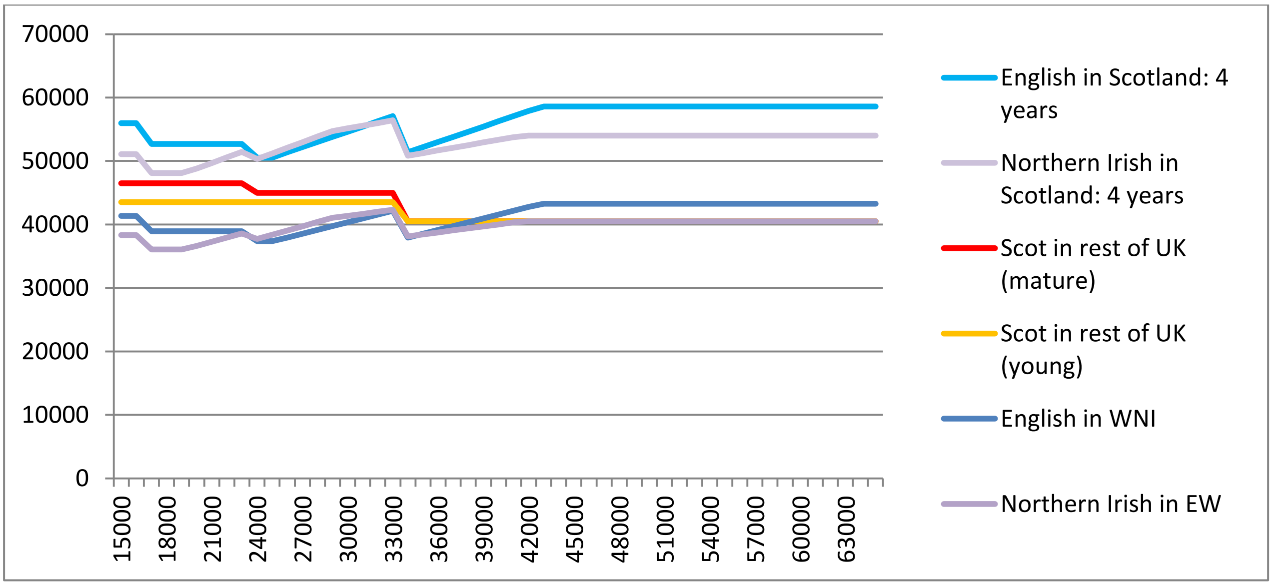

Figure M: 2013-14 Expected student loan debt by country: standard length honours degree studied cross-border: most indebted, equalised to Scottish spend

The only effect for English students of crossing a border to Wales or Northern Ireland is the loss of the funding distributed through institutional grant schemes. Crossing the border to Scotland by contrast adds significantly to the cost for English students, due to the combination of the fourth year and the fee (as before, the calculations are based on the maximum fee of £9000). English (and Northern Irish) students choosing to come to Scotland therefore face the highest costs for a standard honours degree in the UK. Although there is no Scottish-wide scheme analogous to that in England, some institutions do make additional help available. Edinburgh University has a generous scheme of bursaries for low-income students from the rest of the UK, which provides enough to mean that lower-income English and Northern Irish students studying there will in practice face total debt below £30000, even allowing for an extra year of study.

Northern Irish students studying in the rest of the UK lose the fee subsidy available in Northern Ireland, giving them costs very close to that for English students. Their slightly lower figures are due to the lower interest rate applied to their borrowing as they study.

Caught between minimal grant and high fees, Scots crossing the border from homes in the bottom half of the income distribution will have the highest three-year degree costs in the UK, exceeded among honours graduates only by the English and Northern Irish in Scotland. These students can generally apply for English institutional grant schemes. Speaking in June 2012, the President of NUS Scotland said: "Universities such as Oxford are right to be offering bursaries and support to Scottish students in the same way as they would to students from England, Wales and Northern Ireland. Other English institutions should follow suit to ensure the eye-wateringly high fees imposed by the Westminster Government can be reduced for those from the poorest backgrounds. However, let's not forget the fact Scottish students at Oxford who receive these bursaries will still be paying tens of thousands of pounds for their degree."[51]

The challenge for English universities in meeting this request will be that poorer Scots will already be at a significant financial disadvantage compared to similar students arriving from elsewhere in the UK, before any fees are charged, because they receive much less maintenance grant. Oxford in fact provides a rare case where those from the very lowest income homes in Scotland (up to £16000) could in future find it marginally cheaper to go south than to stay in Scotland, because of shorter degree courses and the university's exceptionally generous bursaries at that level[52]. More generally, however, it is the case that even the more generous institutional schemes will only be able to bring the cost for poorer Scottish students down to something around what a better-off English student might face. As a result, students from low income homes in Scotland with low maintenance grant, no portable fee support and little or no practical access to family contributions stand out as being the group in the UK most likely to feel compelled purely by cost to study within their home country.

The situation of these students has generated much less political or media attention in Scotland than the position of students from the rest of the UK coming to Scotland. Scotland has a diverse and successful higher education system, disproportionate to the size of the country. However, by reason of sheer scale, there will inevitably be courses, combinations of subjects, specialisms and concentrations of expertise available elsewhere in the UK which are not available here. Studying outside Scotland also opens up more options for completing an honours degree in three years, if that is what someone wants, as well as broadening the range of environments in which to study and live. Given all that, it is interesting that there has been so little controversy about the way the Scottish system does relatively little to help its students, particularly those from lower income families, gain access to the rest of UK higher education.

It may be that the costs facing this group are not regarded as the responsibility of the Scottish system, with that regarded as resting instead with the Westminster government. The interesting comparison here is with Wales, where the Education Minister Leighton Andrews has said: "We have a responsibility to Welsh-domiciled students, wherever they choose to study."[53] As already noted above, the comparison with Wales (and to a lesser degree Northern Ireland) demonstrates that the exceptionally high costs which will be faced by lower-income Scottish students who cross the border are not simply an unavoidable consequence of decisions made elsewhere, but are also the result of local policy choice in Scotland.

Mature (independent) students

Scotland is the only part of the UK where mature (independent) students receive lower grants.[54]

Although this paper refers to mature students, age is not the only basis on which status as either young or independent is determined. Any of the following will trigger classification as "independent": being at least 25 at the start of the academic year; having a dependent child; being self-supporting from earnings or benefits outside full-time education for three years; or, being married, in a civil partnership or living with a partner before the start of the academic year. SAAS documentation sometimes refers only to these criteria, but sometimes also identifies: having been in care; having no parents living; or, having been estranged from parents for at least 12 months as also placing students in the independent category[55].

