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# The Cost-of-Living Crisis and Student Finance

Phil Davis  
Head of Student Support, BGU



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## March 2023 All Party Parliamentary Group for Students:

*Report of the Inquiry into the impact of the cost-of-living crisis on students*

“Based on the evidence we received, we believe that most students are facing significant financial pressures, with some groups particularly hard hit, risking academic outcomes and participation in the extra-curricular activities that are so valuable for future careers.

We are concerned that this is unfair on a generation of students already affected by the pandemic, and risks widening inequality”<sup>1</sup>





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### **Universities UK Response:**

“Polling from ONS and Savanta ComRes on behalf of UUK found that specific student groups including those who are mature, commuters, part-time, disabled, and international, as well as those from different social backgrounds have been disproportionately affected by the cost of living crisis.

Our members have identified similar student populations as being disproportionately affected by the cost of living crisis including disabled students, commuter students and mature students.”<sup>2</sup>





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Over 96% of respondents to APPG survey facing some level of financial difficulty: food, rent and energy bills<sup>1</sup>

ONS Cost-of-Living and HE Students Survey February 2023<sup>3</sup>:

- 91% of students somewhat or very worried about rising cost-of-living
- 68% of respondents were in receipt of a Maintenance Loan – of those, 58% said it did not cover their living costs. Only 25% said it did
- 30% of students taken on new debt. Of those that did, 71% had done so as their student loan was not enough





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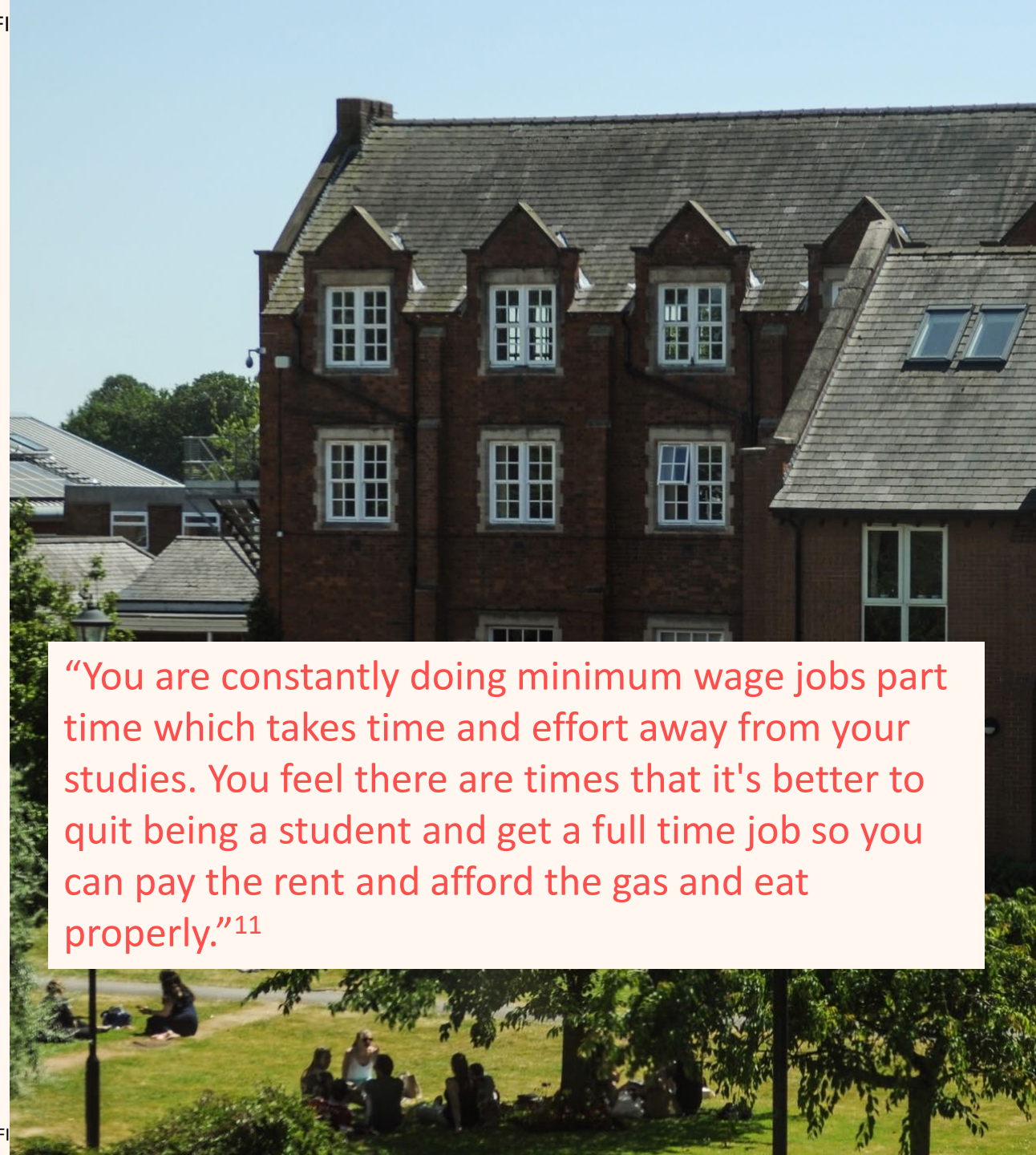
Emergence of “grab and go culture”:

