Higher education spending

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22 Feb 2024

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Introduction

- Scottish Government has made very different choices to rUK about how higher education should be funded, and the costs shared
- ~£1.5 billion spent each year on Scottish undergraduates
  - ~ £0.9 billion on teaching for those studying in Scotland
  - ~ £0.6 billion on living cost support (mostly loans, some grants)

- This presentation will cover:
  1. Living cost support and loan repayments
  2. Funding for teaching
  3. Scottish Budget 2024-25 and options
Living cost support

- Generosity of support eroded by inflation (cut of £1,600 per year from 2013-14 to 2022-23)
- £900 uplift this year was first real-terms increase in a decade
- £2,400 increase in loans next year (24% real-terms boost for the poorest)
- Delivers on 2021 commitment to provide support equivalent to the living wage

Real-terms support for Young Students with low household income

Real-terms based on CPI in Q1 of the relevant academic year. Figure 5.3, ‘Higher education spending’, K Ogden and M Thomas, 2024
Living cost support for Young Students, 2024-25

For Scottish Young Students, and England- and Welsh-domiciled students living away from home, outside of London.
Student loan repayments

- Graduates repay loans at 9% of earnings above an earnings threshold.
- From April 2024, threshold will increase from £27,660 to £31,395.
  - Many will repay £336 less per year (£28 per month).
  - Compares to freeze at £27,295 in England and Wales.
Planned changes in 2024

Lifetime loan repayments, accounting for inflation

Net gain
Current system (2023)
Planned increase in repayment threshold
Plus increase in living cost loans

Assumes full take-up of living cost support. Figure 5.7, ‘Higher education spending’, K Ogden and M Thomas, 2024
Funding for teaching

- £7,610 per-student funding for universities this year
- 19% (£1,815) less in real-terms than in 2013-14
- 21% (£2,020) less per year of study than in England
- Also caps on funded places for Scottish students
- Scottish universities increasingly reliant on international student fees
Increases in generosity for students and graduates won’t cost the Scottish Government a penny

- UK government funds loans if ‘broadly comparable costs’

‘Free tuition’ means teaching costs all met by Scottish government, and traded off against other priorities at the Budget

- Cash spending HE resource cut by 6.0% Budget-to-Budget
- 3.6% cut Latest-to-Budget due to in-year savings

Implies continued squeeze on per-student funding, and cuts to places for Scottish students
Long-run costs

Assumes full take-up of living cost support. Figures 5.8 and 5.9, ‘Higher education spending’, Kate Ogden and Madeline Thomas, 2024
Summary

- Living cost support for Scottish students will increase substantially next academic year
- Funding for teaching faces a continued squeeze
- ‘Free tuition’ policy means any increase in university funding requires reallocation away from other areas of the Budget
- Introducing fees would cost Scottish graduates more, or increase loan write-offs (and risk current funding arrangement)

- Explore the options here: