

Stewart Maxwell MSP
M4.14
The Scottish Parliament
Edinburgh
EH99 1SP

9 March 2016

Dear Stewart,

Thank you for your letter of 25 February in relation to the meeting of the Scottish Parliament's Education and Culture committee on 23 February. Your letter raises a number of questions related to further and higher education funding. I have set out my responses to each below.

Scottish Funding Council (SFC) Funding for College Students

The further education (FE) student support system comprises bursary, childcare and discretionary funds. Full-time FE students aged 18 and over are eligible to apply for a non-repayable bursary of up to £94.52 per week.

Managing demand for FE student support needs to reflect the changing profile of student intake each year. To help colleges do so effectively, and ensure best use of the £105 million made available by the Scottish Government, the SFC works closely with colleges to confirm their requirements. Part of this involves an in-year review and redistribution of FE support funding.

This year's exercise confirmed the improvements that the SFC had made in its initial allocations to colleges, with requests for additional funding significantly lower than in 2014/15. The SFC was able to meet a proportion of the shortfall through the reallocation of existing FE support funds; however, as was the case in 2014/15, the remainder was met through the redirection of colleges' existing resources, thereby allowing them to continue to meet their commitments to learners. The FE student support funds are at a record level of £105 million in 2015/16, allowing Scottish colleges to offer students the highest FE bursary across the UK.

I note the concerns expressed about the current FE support system, including from NUS Scotland, Colleges Scotland and the Education and Culture Committee. In that context, with effect from the coming academic year (2016/17), the Scottish Government will meet one of NUS Scotland's central priorities by abolishing the 'variance rule' which allowed colleges to reduce maximum bursary award rates by up to 20 per cent. In addition, SFC is ensuring clearer guidance is available to prospective students on financial support. Looking ahead, I am committed to working with the sector and NUS to make further improvements.

Student Attitudes to Borrowing

I am also aware of the evidence referred to in your letter, which suggests disadvantaged learners are more debt averse than more affluent peers and that this aversion is often based on misconceptions about the nature of student finance. It is clearly a matter of concern if disadvantaged learners are making important decisions about their future based on incomplete or incorrect information. You will be aware that this evidence was explored in detail in the interim report of the Commission on Widening Access and they have committed to returning to the issue in their final report, to be published in spring 2016.

The Scottish Government is keen to ensure students from all backgrounds entering higher education have a good understanding of the support available to them and I will carefully consider any proposals on this issue that emerge from the Commission's report.

Student Loan Repayment Threshold

The Scottish Government will always take the opportunity to improve our overall support for students where feasible and have previously considered raising the student loan repayment threshold. However, our analysis suggests that raising the repayment threshold at which a graduate starts to repay their loan provides no tangible 'saving' or long-term benefit to the individual graduate. Indeed, with a higher threshold, graduates will actually take longer to repay their student loans and this could result in some individuals paying back more over the lifetime of their loan. Raising the threshold postpones repayment. The student still remains liable for their entire student loan debt and would be required to make higher monthly contributions as soon as they enter repayment.

Delaying when students enter repayment or reducing the repayment period could also have a negative impact on the overall cost to the Scottish Government of providing student loans (known as the Resource Accounting and Budgeting, or RAB, charge) and adversely impact the overall affordability and stability of the student loan system in future. All of that being said, this is an area the Scottish Government does remain open minded about, and will continue to consider the contribution of a change of this nature to improving the overall package of support to students.

Complexity of FE and HE Student Support Systems

In Scotland, the FE and HE student support systems have been designed to meet the specific needs of different student groups.

The higher education (HE) student support system, administered by the Student Awards Agency Scotland (SAAS) and paid directly to HE students, is very different from the face-to-face student support system delivered by colleges to FE students.

