

The National Scholarship Programme: A national scheme or a postcode lottery?

1. Introduction

On 6 December 2010, the Department of Business Innovation and Skills issued a press release entitled 'Poor kids could get up to two free years at university'¹ in which Nick Clegg, the Deputy Prime Minister, and Vince Cable, the Business Secretary, set out their ideas for 'one of the initiatives the new £150 million National Scholarship Programme (NSP) might take forward to help improve access and social mobility' to university. The suggestion was that 'children on free school meals and other disadvantaged groups could get up to two free years at university'. The press release announced that a national steering group would be asked to assess an option of 'a first free year for disadvantaged students funded by their university with the NSP then funding students final year, meaning that those who stay the course are rewarded'.

These statements received widespread press coverage even though the details of the NSP remained unknown. When asked about the latter in the fees debate in Parliament four days later, Vince Cable stated that 'we have suggested that an arrangement could be used to benefit students from low-income families by providing free tuition through, let us say, the first year of their university career'². In the same debate, the Universities Minister, David Willetts said that 'The national scholarship programme is worth £150 million'³.

Since these statements were made a number of problems have emerged which raise serious doubts as to whether the original idea of providing fee waivers through the NSP is the best and most effective way of using NSP funding to improve access and social mobility for students from disadvantaged backgrounds.

2. Fee waivers and free tuition: liabilities for EU students

The option of fee waivers and free tuition raises a number of significant problems in terms of EU legislation since such fee waivers will be regarded as 'a service'. As a result, if this option were to be offered as part of the NSP scheme, it would undoubtedly create new entitlements for EU as well as UK students domiciled in England. It would also require complex arrangements in terms of means-testing of the household income of EU students in their home countries. This is not currently required since fee loans are available to UK domiciled and EU students regardless of household income (although both UK and EU students are required to repay upon graduation).

EU students are not entitled under EU and UK legislation to maintenance loans or grants unless they have lived in the UK for three years prior to the commencement of their course. As a result the overwhelming majority of EU students can access fee loans but not maintenance support. The same arrangements apply to UK students who choose to study for their undergraduate qualifications in other EU Member States: UK students are entitled to the same fee arrangements (in some cases free tuition or much lower fees than will be charged in the UK after 2012) but they are not entitled to the maintenance grants available in the Member State.

There is no way around this EU legislation and universities as well as UK taxpayers would face a liability if the option of fee waivers or free tuition were to be part of the NSP scheme. For this reason alone, fee waivers and free tuition should be excluded from the National Scholarship Programme.

¹ Available from <http://nds.coi.gov.uk/content/Detail.aspx?ReleaseID=416934&NewsAreaID=2>

² Hansard (2010) 30 Nov 2010: Column 756. Available from <http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm101130/debtext/101130-0003.htm>

³ Hansard (2010) 30 Nov 2010: Column 782. Available from <http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm101130/debtext/101130-0004.htm>

3. Free School Meals: an age-related benefit with perverse outcomes for universities and students

Originally Ministers identified free school meals as a possible criterion of eligibility for the NSP. This also has a number of disadvantages. First, the use of free school meals would create an age-related benefit which is likely to exclude the 25% of students who progress to university for the first time when they are over 21 years of age⁴. Many of these students missed out on the opportunity to progress to university when they were younger and it would be very difficult to apply a FSM criterion to them. Ministers have recognised that encouraging older students to progress to university is an important part of the social mobility agenda and the link with FSM would certainly disadvantage older students, some of whom are also from disadvantaged backgrounds.

However, although free school meals (FSM) is being used to determine allocations to schools for the pupil premium in 2011/12, as the Secretary of State for Education, Michael Gove has recognised, FSM is not a perfect proxy for disadvantage. It is estimated that 20% of families entitled to FSM do not claim and some families on low incomes (often referred to as the 'working poor') are not entitled to FSM.

There are other disadvantages to using FSM as an eligibility criterion for the NSP, in particular that FSM students are not evenly distributed amongst universities. Of the cohort of 15 year olds who were in receipt of free school meals at English maintained schools in 2003/4, a total of 11,715 had progressed to English universities by 2007/8⁵. Whilst just 40 of these FSM students were recruited by Oxford and Cambridge Universities, 405 of these FSM students enrolled at Kingston University and 335 enrolled at Middlesex University.

Statistics for three cohorts of 15 year olds at English maintained schools provided in a Parliamentary Answer by David Willetts confirm that progression to higher education by free school meal students is on an upward trajectory and shed further light on the distribution of FSM students in universities in England. Of the 11,715 former free school meals cohort who had progressed to English universities by 2007/8, 4,095 (35.0%) enrolled in the 24 English modern universities that currently affiliate to Million+ whilst just 1,045 (8.9%) enrolled at Russell Group universities in England. These trends are consistent over the three academic years (2005-6, 2006-7 and 2008-9) for which information is available.