These rules were originally drawn up to identify those students for whom it was inappropriate to seek a parental contribution. However, as the structure of student support has evolved, they are now functioning principally as a mechanism for determining whether students will receive a higher or lower grant rate, with the cases above falling into the lower band. There are additional means-tested grants worth up to £2640 for dependent partners, up to £1305 for lone parents and up to £105 a week in the vacation for care leavers[56].

The NUS has previously campaigned for better funding for mature student and the 2008 Scottish Government consultation acknowledged that: "*Higher and Further Education Students' Income, Expenditure and Debt in Scotland 2004-05* showed that students who were over 25, living with a partner or who had dependent children had the highest incomes, but also the highest expenditure. As many of this group had financial commitments before entering higher education the financial pressures seemed to be most acute on them. Conversely, younger students staying in the parental home tended to have the lowest incomes and expenditure" and "independent learners are the ones with the most acute financial problems as they generally have the highest outgoings, families, mortgages etc. and they tend to end up with more commercial debt as well as higher levels of student loan debt. By increasing bursary support to this group we could help to alleviate some of the debt burden they will accrue by off-setting their loan entitlement with grants to reduce their overall debt on graduation."[57] As a result of this consultation, the Independent Students Bursary was introduced in 2010 and will have benefitted three intakes of students at its original level before being reduced in 2013-14.

Mature students have traditionally been seen as important in terms of widening access and in the 1980's were eligible for specific additional grants. This group often includes those who left school either without the qualifications or the aspiration to enter higher education immediately. Given that widening access remains a strong theme in discussion of higher education and student support, more public comment might have been expected about the way the arrangements from 2013 will see further entrenching of this group's less favourable treatment in Scotland.

Simplification

The Scottish Government has described the system from 2013-14 as the "most straightforward package of student support in the UK"[58]. The English system in particular has been criticised by the NUS and others for its complexity, which is illustrated above.

The new system in Scotland does have some distinctive simplifications although some of these will have difficult consequences for some lower-income students[59].

The Welsh and Northern Irish systems retain tapering and in Wales there is a more complex system of trade-off between grant and loan. However, on-line calculators now mean that, despite this, these systems are easily tested by prospective students and both systems are arguably simpler in other important ways, with a single grant scale for all students regardless of age and therefore producing identical net annual costs for students at particular incomes regardless of whether they are young or mature. For Wales, this applies whether they study inside or outside Wales. The Northern Irish system is less simple than the Welsh for border-crossers.

Student loan systems

The Student Loans Company now runs separate systems for Scotland and Northern Ireland, and for England and Wales. These have important differences:

- The Scottish and Northern Irish student loan system keeps interest to RPI throughout
- In England and Wales graduates will be paying a rate between RPI and RPI plus 3 per cent. RPI plus 3 per cent applies during study; the rate then reverts to RPI while income is too low to require repayment; once a graduate is earning over £21000, the rate rises gradually as income rises, reaching the full RPI plus 3 per cent once again once incomes are at £42000.

- The Scottish and Northern Irish loan system starts recovering payments at a lower income (£15795) compared to England and Wales (£21000)
- The Scottish and Northern Irish loan system collects for five more years (35 against 30).

Both schemes recover by taking 9 per cent of income over the relevant threshold [60].

There are no early repayment penalties for English and Welsh graduates and so in practice they will have more flexibility in managing the impact on their spending power after graduation. They can choose whether to pay off any of their loan early, or to pay nothing for longer and when they do will have lower monthly payments than Scots with the same specific incomes. At an income of £25000 a Scottish or Northern Irish supported graduate will be required to pay £70 a month, and other UK graduates £30 a month. Scots will have the advantage of having less time for interest to accrue and lower interest, particularly for graduates on higher earnings. It is more likely that they will eventually have to pay off their debt in full.

In 2011, one organisation predicted that the amount of unrepaid student debt in England, including capital and interest, would rise significantly, suggesting 70 to 80 per cent of women will never repay their student loan (currently 20 to 30 per cent) and 30 to 40 per cent of men will never repay their student loan (currently less than 10 per cent).[61] Even if these particular figures are open to question, the general trend is very likely to be correct, reflecting not only the higher amounts of debt and interest, but also the higher repayment threshold. Criticism of over-optimism in assumptions about the likelihood of recovering the debt under the new arrangements continues[62]. The cost of student loans to government in England has recently been revised upwards from 32p to 34p in the pound.

This critique of the English system suggests that the real cost to some lower-paid graduates, particularly women, could in practice be lower than the headline debt figures discussed here. This matters to cross-border comparisons only if any importance is attached to actual repayments in the long-term, which are by definition unknowable to new students. For understandable reasons, the debate at the moment concentrates on comparing the front-end liability.

<u>The UK in overview</u>

If it is right that the comparison with the rest of the UK should be a principal test of how good policy here is, then we need to understand properly the variety of models in use and be clear what is being discussed (current spending power or total debt and therefore future spending power), for which students (lower or higher income backgrounds, young or mature, studying in-country or crossing a border) and annual debt or debt for the actual length of study students require to get comparable qualifications. No system in the UK will be consistently the best for all students on all the possible measures that might matter.[63]

On a UK-wide comparison, the group for whom the Scottish package will be most consistently the most favourable in the UK is students from better-off households (in practice, this means young students, as very few mature students fall into this group) who study in Scotland. For these, annual debt, degree-length debt and (at the highest incomes) spending power will all compare well with the rest of the UK. Scotland will generally also offer more spending power for those who live at home. However, lower-income students will now face much the same annual debt as those in the other devolved administrations. In addition, for lower-income students studying for a standard length honours degree, in terms of final debt Scotland will now be generally on the high side for a devolved administration, even for those who stay in-country, particularly compared with Wales. Mature students in particular fare worse than young ones across all debt comparisons. As Scotland provides a relatively small proportion of its support in forms which can be used to support study elsewhere in the UK, Scots who wish to cross a border to study will face exceptionally high debt in UK terms, especially at lower incomes.

Limiting the comparison to England, Scotland will still be able to claim to have a less costly system and to avoid for any graduate the scale of debt now expected there for the better-off. Even then, this will only be the case if they are willing and able to stay in Scotland to study and even there the gap in costs is closing at lower incomes. There will now be a creeping overlap, once the additional year of study normally needed for an honours degree in Scotland and the decentralised element of English grant are both factored in. Again, this will be particularly true for mature students.

Although the position in England is often quoted, the system in Wales has received no real attention in Scottish debate[64]. In response to criticism in the Scottish Parliament of, among other things, the reductions planned to student grants, the First Minister Alex Salmond MSP observed: "We have managed to maintain public services in comparison with what is happening in England and Wales"[65].

Yet the Welsh could credibly argue that they will now do the most in the UK to support those from lower income homes. For low-income honours graduates, and mature students generally, debt will be lower than in Scotland, even once fees are taken into account and particularly after taking into account differences in spending power. Spending power for those living away from home will generally be higher than in Scotland, with Wales now providing the single highest figure for this in the UK for students outside London. Those at higher incomes will have higher debt, but for honours graduates it will be no more than that of a low-income mature Scot studying to the same level in Scotland.