In addition to FE and HE support, the Education Maintenance Allowance (EMA) is targeted at learners aged 16-19 who are studying non advanced courses on a full or part time basis. The FE system allows packages to be targeted and tailored to individual needs and circumstances – with face-to-face support delivered by colleges. Given learners' differing needs, and the fact that some may require financial and other forms of support, NUS Scotland attach high priority to such services.

While the Scottish Government is committed to the principle of simplification, where there are clear benefits, there are risks in over-simplifying the systems. The recent report from Naomi Eisenstadt into tackling poverty and inequality suggests that over simplifying systems of support – or a 'one size fits all approach' - can be detrimental to those most in need.

We are committed to improving the guidance and information available to prospective students pre-application and as part of that, publish a comprehensive guide to student finance which is available on the SG website at:

<http://www.gov.scot/Topics/Education/UniversitiesColleges/16640/learnerfunding/highereducation/HelpingYouMeettheCostsofLearning>. Skills Development Scotland (SDS) also provide information on student finance on the 'my world of work' website at: <https://www.myworldofwork.co.uk/learn-and-train/funding>.

Finally, colleges also produce comprehensive guides to student finance on their individual websites as well as offering direct support to students via Student Advisory services.

Scottish Funding Council (SFC): Other Sources of Funding of Higher Education Institutions (HEIs)

The Scottish Government has invested more than £4 billion in our HEIs over the last four years and, notwithstanding a tough budget round, will invest a further £1 billion in 2016-17. This substantial commitment provides them with a stable base from which they can attract additional funding from a wide range of sources.

For example, Scotland's universities are well placed to continue to attract research funding from UK Research Councils, businesses, charities and Europe. In 2014-15, Scottish Universities secured 11% of the £2.5 billion of UK Research Council spending on grants, studentships and fellowships while overall Scotland secured 10% of the £3.1 billion of total UK Research Council spending. (RCUK Data, February 2016). Universities and Research Institutes in Scotland have secured €620 million (of a Scottish total of €725 million for Scotland) from Framework Programme 7 since 2007 (to June 2014). In addition, our Universities have already been awarded over €119 million from Horizon 2020 (up to December 2015).

Maximising this additional income is something we actively encourage them to do. We see this as additional investment rather than a substitute for Scottish Government funding.

Widening Access and Additional Places

The Scottish Government is working with the Scottish Funding Council and the higher education sector to ensure that the Higher Education resource budget works to make a positive impact in terms of widening access for people from disadvantaged backgrounds. It is important to recognise that there are a range of barriers and issues that affect access, many of which are not related to funding. To that end, we established the Commission on Widening Access to identify such issues and advise us on the steps necessary to drive further and faster progress. The Commission's report is due to be published in Spring.

International Students

The Scottish Government strongly supports the reintroduction of a post study work visa in Scotland. The visa would be an important lever for attracting the best international student talent, securing essential income streams, and allowing talented graduates to continue contributing to Scotland after their studies end. There is consensus in Scotland amongst business, education and every political party represented in Holyrood that we need a return of the post study route to allow talented graduates to remain and contribute to the Scottish economy.

Individually, HEIs are responsible as autonomous bodies for managing their international student recruitment to ensure that over the longer term they achieve sustainable financial benefits and enhance their learner cohort and reputations by attracting the best and brightest students. They are also responsible for the range of courses they provide within the framework of outcome agreements with the Scottish Funding Council. I am not aware of any evidence that suggests courses which might be in jeopardy if international student income were to reduce. Any relevant information may be held by individual HEIs to support their own strategic planning.

Collectively, HEIs now have the added capacity that Connected Scotland brings, to work with their partners to consider the bigger picture when identifying risks, trends and shifts as they target international markets in a competitive manner. As my previous letter outlined in more detail, Connected Scotland uses an evidence-based approach to identify opportunities in mature and emerging markets worldwide, working together to maximise benefits and impact of our choices and actions, and to identify and mitigate risks

I hope this provides the clarification the Education and Culture Committee requires in relation to funding for further and higher education.

ANGELA CONSTANCE