

Establishing a Discretionary Award Scheme for Young People in Further Education

A Report of the Living and Working Select Committee



Foreword from Local Member of Parliament

This piece of work shines a spotlight on an important issue for young people across the country, but especially those living in Barking and Dagenham. The recession has stalled social mobility for a generation, job opportunities are few, and due to tuition fee rises the cost of higher education has become prohibitively expensive for young people from low income families. It is more important than ever that young people are given support to stay in education to gain the skills and knowledge to compete in the jobs market, and that policy makers find ways to ensure that deprivation does not hold people back from achieving their potential.

The negative impact of young people growing up during a recession will cost society dear and have implications for welfare costs further down the line. It simply does not make sense to not invest in young people in order to maximise their opportunities to succeed. I am therefore pleased to see that local Councillors of Barking and Dagenham's Living and Working Select Committee have explored a policy that could potentially widen access to further education and fuel the aspirations of teenagers living in Barking and Dagenham.

Rt. Hon. Margaret Hodge

Member of Parliament for Barking

Chair's Foreword



I and my fellow Select Committee members would not wish to see the current and future generations of young people fail to realise their full potential because access to further education or vocational training was impeded by financial or socio-economic barriers. Education is a clear route out of poverty, with those that have a Further Education qualification at Level 3 earning 45% more than those with a GCSE grade A-C.

It is therefore the opinion of this Committee that the Council should play an important role in defending young people's interests and investing in their success at a time of economic hardship and lack of opportunity. One key part of the solution, we believe, is avoiding young people becoming NEET and helping them participate in education and training. EMA provides an incentive for this, rewards positive choices, and most importantly gives much needed financial support to cover the costs of studying which can be a barrier to participation for those from low-income families.

I have been following with great interest the London Boroughs that have been looking for ways to encourage young people onto further education by reintroducing a Council-funded version of EMA. Initial evidence from these schemes would suggest that those boroughs have seen a rise in Further Education applicants and stable retention rates. This Select Committee commends those Councillors in other authorities (such as Tower Hamlets, Islington, and Southwark) who have been bold enough to develop replacement EMA schemes at a time of constrained public spending. I hope that Barking and Dagenham can follow suit and help our young people to aspire to better jobs and careers and achieve upward social mobility for the betterment of Barking and Dagenham.

Councillor Josephine Channer

Chair, Living and Working Select Committee

Thames Ward

Introduction and Background

1. What was EMA?

EMA was introduced UK-wide in 2004 to boost the numbers of young people from deprived backgrounds staying on in education. EMAs were payments of up to £30 a week given to students from low-income households if they stay on at school or college. Recipients were paid either weekly or fortnightly directly into the student's bank account. Pupils who did not attend class without a good reason did not receive their payments.

1.1 Who received EMA?

In England, some 650,000 young people in England were in receipt of EMA (45% of 16 to 18 year-olds in full-time education). Of those in receipt of EMA there were higher overall recipients and average weekly amounts among the following groups of students:

- minority ethnic groups, particularly Bangladeshi and Pakistani
- 'lower' socio-economic groups
- those who received free school meals while at school –almost 90% of students who received free meals at school received EMA and almost all of them at the top rate.
- those whose parents are less well educated
- students who are living with only one parent.

1.2 How much were the payments?

EMA was means-tested, any money the student earned, for example through a part-time job, was not included in the earnings calculation - nor were child maintenance payments if parents were divorced. Because of means testing students received varying amounts depending on their family yearly income. EMA was paid at three rates for different levels of household income:

Family Income	EMA Payment (weekly)
< £20,817	£30
£20,818 to £25,521	£20
£25,522 to £30,810	£10

The approximate breakdown of recipients by weekly amount showed that 80% of young people from the poorest families received £30 per week, 10% £20 per week and 10% £10 per week. At its height EMA paid a total £560 million in benefits to young people each year.

1.3 What was EMA used for?

Students in receipt of EMA had the freedom to spend the money however they wished. The payments were intended to cover the cost of lunches, transport, books, stationery or other equipment for a person's course (such as tools or clothing for vocational courses like catering or construction) but could equally be used for socialising with friends or given to

the parent to supplement the family income as highlighted by the comments of this young person in Barnardo's 'Staying the Course' (February 2012):

"Part of the reason they stopped the EMA was because young people were spending it on going out at the weekend; that is the richer kids though, where their mum and dad is giving them money. We give our mum and dad board and that's £30."

