

STATES OF JERSEY



HIGHER EDUCATION GRANTS: METHOD OF ASSESSMENT (P.134/2012) – COMMENTS

Presented to the States on 28th January 2013
by the Minister for Education, Sport and Culture

STATES GREFFE

COMMENTS

The funding of university education for Jersey students is regarded primarily as the responsibility of the student and their parents or family (in the case of dependent students under 25). The States contributes means-tested financial support where appropriate. This partnership arrangement recognises that a graduate workforce is valuable to the Island economy, but also recognises that individuals benefit personally from access to higher education.

The key principle behind the States' financial support for university study is that every student who can benefit from higher education should have an opportunity to do so. Also –

1. There should be freedom in choice of study.
2. Financial considerations should not preclude any qualifying student's access to higher education.
3. States grant levels to student/family should be varied according to the principle of the 'ability to pay'.

To achieve this, Article 51 of the Education (Jersey) Law 1999 gives the Minister for Education, Sport and Culture authority to provide financial assistance by way of a grant to people over compulsory school age who attend higher education.

The aim of using household income as the basis for calculating student grants is to create a system where those families who can afford to support their children through university actually do so, to remove some of the existing inequities and help ensure States funds are targeted to those who need them most.

The current position

It is important to stress the discretionary nature of the States' higher education funding system. It is an attempt by the government to help students and parents, where possible and where appropriate, in conjunction with those directly involved. All applications are voluntary.

Financial assistance currently contributes towards both aspects of higher education: the cost of university tuition fees and the cost of living expenses, which includes travel, accommodation, food, books and other general maintenance costs.

For dependent students, the level of grant is determined by an assessment of parental income in accordance with Article 4(1) of the Education (Discretionary Grants – General) (Jersey) Order 2008, which states –

“The relevant income in respect of a dependent student for an academic year is the income of the student's parents for the calendar year preceding the calendar year in which the academic year commences.”

The Law, as it currently stands, requires the Department to take account of the incomes of both natural parents when determining the level of grant provided to a student. Where parents choose not to disclose their income, they are treated as 'maximum contributors' and no grant is awarded.

As the award is discretionary the parents, whether married or not, cannot be compelled to disclose their income. However, if they do not supply the information required, the student may not receive any financial assistance and may not be able to attend university.

More often than not, where families have separated, only one income is declared and the grant assessment is based on that. In genuine circumstances this is appropriate to ensure the student is able to go to university. However, as this practice has become widely known, it has become the norm for only one income to be disclosed where there has been a divorce or separation. Even where a new partner resides in the home and brings in a significant income, the grant application can only be assessed on the income of the single partner. (Gross income is adjusted to take account of any maintenance payments.)

This approach is possible because Article 4(5) of the Order states –

“The whole or any part of the income of a parent may be disregarded if the family circumstances of the student are such that it would be unfair to the student not to do so.”.

Appendix 2, Example 1 demonstrates this scenario.

Reasons for change

This is a complex issue. There has been a major shift in the structure of the family in Jersey, and the administration of the grants system has not been altered to reflect this. The effect, over time, has been a disparity in what married parents and other kinds of family partnerships are expected to contribute.

Of course, Deputy G.C.L. Baudains of St. Clement and other Members may be concerned about how fair the revised arrangements will be on new partners. My proposal assumes that new partners already contribute to the new household in which they live, and that contribution should be taken into account when assessing how much the taxpayer should contribute towards higher education for a student that lives there.

In terms of fairness, should the taxpayer or the new partner be the first to contribute?

The aim of the proposal is to ensure that the funds available for this purpose within the Department’s limited budget are distributed in a way that supports people who need it most.

Approximately 38% of dependent Jersey students describe themselves as from single-parent families, and the assessment of their grant is based on the income of one parent only. No account is currently taken of new partners or family circumstances.

This means that married couples living together often have to contribute more towards university costs than a household of similar or greater income where there is a new partner or spouse.

Public opinion is strongly in favour of a system that achieves greater equity between these two types of family. In the Higher Education Consultation conducted in 2006

(Appendix 1) parents expressed considerable frustration at the current inequity. They felt that the arrangements unfairly favoured divorced and separated parents. Those comments were firmly reiterated in subsequent consultations in 2008 and 2011, and again in comments made in the media when the household income proposal was announced in November 2012.

In the majority of families who apply for a grant, the parents are married and the proposal will make no difference to the amount of support they receive. For independent students over 25 there will be no difference. For those households of combined families, who are in a minority, there is a huge variety of complex relationships, and it is impossible to design a system that suits every variation. If the new partners in a family have incomes below the threshold, they will receive financial support.

