

STATES OF JERSEY



TERTIARY EDUCATION: STUDENT FINANCE (S.R.2/2017) – RESPONSE OF THE CHIEF MINISTER

Presented to the States on 6th June 2017
by the Chief Minister

STATES GREFFE

**TERTIARY EDUCATION: STUDENT FINANCE (S.R.2/2017) –
RESPONSE OF THE CHIEF MINISTER**

Ministerial Response to: S.R.2/2017

Ministerial Response required by: 2nd May 2017

Review title: Tertiary Education: Student Finance

Scrutiny Panel: Education and Home Affairs

INTRODUCTION

The Panel undertook the review into student finance because Jersey families were suffering varying degrees of financial hardship in sending students to university. The following Key Findings and Recommendations are made within the report [S.R.2/2017](#) and are directed to the Chief Minister, Minister for Treasury and Resources and Minister for Education.

FINDINGS

	Findings	Comments
1	11. Jersey students and their families are, in many cases, unable to meet the costs of attending university.	The Minister is aware of this and has made public statements to express his concern about the financial pressure on families. He has been contacted by parents directly and via the 2 workshops previously organised by the Education Department at the suggestion of the Minister, where full, frank and open discussions took place. The scale of the problem has also been highlighted in meetings and correspondence with the Student Loan Support Group. The problem is already recognised and the report reinforces what was already known.
2	34. The Minister for Education and the Minister for Treasury and Resources have placed the responsibility for resolving the problems of student finance at each other's door.	The Council of Ministers have recognised that a skilled, graduate-level workforce is vital for many Jersey businesses and the economy. In public statements, the Ministers have pointed out that they do not have the ability to solve the problem individually. They have complementary roles and responsibilities; It is within the Minister for Education's remit to improve on-Island provision of degrees and links with universities outside the UK, particularly in European countries where the fees are lower. He can also adjust the existing student finance system, but does not have the remit or expertise to create a new student loan scheme of the scale suggested. These skills sit with the Minister for Treasury and Resources and his team, who are best placed to explore funding mechanisms and their implications. The Ministers recognise each other's responsibilities and challenges, and this is why the Ministerial sub-group was created as a

	Findings	Comments
		formal mechanism for various Ministers to work together on all aspects of the issue. All parties are committed to working together.
3	35. The Minister for Education and the Minister for Treasury and Resources have placed the responsibility for resolving the problems of student finance at each other's door.	See above.
4	40. The Island needs a pool of graduates for business to draw from.	This is agreed. The precise nature of any skills gap in the Island is currently being assessed as part of the process of creating a new Skills Strategy for Jersey.
5	43. Jersey spends less, as a percentage of GDP, than listed OECD countries on Tertiary Education.	This is only one measure and looking at this alone could create a misleading impression. Jersey has a very high GDP per head, so it would be more informative to compare each country's higher education spend as a proportion of government expenditure or look at spending per pupil. In 2017 the Education Department will spend £9 million on higher education funding. Decisions on States expenditure are based on Island-wide priorities, social circumstances and available resources. Therefore, comparisons with percentages spent in other jurisdictions also need to take account of their particular circumstances.
6	56. The provision within the Jersey Tax system of Higher Child Allowance is an indirect and poorly targeted method of assistance.	The Treasury recognises the limitations of using the tax system in order to support parents/students with the costs of higher education. In particular, it is recognised that the availability of the higher child allowance only helps those who actually pay income tax and that, because it is available to all taxpayers with children in higher education, it provides assistance to those taxpayers with the very highest income who do not require any form of financial assistance from the States in order to send their children on to higher education. In the 2016 Budget, the Minister for Treasury and Resources considered phasing out the higher child allowance from the standard rate calculation (at the same time as phasing out the other child-related allowances from the standard rate calculation), reducing the assistance provided within the tax system for those higher income taxpayers who have their income tax calculated by reference to the standard rate calculation. The Minister concluded that the availability of the higher child allowance in the standard rate calculation should be maintained until a broader solution for assisting with the

	Findings	Comments
		<p>costs of higher education was found, whereupon it would be phased out over an appropriate period.</p> <p>Despite its limitations, the Treasury highlights that the availability of the higher child allowance does provide significant financial assistance to those who do pay income tax, and were the allowance to be restricted such that it were only available in the marginal rate calculation, those with the highest incomes would not be able to benefit from its availability. The availability of the higher child allowance in the marginal rate calculation means that the majority of parents of children studying a 3-year degree course benefit from a cumulative reduction of their income tax of £9,360 over the relevant period.</p>
7	75. The maximum grant provided by the Minister for Education to Jersey students is insufficient to cover either the university fees or the maintenance costs.	<p>This is factually accurate. Every Jersey student is expected to pay the first £1,500 a year of tuition fees so the grant does not cover the full cost for any student. When UK universities began to increase tuition fees, a Jersey student loan of £1,500 a year was introduced to help students afford the cost. When this loan is combined with the maximum grant, the tuition fees are covered. The maximum maintenance grant to contribute to living expenses is currently £6,000 a year, but this is below the estimated total for living expenses that a student can expect in a year.</p>
8	82. Many of the Jersey families who spoke to Scrutiny find it difficult to work out their student grant entitlement.	<p>This is regretted. Parents and students are able to contact the Student Finance team, who will advise on potential grant entitlement. The calculation can be difficult because each family's circumstances are different, and this means the formula is complex because, in order to be fair, it has to take account of a number of financial factors, including household income, property ownership, business interests and siblings.</p>
9	92. Rather than being the optimal place to study, for issues relating to finance, University College Jersey has the reputation of being the 'default option'.	<p>Highlands College is the largest single higher education destination for Jersey's degree students. It is a matter of opinion rather than fact that it is the 'default option'. There are currently 109 students taking degrees at UCJ, compared to 44 at the most popular UK university. There is no data available on why students choose to study for a degree in Jersey, but the UCJ offering means that, if finance is an issue, candidates do have more affordable opportunities to study at a higher level.</p> <p>The UCJ degrees are all accredited by recognised UK universities, and feedback from students is overwhelmingly positive. Employment rates for UCJ degrees are well above the national average, which demonstrates the value placed on them by Jersey employers. It has been a long-held principle that degrees offered locally have been developed in conjunction with</p>