Unlike Scotland, Wales facilitates study equally in all parts of the UK. Welsh graduates will not need to repay their loans until they are earning a higher amount and will have lower monthly repayments than Scots on the same incomes, although they will face higher interest as their earnings rise.

Northern Ireland has a similar model to Wales. It is not quite so generous nor as supportive of cross-border study, but achieves a similar distribution of costs and also contains the total cost in a similar way for all students who stay in-country.

In both cases, these devolved administrations are working within the same constraints as Scotland, with their budgets, systems and students affected by decisions made in the much larger neighbouring jurisdiction. Within those shared constraints, they have created substantially different systems of student support from the model here[66]. In Wales and Northern Ireland, a greater proportion of the government's cash resources will be directed towards lower-income students, while Scotland will use almost all its cash resources on flat-rate tuition support.

Patterns of distribution for public resources

Figures N and O illustrate the different way public resources are used for Welsh students and for Scots, studying to degree level and assuming £9000 of government support for tuition in both cases. Elements in blue represent forms of cash subsidy. Elements in red are student loan. The figures for Welsh students apply to all students studying away from home anywhere in the UK. For Scotland, an amount is included for the first £9000 per head of tuition support, to give the like-for-like position: £1820 is allowed for the SAAS-funded degree-level tuition fee payment, with the balance being assumed to form part of the SFC funding paid to institutions. For Scotland, the figures are only for young Scots who study in Scotland (the out of Scotland picture would show both the tuition fee elements in red; the grant element for mature Scots would be more limited).

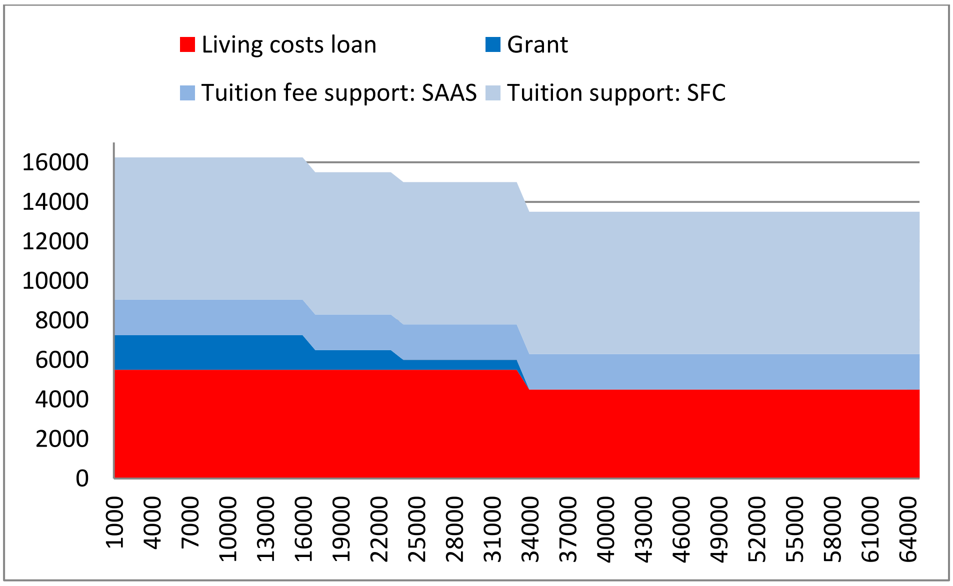

Figure N: Scotland (Young in Scotland): balance of support in cash/loan: annual figures (actuals)

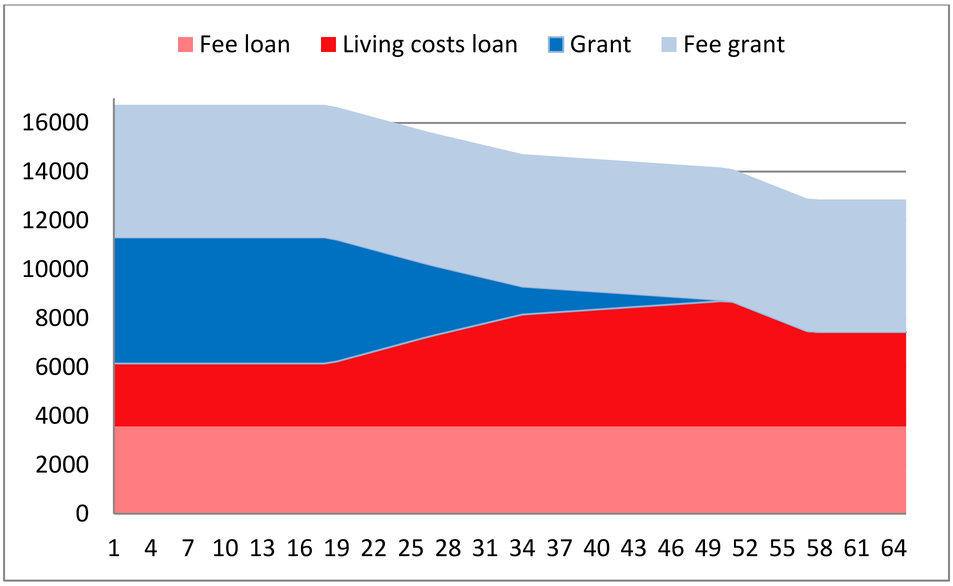

Figure O: Wales (away from home, all UK): balance of support in cash/loan: annual figures (actuals, not adjusted for like-for-like spending with Scotland)

As noted above, in Wales (and also Northern Ireland and England), while there are fees there are also more substantial mechanisms to reduce debt for students from lower-income households. In Scotland by contrast with its universal fully funded fees, the effect of policy is to smooth out living costs debt across the income scale, with less debt at the higher end. In other words, Scotland will now be the part of the UK which does least to mitigate costs for poorer students relative to the better-off and the only jurisdiction where the government assumes that the cost of taking part in higher education will fall as household income rises.