If the same 24 modern universities had been required to match-fund free tuition or FSM students in 2007/08, they would have incurred a much larger liability than the 16 English Russell Group universities, institutions which can also draw on much higher endowment income. This is illustrated in Table 1.

Table 1: Match Funding Liabilities for Universities in England

	2007-8			2008-9
	NSP Students	NSP liability on £6,000 fee	NSP liability on £9,000 fee	Annual endowment & investment income ⁶
24 modern universities	4,095	£24,570,000	£36,855,000	£25,610,000
16 Russell Group universities	1,045	£6,270,000	£9,405,000	£167,316,000
All English Universities	11,715	£70,290,000	£105,435,000	£295,230,000

⁴ Equality Challenge Unit (2010) Equality in higher education: statistical report 2010

⁵ Written parliamentary question 28176 by Liz Kendall MP to the Secretary of State for Business, Innovation and Skills 13th December 2010

⁶ HESA (2008-9) Resources of Higher Education Institutions

The FSM figures also confirm significant differences *between* institutions. For example, 8 modern universities⁷ would have incurred match-funding liabilities of £21.5m per annum on fees of £9,000 – more than twice the potential annual NSP liability of the whole of the Russell Group combined.

Any requirement that universities have to match fund the NSP on a one-to one basis linked with the actual number of disadvantaged students recruited, will have perverse consequences for those universities which are most successful in offering opportunities to these students, whether the NSP eligibility criterion is FSM or some other measure of disadvantage. Moreover, currently, the universities which excel in creating opportunities for disadvantaged and under-represented groups raise much less endowment income each year. These patterns of endowment income and recruitment are unlikely to change significantly during the three year NSP pilot and need to be taken into account in the NSP scheme.

4. A menu of NSP options: the postcode lottery

The steering and operational NSP groups established by BIS appear to have concentrated on how the Government's NSP funding can be distributed to universities on the basis that a menu of options will be made available by institutions. This is a recipe for a complex postcode lottery.

The NSP has been rightly described by Ministers as a national scheme. As such students need clarity over what the NSP will deliver and reassurance that taxpayer funding will not be used to deliver different benefits according to where they study rather than according to need. There is also the risk that universities which receive millions of pounds more in endowment income per annum than others will receive taxpayer funded NSP money regardless of this endowment income.

There is already scope in the institutional Access Agreements for universities to use endowment and other income for targeted institutional bursaries best suited to the needs of their students. The aim of these Access Agreements is quite rightly to ensure that universities promote access and social mobility.

However, the NSP is a national scheme and the outcome of transferring NSP funding for distribution by individual universities on the basis of a menu of options means that the NSP will not deliver consistent and transparent benefits to the individual and will vary according to the university at which students study. Students who study at universities which recruit the smallest number of NSP students are likely to receive more individual support through the NSP than students who study at universities which enrol many more students from disadvantaged groups.

There are also probity, administrative and evaluation issues associated with the allocation of NSP funding to institutions and an assumption that a 'menu' of NSP benefits can be provided. Ministers have correctly identified information, advice and guidance as being important pre-requisites for students making informed choices in terms of university courses and institutions. However, at the point of application students will be faced with further complexity in terms of a menu of institutional NSP benefits from which they may or may not end up receiving benefit according to whether or not they get an offer and more significantly, according to where they finally enrol.

It is already well-know that the complexity of the current bursary and student support system can deter students from non-traditional backgrounds. The NSP risks adding another layer of complexity unless it is a national scheme, nationally administered with clear individual benefits identified for eligible students.

⁷ Birmingham City University, Kingston University, London Metropolitan, Middlesex University, University of East London, University of Greenwich, University of Central Lancashire and Wolverhampton University

The proposal that BIS NSP funding should be allocated to universities also raises key questions about the basis on which such allocations might be made. Universities recruit on a needs-blind basis. If historic data is used, universities may recruit more or less NSP students than they have enrolled in the past. These fluctuations mean universities may need to request additional funding or be required to return NSP funding. As the IFS has pointed out, the requirement for universities to match fund may lead to perverse behaviour⁸. For example, if universities recruit more NSP students than they anticipated they may lower their expectations and their NSP offer in future years or, in the alternative, have to raise fees for all students to meet their NSP match-funding liabilities. The NSP pilot will also be difficult to evaluate since it will be impossible to compare and assess whether the NSP scheme has actually made a difference to social mobility if it is based on a menu of benefits administered by institutions.

5. The National Scholarship Programme: a national scheme with national criteria

The NSP objectives identified by Ministers of improving social mobility and encouraging younger students and others from disadvantaged groups to progress and succeed at university, are entirely laudable. The question now is how these objectives can best be achieved given the problems arising in terms of EU legislation and the complexities and postcode lottery which will result in individual university-administered NSP schemes.