- students accessing minimalist experience
- centred around the qualification
- no investment in other resources to better prepare them for their graduate careers

an issue affecting a generation of working adults <sup>1</sup>

University of Manchester SU:

- 15% of students working 36 – 50 hours a week
- university’s recommendation is 15 hours<sup>1</sup>



“You are constantly doing minimum wage jobs part time which takes time and effort away from your studies. You feel there are times that it's better to quit being a student and get a full time job so you can pay the rent and afford the gas and eat properly.”<sup>11</sup>



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## Save the Student<sup>4</sup>:

Maintenance Loans falling in real-terms value:

- 2020 £223 short of monthly living expenses
- 2021 £340 short of monthly living expenses
- 2022 £439 short of monthly living expenses

## OfS:

- commissioned Savanta poll which showed students considered dropping out of study due to the cost-of-living crisis (almost 20% respondents)
- 24% respondents on PG courses
- 13% respondents on UG courses



“I choose cheaper unhealthy foods over more expensive healthier ones.”<sup>11</sup>



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## Food Inflation

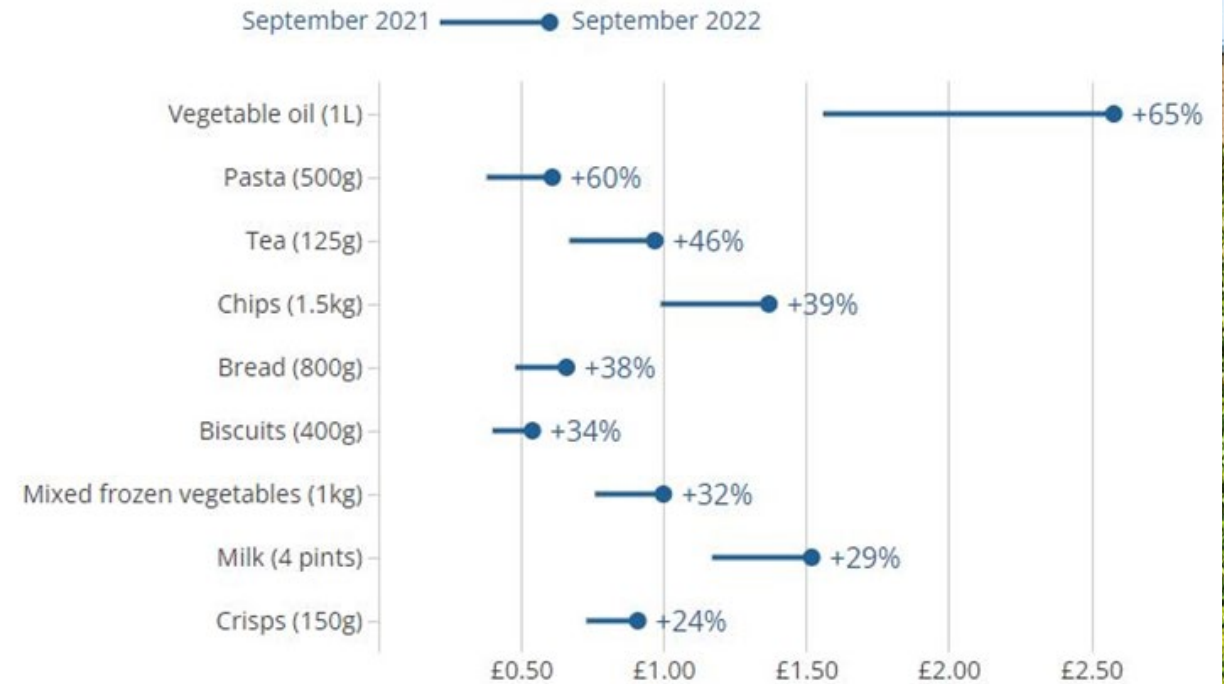
General rate of inflation reported at c.10% for the economy as a whole