This underlying pattern does not come through in the way the Scottish system is usually discussed and compared with others. One commentator extrapolated from a particular shift in the treatment of travel costs to suggest that the Scottish government was more generally "tweaking student support in the fine print to target money towards the most disadvantaged at the expense of the better-off."[67] Similar statements about the particular benefit of the Scottish system to those from lower-income backgrounds are not unusual. In a recent debate, the Cabinet Secretary for Education argued that "Scotland recognises the importance of free education….To argue otherwise is to fail to understand what debt and the prospect of debt really mean to people from our poorest communities". [68]

On similar lines, the President of NUS Scotland has commented that "the idea that introducing charging for university is somehow progressive, when it puts off the poorest students in Scotland, just simply makes no sense."[69] A briefing prepared for MSPs by NUS Scotland in February 2013[70] noted that: "It has been argued that reintroducing tuition fees in Scotland would somehow be a way to promote social justice, as a form of tax on those from more privileged backgrounds…. NUS Scotland believes that reintroducing tuition fees into Scotland would instead be an incredibly regressive step. Rather than somehow redistributing money from rich to poor, tuition fees distribute opportunities away from those from the poorest backgrounds to those from the richest…. Clearly there are a number of interlinking factors at play in our levels of social mobility, and fairer access, but there are few who would genuinely argue that one answer is the retrograde move of reintroducing fees…. Introducing fees for university would be a right-wing response to the inequality in university participation in Scotland. Rather than address the inequality, tuition fees would lock it in for generations to come, meaning other anti-poverty measures would be doomed to fail. We believe it would be a retrograde step for politicians to look at a society where too often your background dictates your life outcomes, and argue that, rather than working to redress the balance of outcomes, we should instead charge for access to that service."[71]

These calculations show that the Scottish system, without fees, is in fact more vulnerable to the charge of locking in inequality than the Welsh one. By expecting graduates from poorer backgrounds to face a higher claim on their future earnings than their better-off peers, it passes income inequality down a further generation. Even with fees, the Welsh system, with its much higher grants, is in purely technical terms more progressive.

<u>Means-testing versus universalism</u>

The move towards equalising costs across incomes may offer one explanation for why the changes in Scotland have been uncontroversial. With the reductions in grant at one end and parental contributions at the other, the Scottish student support system will now rest mainly on maximum loan amounts which will move nearer to being the same at all incomes. In other words, means-testing is being stripped out of student support, which now moves closer to fees as a flat-rate benefit.

This fits into a pattern of Scottish policy-making, of universal rather than targeted public benefits, which has proved consistently popular since devolution and has an articulate constituency in its support. In that context, this is an unusual case where universalising a public good involves reducing a benefit (grant) at the lower end of the income scale as well as a charge (parental contribution) at the top.

It could be argued that the Scottish approach is consistent with a belief that all students should be treated as independent of their parents. In that case, however, some explanation would be needed for why Scotland retains a separate, less generous, grant system for those already formally deemed "independent".

<u>How much debt is acceptable and what for?</u>

A final striking aspect of the new system is the way it raises the ceiling on what is regarded as an acceptable level of student debt in Scotland. This now stands at £6500 a year (the amount projected for most mature students) or £26000 for an honours degree. Importantly, the new system, and therefore the new level of debt it requires to support it, has been defended by many of those who have historically expressed the strongest reservations about the use of loans. They apply two significant provisos, however.

The first, straightforward condition is that debt at this level should be accompanied by spending power at least at the new levels set for 2013-14, for reasons that are under-pinned by well-evidenced concern about student hardship.

The second, less obvious proposition is that this level of debt can be incurred in support of living costs but not in support of tuition fees: in effect, there is “good student loan” and “bad student loan”.

This conceptualisation of tuition fee debt and living cost debt as two completely different things is clearly seen in the briefing note prepared for MSPs by NUS Scotland in February 2013[72]. It argues that “whether tuition fees are paid up-front or after graduation, it is clear that poorer and more debt-averse students are more likely to be deterred from entering higher education by fees”. It adds, “when faced with a free college education, a paid apprenticeship or a university education that costs tens of thousands of pounds, it is clear which route those that are most debt averse, and from the poorest backgrounds, would take.” It goes on to note that: “some universities like Glasgow Caledonian and UWS have a tremendous record on fair access, with 20% - 25% of their students coming from the most deprived backgrounds. … The reintroduction of fees would imperil this record, and potentially mean that those students no longer see university as an option for them.”

In other words, the argument goes, incurring more debt in order to meet tuition fees would be a significant deterrent for poorer students, while the significantly higher debt these students will need from this autumn to replace lost grant and support enhanced spending power is not similarly problematic. Yet both forms of debt are functionally identical and will have no difference in effect, once graduates start earning. Both will reduce in exactly the same way the resources individuals have later in life to cover their immediate costs or to save for, say, buying a house or investing in a pension.

The difficulty with the good debt/bad debt argument can now be illustrated using real numbers, by imagining two students from homes with incomes around £18000, one from Scotland and one from Wales, both starting their degree at a Scottish university this autumn. The Scot will have spending power of £6500 a year. The Welsh student is entitled to a total package of grant and loan worth £7736, but decides to limit themselves to the same £6500. The Scot will need to borrow £5500 to obtain this level of support, topping up a grant of £1000. That gives a final debt over four years of £22000. The Welsh student will need to borrow £3575 for fees (the Welsh Government will grant fund any fee liability above this) and £1339 for living costs, to top up their grant of £5161: £4914 in total each year. Over the same four years, the Welsh student will have a comparable final debt of £21400, after adjusting the raw figure upwards, to take into account the higher initial interest on Welsh student loans. So the Welsh graduate will owe less than the Scot, even though they have paid fees and had the same to spend. The Welsh graduate is also expecting the first £1500 of their debt to be written off, so their final debt will be just under £20000[73]. The Scottish graduate was a young student. For a mature one, the debt figure, would be £26000, 30 per cent more than the final Welsh figure, all still for the same level of living costs. The good debt/bad debt argument asks us to accept that the Welsh student is the most disadvantaged in this example and the most likely to be deterred by debt, because most of their debt was for fees.

Fees and the access debate

It could still be true that, all other things being equal, a pound of tuition fee debt is more of a deterrent to poorer students than a pound of debt for living costs, not least because of the way this issue has been debated and presented for the past 15 years. A generation has grown up in a political climate where payment for fees has been presented as the greatest threat to the interests of students, particularly those from disadvantaged backgrounds.

As support for living costs in Scotland shifts increasingly towards loans, whether it continues to be in the best long-term interest of young people from lower-income backgrounds to encourage a focus on tuition fees in isolation from the issue of overall debt is a question worth asking.

The strongest argument against fees is not that they are intrinsically worse for poorer students: the Welsh case demonstrates that they can be compatible with a progressive regime, which still keeps costs for all within the range applying in Scotland. However, it can be convincingly argued that once the principle of free tuition is breached, there is then no certainty about what level fees could eventually reach and so what debt might be associated in future with gaining a degree, particularly for students from mid- to high-income homes. This fear is almost certainly a strong reason why fees in principle generate genuine anxiety among their opponents. Developments in England show that that concern is well-founded. However, at the other extreme, Scotland is now demonstrating that adhering to the precautionary principle of never breaching a no-fees policy for fear of what might happen in future has in practice created a significant pressure on the availability of funds for grants, creating real, sizeable additional costs for the current generation of low-income students, for which they will be paying over their working lives.