6. BIS NSP allocations

In a Parliamentary Answer, David Willetts has indicated that the funding which is likely to be allocated to the NSP in the three financial years of the pilot will be £50m (2012/13), £100m (2013/14) and £150m (2014/15). This implies that BIS is intending NSP students to benefit in each year of a standard course although it would also be possible for BIS NSP funding for a particular NSP cohort to be targeted in, for example, the final year of a three year course⁹. The NSP allocations announced are for the Treasury financial year. BIS should now clarify how much funding will be available in each of the three academic years of the NSP pilot. This will make a difference to the number of students who might benefit from the NSP and the eligibility criteria that might be applied.

7. National eligibility criteria: household income

In addition to fee loans, students from households with income of £0-£25,000 currently receive the maximum maintenance grant with a further entitlement to take out a maintenance loan. These arrangements will continue for new students entering university from 2012-13. Students from households with income of £0-25,000 will be entitled to a maintenance loan¹⁰ of £3,875 and a maintenance grant of £3,250 per annum¹¹.

Using entitlement to full maintenance grant as a criterion for NSP benefits will not necessarily deliver Ministers' objectives to support and encourage students from the poorest households to apply to university. It would also have the effect of making a large call on the NSP budget and is likely to spread NSP benefits more thinly. As a result, it would be possible to use a lower household income threshold according to the NSP funding available and the benefits which Ministers consider will best encourage aspiration.

For example, it is estimated that currently approximately 75,000 students study at university from households with residual income of £0-£17,000 per annum. This lower income threshold could be used as an eligibility criterion for the NSP. If Ministers want to target and concentrate NSP funding and benefits further an even lower threshold could be adopted.

⁸ IFS (2010) Higher education reforms: progressive but complicated with an unwelcome incentive

⁹ Note that this would have implications for students undertaking more flexible patterns of study

¹⁰ As with fee loans maintenance loans will increase by the retail price index from the time they are taken out and will be repayable over a 30 year period once students leave university and their earnings reach £21,000. These loans will also accrue additional interest once earnings rise above £21,000.

¹¹ BIS (2010) The Government Student and Graduate Finance Proposals

Lower household income thresholds would have the advantage of ensuring that NSP funding was targeted at students from households with the least access to family financial support – often a crucial factor in determining whether students continue and progress with their higher education studies once they have commenced a course. It is well-known that there is a direct correlation between lower household income and non-completion and lower household income and the amount of paid work undertaken by students.

Research has also confirmed that there is a direct correlation between the hours students spend undertaking paid work while they are studying and the grades that they achieve. This can have important consequences in terms of social mobility because many employers take account of degree classifications when recruiting graduates and access to certain professions may also be dependent on degree classifications.

8. Additional maintenance grants for NSP students

For students from disadvantaged backgrounds the amount of support which they receive in terms of living costs while they are studying at university is crucial. If the NSP were to provide additional maintenance support to students from the poorest backgrounds it is likely to fulfil another objective set by Ministers – namely that these students not only enter university but also that they are successful in achieving a higher qualification.

The most effective benefit which the NSP could provide for these students would be to improve the maintenance support available. While it would be open to Ministers to provide additional maintenance loans which could be written off through conversion into a grant upon realisation of a successful learning outcome (a system applied in the Netherlands), the most effective way of encouraging students to progress to university and encourage them to ‘stay the course’ would be to provide an additional grant for maintenance on an annual basis as well as the maintenance grant and the maintenance loan available to students from households with income of up to £25,000 per annum.

This would have the advantage of ensuring that the NSP benefit was spread over a number of years of study and it would relieve the very genuine financial pressure that many students from disadvantaged backgrounds face. It would have the additional benefit of being administered through the student finance system and being subject to all the checks currently applied to maintenance support by the Student Loans Company. Total NSP benefit to students over a standard three year course might amount to some £3,000 - £4,000 according to the funds allocated to the NSP and the eligibility criteria adopted. Similar arrangements could be offered to part-time students who fell within the income band for the NSP eligibility.

This would deliver a transparent national benefit based on national criteria without any of the complications arising from European legislation. It would send a powerful message that the Government was concerned to address disadvantage. Although not directly linked with the pupil premium or younger students it would nonetheless demonstrate that the Government was concerned with progression and with the educational achievements and the success of students from families with similar (or lower) household incomes to those currently associated with the pupil premium.

9. NSP funding from universities

The Government has made it clear that it expects universities to participate in the NSP as a condition of charging fees in excess of £6,000. The challenge is to design a system that support students from low income households without creating a match funding liability that disadvantages the institutions which are most effective in creating life-changing opportunities for students from disadvantaged backgrounds and could lead to perverse behaviour.

It would also be inappropriate for the NSP to ignore the very significant disparities in institutional endowment income highlighted in the Table 2. This table identifies the top 20

English universities in terms of the receipt of annual endowment and investment income according to the most recent HESA statistics¹².