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		business sectors that already exist in the Jersey economy to help meet their skills requirements. This targeting makes them an important and valuable provision that also meets the needs of older students who cannot, or do not, wish to leave the Island to study because they have commitments in the Island.
10	95. Increasing the provision of University College Jersey <u>ALONE</u> is not a viable option to provide for the needs of all Island students. Similarly, arranging provision with other overseas locations will only help at the margins.	This is accepted: A variety of solutions is needed to meet the circumstances of the different students in Jersey. The Education Department will continue to expand the different options available to Jersey students, and this is why we created the concept of 'Campus Jersey', increasing local provision with the close co-operation of the private sector and offering greater choice and more opportunities for students.
11	102. Many parents and students in Jersey, who either spoke to the Panel or made written submissions, want some form of loan scheme.	The Minister is aware of these views. However, he is also conscious that many families with lower incomes are grateful for the assistance they receive through the current grant system. They say a large student debt of £60,000 would be a deterrent to their children attending university. A number of students have said they would not support a full loan, particularly those who currently receive grants.
12	107. No talks have taken place with the UK at political level in relation to removing the blockages for Jersey students entering the UK loans scheme.	This is factually accurate. Although initial approaches had been discussed, these have not yet been progressed. So far, meetings have been held at officer level with representatives of the UK Student Loans Company and the UK Department of Business, Innovation and Skills. This will now be followed up at a political level, but might be delayed by the UK General Election on 8th June 2017. Correspondence has been drafted as part of the Island's Brexit negotiations, requesting that when higher education arrangements are renegotiated, the students from the Crown dependencies should be put on an equal footing with students from Overseas Territories, who can access the UK Student Loan.
13	123. During the period that this review was running, the Chief Minister created a Sub-Committee of the Council of Ministers tasked with finding a solution to the funding problems being suffered by Jersey students and families.	This is factually accurate.

RECOMMENDATIONS

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
1	59. The Minister for Treasury and Resources should phase out Higher Child Allowance from standard rate (20%) tax payers as soon as possible.	Min. T&R	Accept in principle	In the 2016 Budget, the Minister for Treasury and Resources considered phasing out the higher child allowance from the standard rate calculation (at the same time as phasing out the other child-related allowances from the standard rate calculation), reducing the assistance provided within the tax system for those higher income taxpayers who have their income tax calculated by reference to the standard rate calculation. The Minister concluded that the availability of the higher child allowance in the standard rate calculation should be maintained until such time as a broader solution for assisting with the costs of higher education was found, whereupon it would be phased out over an appropriate period. The Minister for Treasury and Resources maintains that this is correct approach; agreeing that the allowance should be phased out, but only when a broader solution has been identified.	N/A
2	60. The Minister for Treasury and Resources should phase out Higher Child Allowance from marginal rate taxpayers and redirect money to direct assistance for students once a suitable solution is found.	Min. T&R	Accept in principle	The availability of the higher child allowance in the marginal rate calculation means that the majority of parents of children studying a 3-year degree course benefit from a cumulative reduction of their income tax of £9,360 over the relevant period (£2,340 per annum for 4 tax years). Removal of this allowance and the corresponding increase in tax payable would have a significant impact on parents, unless they were receiving compensating support through other measures. This process would have to be carefully co-ordinated. It is noted that restricting the availability of the allowance to the marginal rate calculation limits the scope for the deadweight loss identified	N/A

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
				in the adviser's report (which appears to be the key argument for the removal of the allowance), because those with the highest incomes (who have their tax calculated by reference to the standard rate calculation) would not be able to benefit from its availability. The Minister for Treasury and Resources maintains that this is correct approach; agreeing that the allowance should be phased out, but only when a broader solution has been identified.	
3	70. The Chief Minister must ensure that the Council of Ministers Sub-Committee, tasked with finding a solution to the problems of financing students through university, examines the implications of Income Support when seeking a solution to the problems of financing students through university.	CM	Accept	The Sub-Committee will liaise with the Social Security Department to ensure that any implications for income support are raised.	Qtr. 4, 2017
4	83. The Minister for Education should provide an online calculator, that allows families to understand their entitlement and that is flexible enough to change as policy is amended, with immediate effect.	Min. for Edu.	Accept – ongoing	The suggestion has been considered previously by the Student Finance team, and is being actively discussed with the Information Services team with a view to having a calculator online. Scoping meetings are taking place shortly.	Qtr. 4, 2017
5	114. The Chief Minister must ensure that the Council of Ministers Sub-Committee is tasked with finding a solution to the problems of financing students through university,	CM	Accept	Various different solutions to financing students, including loans, are being considered by the Sub-Committee.	Qtr. 4, 2017

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
	must consider some form of student loan system.				
6	125. The Chief Minister must ensure that the Council of Ministers Sub-Committee created to resolve the problems of financing students through university, should publish its terms of reference, specify a deadline for the work to be concluded and present its recommendations to the States in the form of a report.	CM	Accept	The terms of reference will be published together with a timeline for the work.	Qtr. 3, 2017