This pattern is not new this year: it has been building over a number of years. The NUS has highlighted that: “Scotland already has the worst rates in the UK on widening access to students from poorer backgrounds”[74]. The difficulty of achieving wider access is often discussed in terms which assume that this is due to many complex factors (which it is) which operate despite the student support arrangements here. Indeed the changes due this autumn have been described by their supporters as likely to help improve the position. The possibility that the student funding regime might actually already be contributing to the problem and could do so even more in the future is at least something which deserves more attention.

Parallels with 1997

In September 1997, Ben Jackson, a former student union officer, reflected on the then Labour government's decision to abolish grants and introduce tuition fees, but means-tested so that poorer students would not pay. This was presented by the government, with some success, as a more progressive model than the original Dearing Committee proposal of flat-rate fees for all, plus means-tested maintenance grants. Jackson's piece is an interesting read in Scotland over 15 years later. He said:

"[T]he Government has proposed a package designed to get more students from poorer backgrounds into university. In practice, it will leave the poorest with the greatest debts because of the decision to abolish the maintenance grant….

"The proposal to scrap grants, cheerfully accepted by both the Labour party and the National Union of Students, has largely avoided critical scrutiny, since it has been lost in the brouhaha about tuition fees. The absence of public debate has turned out to be politically convenient for everyone concerned except, that is, for students from poorer backgrounds, who will shortly be £10,000 in debt, nearly £3,000 more than those from middle and higher income groups, despite their much heralded exemption from fees.

"The recommendations of the Dearing committee on funding were simpler. The committee suggested the retention of the means-tested maintenance grant, coupled with a flat £1,000 a year tuition fee for all students. This at least had the merit of ensuring that students from low-income groups would not graduate with larger debts than their better-off contemporaries.

"In contrast, the Government's scheme will [have] the somewhat perverse outcome ... that it will be those from disadvantaged backgrounds who will be making the largest personal contribution to the extra £2 billion that the Committee of Vice Chancellors and Principals estimates the sector requires over the next decade.

"This is a point that was not lost on the Dearing committee, which justified the retention of a targeted grant on the basis that its removal would be regressive, removing subsidies from poorer students. …

"A survey of funding options from the London Economics consultancy group … examines the NUS model [which prioritised free tuition over grants] and comes to some damning conclusions, …. The consultants conclude that withdrawing grants but preserving free tuition is "regressive in its effect and is likely to impede access to higher education''. Unfortunately, however, it is this very policy that seems to have been influential on

Blunkett. What is more likely to act as a disincentive to students from poorer backgrounds: a £3,000 debt incurred through tuition fees or a £10,000 debt built as a result of maintenance costs?

"Sadly … no major higher education stake-holder is arguing the case for grants. Student representatives, through NUS, are silent on the topic; the CVCP has long advocated universal payment for fees and maintenance and even the Dearing committee, whose report argued so forcefully for the retention of grants, seems willing to let its proposals drop for fear of losing the Government's goodwill.

"So while Blunkett basks in adulatory media attention for at last forcing the middle classes to pay for their higher education, the reality is rather different. The removal of the maintenance grant is extremely regressive and would actually be more of a threat to widening participation in higher education than flat rate fees. It is about time that somebody, somewhere started saying so."[75]

Public information

These are changes to a complicated system. It is possible they have not attracted much attention simply because the government announcement did not refer to the reductions planned in grant, concentrating instead on new spending power and the position in the rest of the UK, and provided no figures for the year-on-year change in total debt or grant in Scotland[76]. This generated some criticism at the time, in particular after detailed figures for future grant were published on the SAAS website[77]. In similar vein, in describing the changes to Parliament in February 2013, the Cabinet Secretary limited his comments to tuition fees and spending power, but did not refer to changes due to grants: "Of course, in further and higher education, fees represent only part of the picture. Free tuition in Scotland gives our students 9000 fewer things to worry about each year, but it does not help them with living costs, so—in addition to free tuition—this Government, working with the NUS, also made a promise to introduce for students a minimum income of £7000 a year."[78]

The SAAS website and information leaflets do not provide comparative grant figures and the information for continuing students is framed in terms of reassurances about "level of funding", without reference to the shift between grant and loan[79]. The figures for year-on-year change in grant and debt presented here had to be done by hand, comparing information taken from different sections of the SAAS website, some of which (the 2012-13 data) became unavailable to consult on-line in April 2013, when it was updated for the new financial year. The lack of controversy around these changes so far may therefore only tell us that the real test is still to come, as understanding spreads through the system. Applications for support under the new arrangements began in April 2013. Whether a significant number of continuing students are surprised by the scale of reduction to their grant will only become apparent during SAAS's main processing period over the summer.

Conclusion

Lack of awareness cannot be the whole story, however. Indeed, the grant reductions and expected debt increases were reported in detail in a few press articles in October 2012: the opportunity has been there for the issue to attract media and public attention. The more intriguing explanation would be that we have reached a point in Scotland where the purpose for which government-backed student debt is incurred is hugely politically sensitive, but a steep rise in its overall level is not, even for the poorest students. That is a development few would have predicted in 1999 or even 2007.

The familiar system of state-funded free tuition in Scotland, as elsewhere in Britain, was a product of the post-war welfare state[80]. Its abolition in 1998 was controversial in all parts of the UK[81], but the first elections to the Scottish Parliament in 1999 provided an opportunity for free higher education tuition to be positioned for the first time as a distinctively Scottish issue. Its symbolism in that respect has if anything strengthened over the following years, until within recent months the present First Minister could for example say, in the context of a discussion of higher education tuition fees, that "we can say with confidence to the students of Scotland—not just next year but for all time—that free education will be part of the Scottish tradition"[82] and suggest "there is an argument for embedding [free education] as [a] constitutional right."[83]. Both of these are more prosaic versions of his much-quoted Burns-inspired comment that **"**The rocks will melt with the sun before I allow tuition fees to be imposed on Scottish students – upfront or backdoor"[84]. The metaphor was a powerful one and might be regarded as prophetic. With free tuition at the centre of its political universe, Scotland appears content to allow student grants to melt away.

Perhaps the narrative that "Scotland doesn't do fees" has now achieved such symbolic power and importance that it has displaced the need for demonstration, rather than assertion, of the advantages of the Scottish system and the government can assume that most Scots will be relaxed about what happens to other aspects of student funding, even a sudden large increase in costs for those on lower incomes, particularly if there is no adverse impact on the better-off. When so much is said about the need to address inequality, it might have been expected that we would be talking about this more.