Food staples increasing by more<sup>6</sup>:

- Milk 29%
- Bread 38%
- Pasta 60%
- vegetable oil 65%
- branded products increasing by as much as 146%<sup>7</sup>

Inflationary increases impact negatively on ability of households to pay 'assessed contribution' – the element of support for middle income families (recent ONS criticism of visibility of this expected support to students)

Average price of lowest-cost grocery items that have risen by 20% or more, September 2021 to September 2022, in pounds



Source: Office for National Statistics - Tracking the lowest cost grocery items

"I don't feel comfortable anymore asking for any financial help from my parents because the cost of living crisis is affecting them just as much, if not more"<sup>11</sup>



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## Accommodation

National Student Accommodation Survey 2023 (Save the Student)

63% of respondents struggle to keep up with rent

38% considered dropping out due to rental costs

Unipol predict 12% increases in private sector student accommodation in 23/24

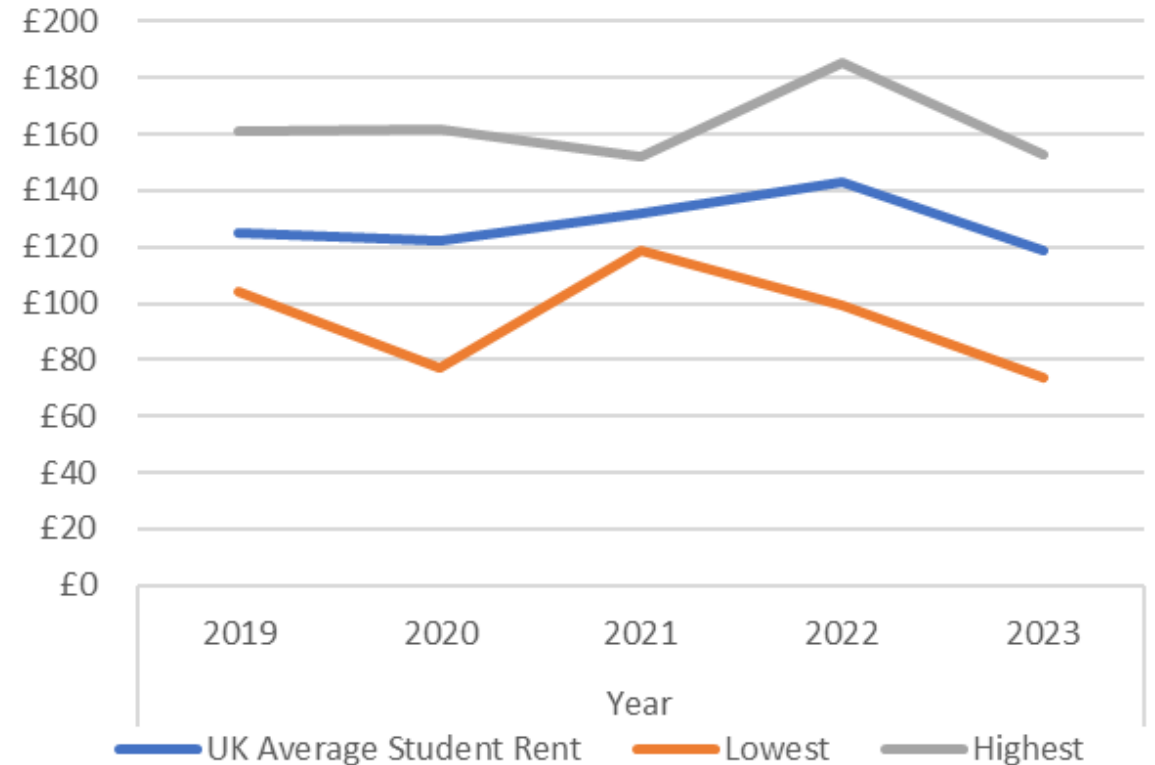
Reports of universities absorbing higher costs of providing their own accommodation to protect students from full-cost rent increases.