My proposal is not perfect but it is fairer. In fact it offers a flexibility that is not available in many other jurisdictions, because separated natural parents are not precluded. Despite the move to household income, the system retains the flexibility to enable the natural parents and new partners to decide between them where the responsibility for supporting their child lies. It is appropriate that this should be the responsibility of the family and not a decision of the States. The Department will abide by the wishes of the biological parents if they want their incomes to be considered rather than the household, even if this results in a higher level of grant.

The Deputy suggests this is absurd. It is not. Although not many, some divorced parents already choose to provide information about their respective incomes.

Some discussions have taken place to encourage the legal profession to consider the possibility of higher education funding as a matter of course in divorce settlements. In the meantime, this change of policy is an attempt to reflect the increase in the number of students staying on in education and requiring support and the complexity of modern family life. More than 90% of students now stay on after the compulsory education age of 16 and 44% go on to higher education.

I can only sympathise with the resident's story as told in the Deputy's Proposition. However, the issues described in relation to parental rights and guardianship do not apply to 19 year-olds and are therefore not relevant.

Logic tells us that, ideally, birth parents would take responsibility for contributing to a student's university education. Experience shows this is not always practical.

Although not directly comparable with a discretionary grant system, the most notorious example of this impracticality is the UK Child Support Agency. Even with the law on their side because of the legal agreements involving child maintenance, they were unable to recover the sums expected from absent parents, and eventually reached a situation where efforts to trace and involve absent parents meant it was spending 70p for every £1 it recovered.

My understanding of the legal advice regarding compelling anyone to disclose financial information, through the courts, is that there must be a debt before this is possible. The grant system is purely discretionary and voluntary. Parents choose whether to apply. Taking parental income into account is a means of assessment for eligibility. It does not create a debt.

Other jurisdictions have faced similar impracticalities with university discretionary grants. The Isle of Man attempted to use dual parental income, but found it unworkable and moved to household income. Guernsey now uses a system of household income.

In England, household income was previously used as a basis to assess higher education grants. These have now been discontinued for all but the most disadvantaged students, and students have to utilise loans. Jersey students, 70% of whom receive some financial support from the States, are now in a better financial position than their counterparts in England.

The proposal

Having considered the issues and the outcomes of previous consultations, I propose to introduce a system where the calculation of a student award is based on an assessment of household income. The change will apply to dependent students only. Independent students, who are usually aged 25 and above, will not be affected by this proposal.

In future the following will apply –

- For students who live with their natural parent(s) there is no change. The assessment will be based on the gross income of the parent(s).
- For individual mature students there is no change. The assessment will be based on the household income of the previous year.
- For students who live in a household with one natural parent and a new partner or spouse, the assessment will be based on the gross income of both partners. The families can opt to use the incomes of both natural parents instead, even if this is less than the household income. Any existing maintenance payments will be taken into account.

In all cases the income information provided on application forms is verified by the Tax Department before any assessment is made.

These new arrangements will only apply to students making a first application for a grant in September 2013 and beyond. It is not retrospective, and students who have already started their courses before September 2013 will continue to have their grants assessed under the current arrangements.

The point raised previously by Deputy T.A. Vallois of St. Saviour regarding the legislative framework is noted. My original statement on this matter explained that the Order will be amended by the Law Draftsman to include definitions that will enable this change.

An appeals system already exists for parents who feel the decision about higher education funding will create financial hardship for the family, and this will not change under the household income system.

Financial and manpower implications

There are no manpower implications for this change, as it will be managed by existing staff in the Student Finance section of the Education, Sport and Culture Department.

However, Deputy Baudains is incorrect in his assumption that this proposition has no financial implications. It is anticipated that this proposal will lead to savings of approximately £60,000 in 2013, based on it being applied to one third of the cohort for one third of the academic year. After 3 years it is predicted that an annual saving of approximately £600,000 will accrue. Compensatory savings would have to be found elsewhere in the Department, and an amount of this size would inevitably put additional pressure on other services, potentially with reduced grants to all students.

The financial aspects of the proposal are supported by a Greenlight report dated February 2010, which stated: 'In 2009/10 there were just over 30% of applicants who were from single parent families. If there were approximately a third of these single parents with new partners this would equate to a reduction in States expenditure of £650,000. In Guernsey, where they have just introduced household income as one of the parameters, they found that 72 applicants out of 580 family applications declared they had a new partner. If this was duplicated in Jersey where just over 1,200 families applied for support, it would equate to over 150 applicants declaring that they lived with a new partner, which equates to what has been calculated for Jersey.'

Appendix 2 contains examples of how individuals might be affected.

Appendix 3 sets out the financial impact on the Comprehensive Spending Review.