Lucy Hunter

(Free-lance policy analyst; Head of Higher Education, Scottish Executive 2000-04)

May 2013

[1] Figures take from table at para 108 of the Scottish Parliament's Education and Culture Committee *Report on the 2013/14 Draft Budget*. The table only permits accurate calculation of numbers up to a household income of £23 000: the figure given for the percentage of students from households with an income of £25 000 or less will therefore be slightly higher in practice than stated here.
http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/57535.aspx

[2] *NUS welcomes huge step forward on student support*, August 2012
http://www.nus.org.uk/en/news/news/nus-scotland-welcomes-huge-step-forward-on-student-support/. See also for example, "The new student support proposals for Scottish students are very welcome and we support them". Mary Senior (University and College Union Scotland) in evidence to the Scottish Parliament's Education and Culture Committee, 25 September 2012, *Official Report*
http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=7910&mode=pdf

[3] Education and Culture Committee of the Scottish Parliament: *Report on the 2013/14 Draft Budget*, para 109 , as above

[4] See for example *"Education Secretary Mike Russell accused of failing poor students by cutting bursaries"* Daily Record, 6 October 2012. *SNP cuts bursaries for poor students by £1 000,* The Scotsman, 5 October 2012 http://www.scotsman.com/the-scotsman/education/snp-cuts-bursaries-for-poor-students-by-1-000-1-2563859. Also, *Opposition to student debt shouldn't be taken for granted*, Holyrood Magazine 24 October 2012 http://www.holyrood.com/2012/10/opposition-to-student-debt-shouldnt-be-taken-for-granted/. At their October conference, the Scottish Liberal Democrats passed a motion calling for planned cuts to Young Students' Bursary to be reversed.

[5] The graduate endowment was put in place by *the Education (Graduate Endowment and Student Support) (Scotland) Act 2001* and initially fixed at £2000. *Education (Graduate Endowment and Student Support) (Scotland) (No 2) Bill Policy Memorandum* para 9
http://www.scottish.parliament.uk/S1_Bills/Education%20%28Graduate%20Endowment%20and%20Student%20Support%29%20%28Scotland%29%20Bill/b22s1pm.pdf

[6] "An SNP government will abolish the Graduate Endowment tuition fee and replace the expensive and discredited Student Loans system with means-tested student grants. We will remove the burden of debt repayments owed by Scottish domiciled and resident graduates." SNP manifesto 2007, p54
http://votesnp.com/campaigns/SNP_Manifesto_2011_lowRes.pdf

[7] *Principles and Priorities: The Government's Programme for Scotland*, Scottish Government, September 2007, Chapter 3 http://www.scotland.gov.uk/Publications/2007/09/05093403/4

[8] *Supporting a Smarter Scotland: A consultation on supporting learners in higher education*, Scottish Government 15 December 2008 http://www.scotland.gov.uk/Publications/2008/12/12121638/0

[9] Scottish Government response to *Supporting a Smarter Scotland: A consultation on supporting learners in higher education* 2009 http://www.scotland.gov.uk/Resource/Doc/82254/0087808.pdf

[10] Mature students, HNC/D students, disabled student and lone parents were exempt from liability, representing around 50% of students supported in higher education by the Scottish government.. *Education (Graduate Endowment and Student Support) (Scotland) (No 2) Bill Policy Memorandum* para 8, as above

[11] For example, in the course of responding to an oral parliamentary question on 28 November 2012 about support for students from deprived backgrounds,, the Cabinet Secretary referred three times to the NUS's support. *Official Report 28 November 2013 Question* S4O1528
http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=7964&i=72441&c=1454989&s=student%20support

[12] Education and Culture Committee of the Scottish Parliament*: Report on the 2013/14 Draft Budget*, para 109, as above

[13] The background is set out in SPICe Briefing *Draft Budget 2013/14: Higher Education* pp10-12 http://www.scottish.parliament.uk/ResearchBriefingsAndFactsheets/S4/SB_12-65.pdf

[14] £1820 a year is paid for most degree course students. A higher figure applies for medical students. For students on sub-degree courses the figure is £1285: source Scottish Government *Lifelong Learning Series: Higher Education Student Support in Scotland 2011-12* Notes to tables http://www.scotland.gov.uk/Publications/2012/10/1895. The rate has been unchanged for several years and is not due to rise in 2013-14.

[15] The most recent figure published for full-time fee support was £210m (in 2011-12): source Scottish Government *Lifelong Learning Series: Higher Education Student Support in Scotland 2011-12* Table 6 http://www.scotland.gov.uk/Publications/2012/10/1895/12. The SFC teaching grant for 2012-13 was £615.2m: source the Scottish Funding Council Circular SFC/05/2012 30/03/2012 http://www.sfc.ac.uk/newsinformation/Circulars/2012/SFC0512.aspx

[16] *Budget (Scotland) Bill 2013-14 Supporting Document* Schedule 3.3 Higher Education Student Support http://www.scotland.gov.uk/Publications/2013/01/1966/4 : calculation of real terms reduction from SPICe Briefing p7, as above

[17] Scottish Government *Lifelong Learning Series: Higher Education Student Support in Scotland 2011-12* Table 6. The figures for the cost of fees funded through non-repayable support in 2011-12 was £212m. The 2012-13 value of "tuition fees and student support line" is £325.9m: source *Budget (Scotland) Bill 2013-14 Supporting Document* Schedule 3.3 Higher Education Student Support . Though the per capita payment will not increase in line with inflation, there will be additional pressure of around £3m on this element due to a planned rise in student places. Scottish Government news release *2000 extra university places* 18 December 2012. http://www.scotland.gov.uk/News/Releases/2012/12/extra-university-places181212

[18] This figure is extracted from the figures in note 17 but is also consistent with the figure produced comparing the maximum bursaries that will be payable from data provided by the Scottish Government to the Education and Culture Committee with the actual bursaries paid by SAAS in 2011-12.

[19] For example, as quoted in Education and Culture Committee of the Scottish Parliament*: Report on the 2013/14 Draft Budget*, at para 111, as above

[20] The face value of a student loan is scored as "annually managed expenditure" (AME) meaning that the spending does not count against the main resource budget . The cash charge to government of issuing it (the "RAB charge") is scored in "non-cash DEL", which is within the resource budget but under a recent change is ring-fenced under HM Treasury rules, so that it can no longer be traded with cash elements, such as grants. The Scottish Parliament Information Centre has explained that: "Changes to the UK Government's policy on fees and loans led to a significant consequential uplift in the Scottish Government's "Cost of providing student loans" DEL line. This enabled Scottish Ministers to introduce the minimum income commitment for Scottish students through increased access to student loans, focussing on improving access to maintenance loans rather than loans for fees." SPICe Briefing *Draft Budget 2013/14: Higher Education* p7, as above

[21] *Scottish Draft Budget 2013-14* Chapter 5, as above

[22] For the purpose of this paper, the author originally made detailed calculations only for those living away. It has not been possible subsequently to reproduce these for those living at home on the same basis, as the detailed information on loan entitlements in Scotland for different groups of students for 2012-13 became unavailable on-line from April 2013. However, the maximum loan rate for 2012-13 for those living at home

appears to have been £765 less. Applying that as a uniform reduction across all incomes produces increases in spending power for those living at home of 16% to 35% at incomes up to £25000. (see also note 27 below)