Table 2: Annual Endowment and Investment Income

HEI	Mission Group	Endowment & Investment Income
The University of Oxford	Russell Group	37,057,000
The University of Cambridge	Russell Group	27,703,000
The University of Manchester	Russell Group	21,108,000
Imperial College	Russell Group	13,263,000
King's College London	Russell Group	11,783,000
The University of Surrey	1994 Group	10,550,000
University College London	Russell Group	8,164,000
LSE	Russell Group	7,205,000
The University of Birmingham	Russell Group	7,190,000
The University of Leeds	Russell Group	7,011,000
The University of Liverpool	Russell Group	6,388,000
The Open University	Alliance	6,000,000
The University of Bristol	Russell Group	5,730,000
The University of Southampton	Russell Group	5,245,000
The University of Newcastle-upon-Tyne	Russell Group	4,228,000
The University of Sheffield	Russell Group	4,065,000
The University of Lancaster	1994 Group	3,861,000
The University of Reading	1994 Group	3,485,000
University of the West of England, Bristol	Alliance	3,459,000
The University of Greenwich	Million+	3,430,000

Disregarding Oxford, Cambridge and Manchester (the three universities which received annual endowment income in excess of £20m), Imperial and Kings College received almost four times the annual endowment income of the University of the West of England (UWE) and the University of Greenwich – the only two modern universities which appear in the ‘top 20’ list. UWE and Greenwich respectively receive three times more annual endowment income than the average for all modern universities in England which stood at £1.17m per annum.

Endowment income may be raised by universities for specific purposes and therefore any system which required the direct transfer of endowment income would be inappropriate. However it would be possible to require universities which wished to participate in the NSP to provide a contribution to the national NSP fund which was *equivalent* to a percentage of their endowment funds as recorded in the most recent HESA statistics. This could either be a set percentage for all institutions or a percentage linked with bands of endowment income. Whatever the formula used, institutional NSP contributions should be set for the three year pilot period. This would enable universities to assess their liabilities in respect of the NSP over the three years and would allow them to concentrate on the outreach work and the targeted bursaries that are likely to be both permitted and encouraged through Access Agreements and

¹² HESA (2008-9) Resources of Higher Education Institutions

which do need to be flexible and geared to the wider needs of their potential and current students.

Such a scheme would have the benefit of ensuring that BIS could predict the total NSP funds likely to be available in the NSP pilot period. This would enable Ministers to agree the criteria and cohort of students and the individual benefit which they wanted NSP students to receive during their studies.

Such a system would have the added advantage of avoiding perverse outcomes such as universities charging higher fees to meet NSP match-funding requirements. It would also negate the need for notional allocations to universities and the associated difficulty of ensuring that allocations and the system generally does not disadvantage universities which have the most inclusive profiles of students.

The other alternative would be to require institutions which do not meet the average widening participation benchmarks to fund the NSP scheme disproportionately. While this might have the effect of encouraging poorly performing institutions to widen access it would take no account of endowment income and is likely to prove more complex to agree and administer.

A national schemes with national eligibility criteria offering additional support for living costs in the form of a an additional non-repayable maintenance grant also provides a powerful narrative for Ministers who can explain quite clearly why their original plans for free tuition and fee waivers have had to be set aside as a result of EU legislation. The NSP benefit would target the most disadvantaged in terms of household income and its aim would remain successful outcomes in terms of scholarship and learning, achieved by helping the most disadvantaged students when they need it most i.e. when they are studying at university.

The alternative is for students to be faced with a confusing menu of different NSP offers based on the wealth of the university that they attend. This poses the risk that students who study at universities which do best in recruiting students from disadvantaged backgrounds will fare least well in terms NSP support.

Such a postcode lottery would not deliver the aspirations which Ministers have clearly identified – namely to promote social mobility by providing additional support and encouragement for students from disadvantaged backgrounds to progress to university and succeed in their studies. A postcode lottery of NSP support would create greater complexity in terms of administration both nationally and at institutional level. It will make evaluation difficult and - crucially - is likely to create greater complexity for students. The NSP scheme was always intended to benefit individual students. From the student's point of view, there should be no difference in scheme criteria or NSP benefits just because they study at different universities.

10. The National Scholarship Programme: Summary of million+ Proposals

The National Scholarship Programme should be

- based on national eligibility criteria linked to household income and available to full-time and part-time students
- linked with additional support for maintenance in the form of an additional maintenance grant provided on an annual basis
- require contributions from universities to the BIS NSP fund equivalent to a percentage of annual endowment funding as identified in the most recent HESA statistics or based on a formula which takes account of institutional endowment income

- administered and managed through Student Finance (the Student Loans Company)
- evaluated at the end of the three year NSP pilot

million+

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