Future changes

The Minister is considering other changes to the student finance system, with the same underlying aim of ensuring that States support is given where it is most needed. Although further work is needed on these, the areas to be addressed include –

- The size of the student loan: Discussions have taken place with local banks and the Treasury about the implications of increasing the size of the student loan available and the period of payback.
- Taking account of wealth: The current asset threshold (excluding the main residence) is £750,000. Above this, parents are considered 'maximum contributors'. Consideration is being given to reducing this amount by approximately 50% and to taking account of the net value of the main residence if it is above a certain amount.

2006 CONSULTATION

Question asked	Response summary	Individual responses
How can the system of determining parental contribution be made more equitable?	There is a general feeling that the current system is unfair, but also a recognition that it is a difficult area to get right and apply. The most common suggested change was to use the incomes of both parents, although in some cases this was qualified by reference to “income of parents supporting the child” and “where contactable and capable”.	<ul style="list-style-type: none"> - Highest earner should pay - More care, scrutiny and questioning - Both parents whether married or not - Both parents even if divorced or separated (WI) - Family unit currently penalised - Must rely on honesty - Penalties imposed for false declaration or failure to pay e.g. increased ITIS rate/strip assets

2008 CONSULTATION

Members of the public and public organisations were asked to consider 3 options –

1. That in the case of divorced or separated parents, the current practice of calculating parental income on the basis of the income of the parent with care of the child should continue and that Orders describing the policy should be amended to reflect that practice.

Approximately one third of respondents to the consultation supported this option. Whilst this is the easiest option to administer, it would not address the issue of unfairness felt by many married parents who feel that married parents are expected to make a much larger contribution.

2. That both parents’ income should be taken account of when calculating parental contributions regardless of whether the parents are divorced or separated. As at present, a parent refusing to provide verifiable income information would be deemed to be a ‘high income parent’ and therefore no States financial support would be offered.

Approximately one third of respondents favoured this option, but it would be very difficult to administer, especially if the estranged parent were no longer resident in Jersey, and/or whose income could not be verified through the Jersey Tax office. Approximately 38% of parents seeking financial support for their children’s higher education declare themselves to be ‘single parents’. In view of this it is likely that some students would be unable to attend university.

3. That the estranged parent’s income should not be considered but, in cases where the parent with care of the child has entered into a new relationship, the new partner’s income should be taken account of.

Although this is the option used in the UK, it was marginally less popular than options 1 or 2 above in the Jersey consultation.

APPENDIX 2

EXAMPLE 1

Two married parents, both working and earning average wage of £32,500, household income £65,000

Current arrangements:	States contribution towards living costs	=£0
	States contribution towards tuition fees	=£5,055
Using household income:	States contribution towards living costs	=£0
	States contribution towards tuition fees	=£5,055

Separated parents, both working and earning average wage of £32,500, new partner in house where student lives also earning £32,500 (and pays £10,000 maintenance to former partner) household income £55,000

Current arrangements:	States contribution towards living costs	=£4,136
	States contribution towards tuition fees	=£7,500
Using household income:	States contribution towards living costs	=£0
	States contribution towards tuition fees	=£7,080

EXAMPLE 2

Two married parents, both working, with a combined income of £90,000

Current arrangements:	States contribution towards living costs	=£0
	States contribution towards tuition fees	=£0
Using household income:	States contribution towards living costs	=£0
	States contribution towards tuition fees	=£0

Divorced parent with a personal income of £20,000, receiving maintenance of £10,000 who re-marries and new husband earns £60,000 (total household income £90,000)

Current arrangements:	States contribution towards living costs	=£4,650
	States contribution towards tuition fees	=£7,500
Using household income:	States contribution towards living costs	=£0
	States contribution towards tuition fees	=£0

If other parent not living in household and paying maintenance earns £60,000

And parents opt to use joint parental income:

States contribution towards living costs	=£0
States contribution towards tuition fees	=£2,017

Impact on the Comprehensive Spending Review

The proposal to change the basis of assessment for higher education grants was included in the Education, Sport and Culture's savings for the Comprehensive Spending Review. A full list was published on 20th June 2012 and it formed part of the documentation for the Medium Term Financial Plan, which was approved by the Assembly on 6th November 2012. In view of the fact that the matter had been before States Members, the Council of Ministers was of the opinion that a separate debate was not necessary and that it would be appropriate to explain the details of the new system through a statement, which was made by the Minister for Education, Sport and Culture on 6th November 2012.

The difficulty of making savings without compromising the education of young people has already been recognised by the Council of Ministers and the Treasury. ESC has delivered more than £3 million of CSR savings, but in June 2012 a new savings target was agreed that took into account the States' decision in 2011 to maintain the grants to fee-paying schools. It also allowed for the effects of a rising number of births and high unemployment on the services provided by the Education Department.

- The total savings target was reduced from £11.1 million to £7.5 million.
- The timescale was extended to 2016.
- Grants to sports clubs and associations were maintained at the current level until 2016.