[23] SNP Manifesto 2011 p25 http://votesnp.com/campaigns/SNP_Manifesto_2011_lowRes.pdf

[24] The NUS report *Still in the Red* 2010 had highlighted the extent of student concern about the lack of access to sufficient funding during their course
http://www.nus.org.uk/Documents/NUS%20Scotland/STILL%20IN%20THE%20RED%20REPORT.pdf

[25] See Education Committee, *Official Report, 25 September 2012,* as above col 1473

[26] *NUS Scotland's Proposal for Supporting a Smarter Scotland*,, 2009
http://www.nus.org.uk/en/searchresults/?q=NUS+Scotland%27s+proposal+for+Supporting+a+Smarter+Scotland

[27] *Opposition to student debt shouldn't be taken for granted* Holyrood Magazine October 2012, as above

[28] Student Awards Agency Scotland: *Student funding changes for 2013-2014*
https://www.saas.gov.uk/student_support/funding_update.htm

[29] As at note 21 above, for the purpose of this paper, the author originally made detailed calculations only for those living away. It has not been possible subsequently to reproduce these for those living at home on the same basis, as the detailed information on loan entitlements for 2012-13 became unavailable on-line from April 2013. However, the maximum loan rate for 2012-13 for those living at home appears to have been £765 less. Applying that as a uniform reduction across all incomes produces increases in loan debt for those living at home of 85% and 108% at incomes up to £25000.

[30] SPICe Briefing *Draft Budget 2013/14: Higher Education p7 as before*

[31] Stewart Maxwell *Official Report* 19 February 2013.

[32] Willie Coffey MSP, Scottish Parliament *Official Report* as above

[33] *UK's best student support package*, Scottish Government 22 August 2012
http://www.scotland.gov.uk/News/Releases/2012/08/student-support22082012

[34] In response to oral PQ S4O-01528 *Official Report 28 November 2013*
http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=7964&i=72441&c=1454989&s=student%20support

[35] *NUS Scotland welcomes 'huge step forward' on student support",* as above

[36] *National Scholarship Programme*, HEFCE website
http://www.hefce.ac.uk/whatwedo/wp/currentworktowidenparticipation/nationalscholarshipprogramme-nsp/

[37] "HEIs have estimated that by the time all students are under the new fee regime they will be spending £571 million on maintenance support and fee waivers for low income students or other under-represented groups." Office for Fair Access , *Annual Report and Accounts 2011-12*
http://www.offa.org.uk/wp-content/uploads/2012/06/21439-Offa-HC-219-web-only.pdf p21
This figure includes the Government's contribution, which HEFCE gives as £150 million from 2014-15, *National Scholarship Programme*, as above

[38] *Student Support For Higher Education In England, Academic Year 2012/13 (Provisional)*, SLC SFR 05/2012 Student Loans Company 29 November 2012 p13 provides a figure of £1.325bn for total maintenance grants paid by the SLC for English domiciled students http://www.slc.co.uk/media/525907/slcsfr052012.pdf

[39] This scheme operates in similar terms in all three jurisdictions: broadly it covers students able to claim certain income-related benefits, usually in relation to parenthood or disability. It allows higher loan to be taken out. See for example http://www.studentfinancewales.co.uk/portal/page?_pageid=616,6201393&_dad=portal&_schema=PORTAL

[40] Scottish Parliament Motion S4M-05652 18/2/13

[41] *Official Report* Scottish Parliament 19 February 2013

[42] SAAS website https://www.saas.gov.uk/student_support/scottish_outside/2006-2007/financial_support.htm

[43] Uprated by 3.7%, to reflect effect of 3% additional interest and timing of loans amounts over year, taken to end of financial year in which academic year ends.

[44] The budgeted figures are £398.1m in 2013-14 and £445.7m in 2014-15. Multiplying student numbers by loan entitlements in the table in the Education and Culture Committee of the Scottish Parliament*: Report on the 2013/14 Draft Budget*, produces a figure of £637m. Even assuming some general under-claiming across the board, particularly by students living at home, a higher than average assumption of under-claiming by higher income students seems likely to be involved in reconciling these figures.

[45] In practice, at the highest and lowest incomes, only some English or Welsh students will have access to this level of spending (only those studying in London, or on Special Support Grant).

[46] This approach has also been used by the NUS in highlighting its concern about the cost to students coming to Scotland to study from the rest of the UK, see for example *Scottish degrees most expensive in the UK – will cost RUK students more than £30,000,* NUS http://www.nus.org.uk/cy/news/news/scottish-degrees-most-expensive-in-the-uk/

[47] This is again consistent with the line taken by the NUS in discussing the costs facing rUK students in Scotland, see note above.

[48] Uprated by 6.9%, to reflect effect of 3% additional interest and timing of loans amounts over 3 years, taken to end of financial year in which course ends. See below for an explanation of the differences in the student loans systems used in different parts of the UK.

[49] Warwick, Bristol, Exeter, Cambridge, UCL, Oxford, Imperial, Manchester, Leeds, Kent, York, Northumbria and Southampton are among those that offer income-related awards worth at least £9000 in total over 3 years, and sometimes more, to some or all students on incomes below £25000: this is not an exhaustive list. Some of these schemes offer additional support for incomes up to £42,000. Details of schemes are available on individual university websites.

[50] See for example *Scottish degrees most expensive in the UK – will cost RUK students more than £30,000,* NUS, as above

[51] *Student bursaries 'not good enough'* The Herald 15 June 2012 http://www.heraldscotland.com/mobile/news/education/student-bursaries-not-good-enough.17875955?_=1fed3046d2ca346d99fa3cc303ef3d39a66cf65e

[52] Up to an income of £16000, students at Oxford University will receive £22400 of non-repayable support, as a mixture of grant and fee waivers. A young Scot at this income level will accumulate £16500 in living cost debt (£5500 a year) and £27000 in fee debt, giving £43500. That figure less £22400 leaves a net debt of £21100, compared to a 4 year honours degree debt of £22000 for the same young Scot in Scotland.

[53] http://wales.gov.uk/newsroom/educationandskills/2011/111114student/?lang=en 14/11/11

[54] In 2001, at the same time as being exempt from the new graduate endowment mature students were not included in the re-introduced national bursary scheme, and were restricted to access to a cash-limited fund passed to institutions to disburse. The separate treatment of mature students has continued from that point.

[55] See http://www.saas.gov.uk/_forms/independent_young_status.pdf (pp2-3) mentions all these criteria, with 18 being the relevant age for having been in care. http://www.saas.gov.uk/_forms/sas4.pdf only mentions the first three when discussing grants (p14) but mentions all of them when later discussing status in the context of assessment of parental contribution (p21), although 16 is mentioned here as the relevant age for having been in care.