## Energy

Students were left out of the Government's arrangements for £400 energy bill support – many did not receive this if living in student accommodation

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### UK Student Rents 2019 - 2023



\*source Save the Student National Accommodation Survey

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## Scams

Students are a vulnerable group at risk of targeted scams, usually via email:

- Fake energy support schemes
- Fake job opportunities
- Fake student finance 'phishing' emails

Recent HMRC campaign on 'money mule' activity involving students





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## HEI Responses to Crisis

AMOSSHE reported 60 – 80% increase in demand for support services in 22/23 over 21/22

- Discretionary Hardship Funds
  - Based on exceptional or unforeseen hardship
  - Not designed for structural income deficit
  - Fast-track bursaries and awards
  - Use of supermarket voucher schemes
- Cost-of-Living Bursaries
- Mental Health support
- Community Larders
- Warm spaces
- Income maximisation/money advice
- Swap Shops
- Discounts (arrangements with travel/IT companies)
- Hygiene Poverty initiatives
- Shopping Plans/Budget Recipes
- Supermarket minibuses
- Jobshops
- Energy Saving Advice





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## SLC Responses to Crisis

- Signposting students to Discretionary Hardship process
- Advance payments of Maintenance Loan instalments
- Holding off immediate overpayment recovery procedures to alleviate pressures
- Signposting to HEP support services





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## Current DfE Policy:

IFS:

Identified inflation forecast errors in Maintenance Loan uplifts – meaning value is now at lowest level in seven years – those from the lowest income backgrounds losing more than £1,500 from their entitlement per year<sup>8</sup>

- £25,000 income assessment threshold frozen for 15 years – stealth cut
- Abolition of Maintenance Grants means disadvantaged students are left with highest burden of debt
- ‘Assessed Contribution’ – even less likely to be available with 17% APPG survey respondents saying family support has decreased.
- Plan 5 repayment changes hit middle income graduates the most<sup>9</sup>





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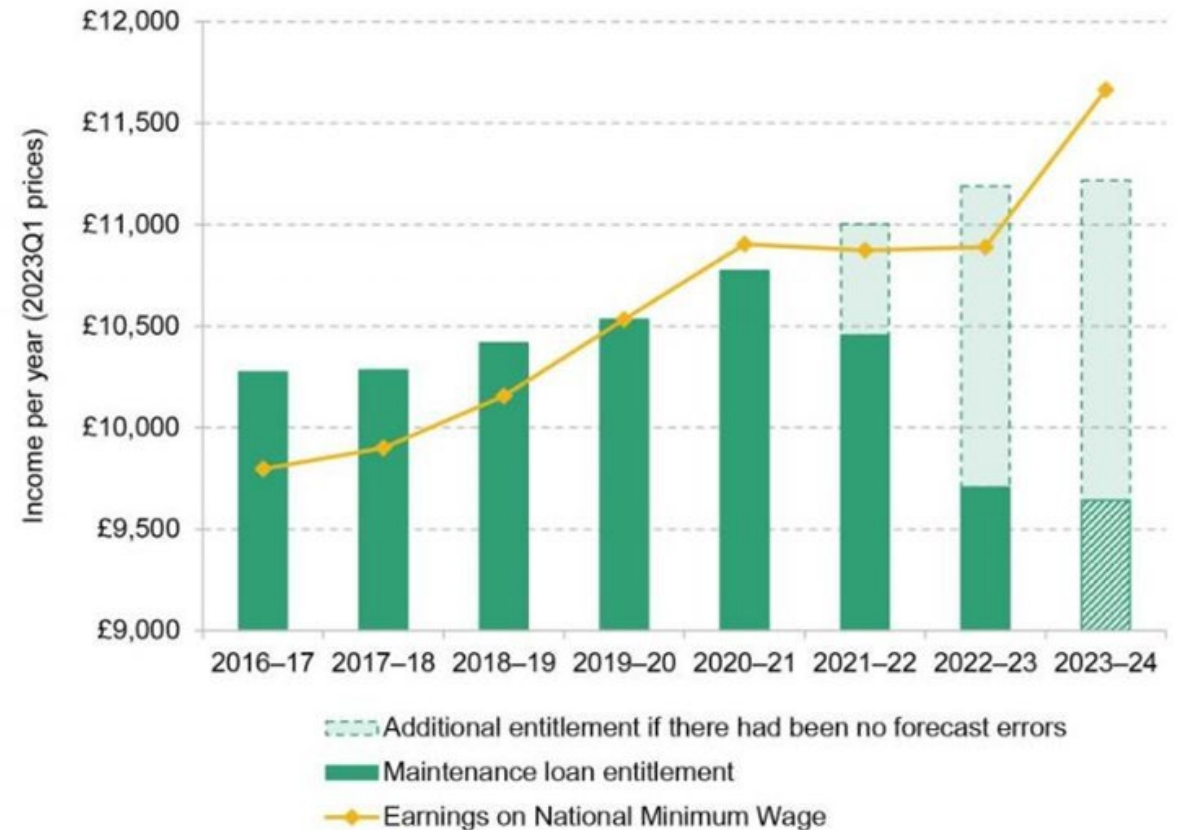
## Current DfE Policy:

- English policy divide (Welsh uplift by 9.4%)
- 2.8% increase in Maintenance Support for 23/24
- £15 million additional hardship funding from DfE
- “We have distributed £276 million in funding specifically for higher education providers to assist students most affected” (OfS)<sup>5</sup>
- @BGU Hardship Fund is 45.5% of OfS recurrent grant
  - is it for ‘Student Access and Success’, or
  - Are HF funds from additional fee income as per APP?
- If 45.5% typical for the sector  
Recurrent Grants = £42.00 per head per year (assuming 1.5million students) versus £1,500 missing uplift

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Figure 1. Maximum maintenance loan entitlements and earnings for 30 weeks at the National Minimum Wage for a 21-year-old English student in real terms (2023Q1 prices)



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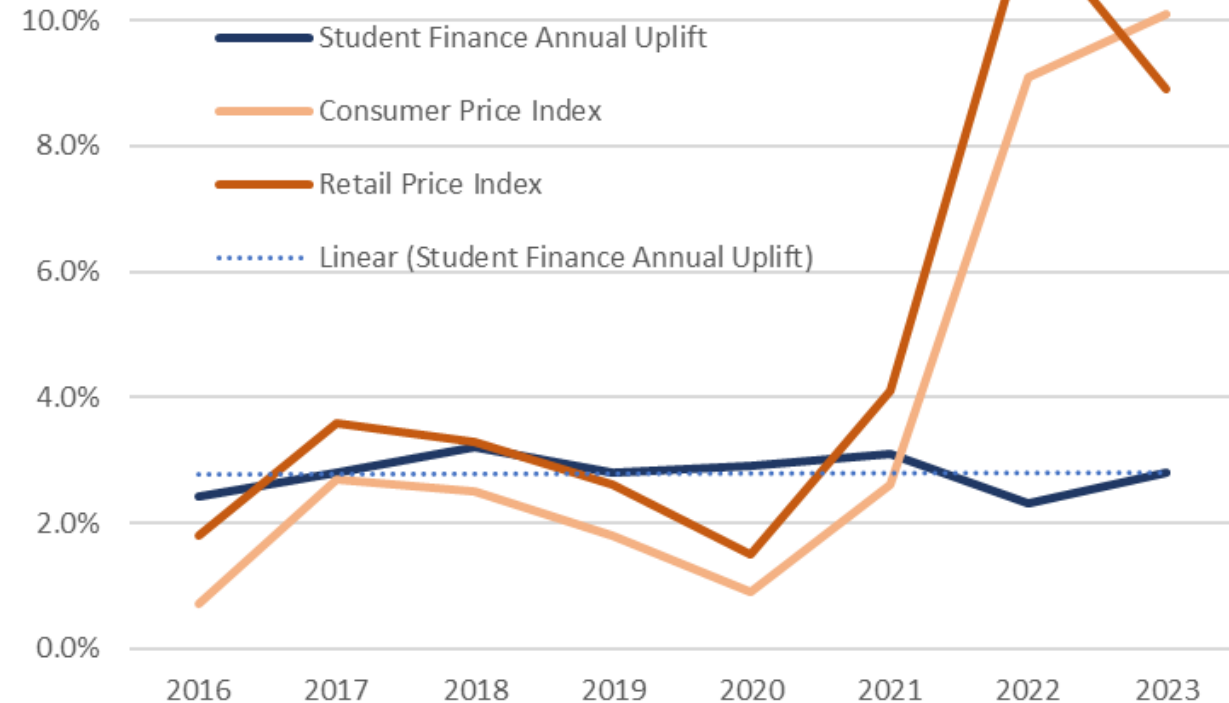
## Current DfE Policy:

### House of Lords Secondary Legislation Committee<sup>10</sup>:

- The 2021–22 and 2022–23 uplifts left maximum loans 18.5% below where they would have been had they risen by the actual Retail Price Index (RPI) rates in those years.
- Based on Consumer Price Inflation, a 13.7% uplift would be required in 2023–24 to restore the real value of loans to their level in 2020–21.
- A report by the Institute for Fiscal Studies that found the value of loans has been reduced by more than £1,000 in real terms compared to 2020–21.

DfE equality analysis – students will experience significant disadvantage because of failure to keep track of real-terms inflation

## Inflationary Uplifts to Student Finance (England) 2016 to 2023





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## Kate Ogden, Senior Research Economist at the Institute for Fiscal Studies:

“The government’s framing of this announcement as a ‘cost of living boost for students’ is at best highly misleading. Maintenance loan entitlements will still be much lower in real terms than in 2020/21 in both this and the next academic year.

At around £10 per student, the one-off additional hardship funding this year is a drop in the ocean. The continuing freeze in tuition fees, which was already announced in February last year, does not help students with their living costs at all and in fact squeezes the finances of the same universities that the government expects to step up support for students.”<sup>8</sup>





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## Recommendations (APPG)<sup>1</sup>:

- Address student finance system shortfalls
- Reintroduce Maintenance Grants
- Increase HHI threshold above £25K
- Increased Hardship Funds
- Universities – increase awareness of hardship funds/services
- Universities – review application processes
- Universities – identify ways of reducing on campus costs
- Produce a Student Income and Expenditure Survey, equivalent to ONS Household Expenditure Survey
- Research into mental health implications, patterns of employment, extra-curricular (particularly commuting students)







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## Sources:

- <sup>1</sup>[APPG-Students-Report-Cost-of-Living-Inquiry-220323.pdf](#)
- <sup>2</sup>[Our response to the APPG Students inquiry into the impact of the cost of living crisis on students \(universitiesuk.ac.uk\)](#)
- <sup>3</sup>[Cost of living and higher education students, England - Office for National Statistics](#)
- <sup>4</sup>[Increase Student Loans in England to match inflation - Save the Student](#)
- <sup>5</sup>[Universities take steps to address cost of living as poll highlights impact on students - Office for Students](#)
- <sup>6</sup>[Tracking the price of the lowest-cost grocery items, UK, experimental analysis - Office for National Statistics \(ons.gov.uk\)](#)
- <sup>6</sup>[Supermarket staples soar in price by up to 146pc \(telegraph.co.uk\)](#)
- <sup>7</sup>[Cost-of-living crisis to hit students harder than expected | Institute for Fiscal Studies \(ifs.org.uk\)](#)
- <sup>8</sup>[Large real cuts to student financial support to become permanent | Institute for Fiscal Studies](#)
- <sup>9</sup>[Sweeping changes to student loans to hit tomorrow's lower-earning graduates | Institute for Fiscal Studies \(ifs.org.uk\)](#)
- <sup>10</sup>[Lords Committee raises concerns about student loans not keeping pace with inflation - Committees - UK Parliament](#)
- <sup>11</sup>[Student Money & Wellbeing Report 2023 | Blackbullion \(bbb2bprod.wpenginepowered.com\)](#)





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