[56] See http://www.saas.gov.uk/_forms/funding_guide.pdf

[57] *Supporting A Smarter Scotland: A consultation on supporting learners in higher education*, Scottish Government p12, as above

[58] *UK's best student support package*, Scottish Government, as above

[59] The move to providing flat rates of grant and loans for particular income ranges, ie the system steps rather than tapers, makes it very easy to set out entitlements in simple tables, although that will cause sharp changes at thresholds, where a small amount of additional income can cause the loss of much more in grant. It will also apply the same rates to all students regardless of year of entry, which is also easier to present but will produce for some existing students a sudden large increase in liability they could not have predicted. By flat-rating the minimum loan, it also does away with the need for those over £34 000 to submit income details, which will be a welcome step for those families and should also reduce administrative costs. The only potential disadvantage to this will be a reduction in what is known about the income profile of better-off SAAS-supported students, should that ever be relevant to future policy-making. The Scottish system also gives the same amounts of grant and loan for students wherever they study, at home or away, in London or not.

[60] *Student Loans: A Guide to Terms and Conditions 2012-13* , Student Finance England. On interest payments, the SLC advises that: "Interest will be based on your income: £21 000 or less = RPI; Between £21 000 and £41 000 = RPI plus up to 3%, depending on income; over £41 000 = RPI plus 3%." http://www.slc.co.uk/media/420606/sfe_sltc_v6_online.pdf

[61] London Economics in evidence to the Education Select Committee. They also predicted that on average, graduates will take 10 years more to repay their loans than is currently the case (14-15 years) http://www.publications.parliament.uk/pa/cm201011/cmselect/cmbis/writev/885/m16.htm

[62] *RAB rise spells trouble for sector, critics warn,* THES 14 February 2013 www.timeshighereducation.co.uk/story.asp?storycode=422680

[63] It also matters when comparisons are done. The 2013-14 package for England was announced on 17 April 2012, the one for Scotland on 22 August 2012 and that for Wales not until 13 September 2012. So, for example, at the point of the Scottish announcement it would have been correct to state that Scotland offered the single highest figure for spending power in the UK (£7250 for incomes up to £17000, as opposed to £7177 for incomes up to £25000 in England, leaving aside certain special cases such as those in London or on Special Support Grant). Once the Welsh package (providing spending power of £7736 at incomes up to just over

£18300, and still higher than Scotland's up to £21000) was finalised, on this specific measure Scotland ceased to offer the best package.

[64] See for example the debate on tuition fees in the Scottish Parliament on 19 February 2013, in which comparisons to England were frequently made in support of Scotland's policy of no fees, but no reference was made to Wales or Northern Ireland.

[65] First Minister's Questions 4 October 2012, *Official Report* http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=7401&i=67513&c=1368755&s

[66] Wales has also been subject to the Barnett consequences of the changes to higher education funding in England. A detailed breakdown of the Welsh equivalent to the SAAS budget is not easily available. However, from headline figures published in November 2011 and other statements, it appears that the student support budget in Wales is based on a higher ratio of cash to loan, and has a higher proportion of its cash in forms which allow targeting towards those on lower incomes. This follows from the decision to require some fee payment by students, underwritten by the use of student loan, which has in turn released cash from non-means-tested tuition funding into general cash which can be used for more targeted forms of student support. Similar principles underpin the Northern Irish model.
http://wales.gov.uk/newsroom/educationandskills/2011/111114student/?lang=en

[67] *Opposition to student debt shouldn't be taken for granted* Holyrood Magazine October 2012, as above

[68] Scottish Parliament *Official Report* 19 February 2013

.
[69] In a statement issued on 18 December 2012 http://www.nus.org.uk/cy/news/news/claim-that-tuition-fees-are-progressive-makes-no-sense/

[70]Scottish Government Debate: Tuition Fees: NUS Scotland MSP briefing ,February 2013 http://www.nusconnect.org.uk/pageassets/campaigns/nations/scotland/priorityscotland/briefings/Scottish-Government-Tuition-Fees-Debate-NUS-Scotland-MSP-briefing-February-2013.pdf

[71]*Scottish Government Debate: Tuition Fees NUS Scotland MSP briefing*, February 2013, as above

[72]Scottish Government Debate: Tuition Fees: NUS Scotland MSP briefing ,February 2013 http://www.nusconnect.org.uk/pageassets/campaigns/nations/scotland/priorityscotland/briefings/Scottish-Government-Tuition-Fees-Debate-NUS-Scotland-MSP-briefing-February-2013.pdf

[73] They also will not be compelled to make repayments until they are earning more, and then as a smaller proportion of their income.

[74] *Scottish Government Debate: Tuition Fees NUS Scotland MSP briefing*, February 2013, as above

[75] *Blunkett's funding muddle*, Ben Jackson THES 1 September 1997
http://www.timeshighereducation.co.uk/102989.article

[76] *UK's best student support package*, Scottish Government, as above

[77] *SNP cuts bursaries for poor students by £1000* , The Scotsman, as above

[78] Scottish Parliament *Official Report* 19 February 2013

[79] "Q: I am currently a student in Higher Education. Will I keep the same funding next year? A: No, we will fund you under the new arrangements. However, providing your circumstances do not change, the level of

funding you will receive will be the same or higher than the amount you will receive this year." SAAS website: *Student funding changes for 2013-2014*, FAQs http://www.saas.gov.uk/student_support/funding_update.htm

[80] See for example *We Must Pay for Excellence* Michael Fry The Scotsman 17 January 2013 http://www.scotsman.com/news/michael-fry-we-must-pay-for-excellence-1-2741653 The system familiar to students in the 1970's and 1980's was founded on the UK-wide Education Act 1962, which followed the 1960 Anderson Committee Review. This ensured for the first time automatic and consistent support for tuition and living costs to eligible students offered a place, replacing two separate systems in Wales and England, and Scotland, which had distinctive features but both of which rested on local authority discretion, albeit discretion largely exercised in the favour of applicants by 1960.

[81] Prior to the 1997 general election, the two main parties at Westminster agreed to remit the issue to the Dearing Committee, which was asked to report only after the election. This was commonly interpreted at the time as reflecting political judgement across party boundaries that the introduction of fees would not be a popular policy with the electorate.

[82] *Official Report* 20 December 2012 http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=7625

[83] *Speech to the Foreign Press Association*, First Minister Alex Salmond MSP.16 January 2013 http://www.scotland.gov.uk/News/Speeches/constitution-rights-16-01-2013

[84] *Speech to the SNP Conference*, Alex Salmond MSP, 12 March 2011 http://www.bbc.co.uk/news/uk-scotland-12711509