1.4 Why was EMA scrapped?

EMA was ultimately abolished by the Government to save money as part of the Coalition's 2010 Spending Review. To justify the cut, the Government cited a study by the National Foundation for Educational Research that found 90% of students who received EMA would have continued with their education without the payment anyway. The Government described the £560 million EMA monies as mostly 'deadweight' and deemed the policy wasteful.

The EMA scheme closed to new applicants on 1 January 2011. Transitional arrangements were put in place to help those who were part-way through their studies meaning that all students who successfully applied for EMA in 2009/10 continued to receive payments at the same level until the end of the 2011/12 academic year and young people now in their first year of post-16 study who were in receipt of the maximum weekly EMA payment of £30 will be eligible for £20 for each week they are in education or training until the end of the 2011/12 academic year. The final EMA payments were made at the end of the 2011/12 academic year.

2. The benefits of EMA

Despite the Government's claims that EMA was poorly targeted and wasteful there is a strong body of evidence, qualitative and quantitative, to suggest that EMA met its policy objectives and made a positive impact. Some of the positive impacts of EMA are outlined in the paragraphs below:

- **Participation**

The Institute for Fiscal Studies, in its study of the pilot in 2002, found that EMA had increased participation rates in post-16 education among young adults. It increased the proportion of eligible 16 year olds staying in education from 65% to 69%, and of eligible 17 year olds from 54% to 61%.

- **Retention**

EMA did affect education retention rates¹ which increased by 3.9 percentage points in urban areas (from 77.2 per cent to 81.1 per cent).² More anecdotally, a National Union of Students poll in 2008 said six in 10 students on EMA would have dropped out without the allowance.

¹ Defined as the proportion of those in full-time education in Year 12 who were still in full-time education in Year 13

² Should we end the EMA?, Centre for British Teachers Education Trust, 2009

- **Cost**

The Institute for Fiscal Studies refuted the Government's evaluation of EMA as 90% 'deadweight' cost because it only looked at one outcome (participation) from the policy and ignored the other benefits of staying in education such as the higher wages EMA recipients would have enjoyed. The Institute states that the deadweight cost of EMA was completely offset by these benefits and goes on to comment that; "even if the EMA had no impact on educational outcomes it would still represent a transfer of resources to low-income households with children, which may in its own right represent a valuable policy objective."³

- **Attendance**

It is widely acknowledged that EMA improved attendance rates because it was paid on the condition that the recipient met attendance targets set by the School or College. High attendance generally improves attainment levels as the learner benefits from maximum contact time with their teacher.

- **Less reliance on part-time employment**

EMA was a valuable source of regular income for young people from low income families. Part-time work can detract from an individual's study and can lead young people to take short-term job opportunities rather than follow longer term career plans. It was reported in a National Union of Students survey that 76 % of learners would have worked longer hours in their part-time job had they not received EMA payments.

- **Educational achievement**

Again using the evaluations of EMA conducted by the Institute for Fiscal Studies, there is evidence that EMA had in some cases a striking impact on attainment levels for EMA recipients.

Females from the most deprived backgrounds, for example, were found to be 2.4 percentage points more likely to meet the Level 3 threshold by age 19, with a corresponding improvement in A Level tariffs of around 8.1% on the base. Whereas males in the most deprived backgrounds were 1.3 percentage points more likely to reach this threshold by age 18.

When looking at ethnic minority groups the attainment gains are marked. Asian and Black females were 4.3 and 6.2 percentage points more likely to achieve a full level 3. Black males also were significantly more likely to have achieved the level 2 and 3 thresholds by age 18 in an area with EMAs and by age 18 their Key Stage 5 tariff had increased by 10.9 points or 27% on the base figure.

- **Earning power**

Policies that encourage participation in further education naturally contribute towards increasing a person's earning power later in life. The table below, drawn up

from Office of National Statistics data from 2010, illustrates the difference post-16 qualifications make to a person's earning power.

Qualification	Median hourly pay (£)	Pay gap to GCSE (%)
Degree	16.10	85
Higher Education	12.60	45
A Levels	10.00	15
GCSE Grades A* - C	8.68	0
Other qualifications	8.07	-7
No qualifications	6.93	-20

2.1 The 16-19 Bursary Fund

In March 2011, the Government announced a new £180 million bursary scheme to help the most vulnerable 16 to 19 year olds continue in full-time education. 2012/13 marks the second academic year of the Bursary Fund. The Fund comprises of two parts:

1. A bursary of £1,200 a year for young people in the following defined vulnerable groups⁴
2. Discretionary awards made by providers to young people in ways that best fit the needs and circumstances of their students. Bursary awards should be targeted towards those young people who face the greatest financial barriers to participation; such as the costs of transport, meals, books and equipment. Providers are free to determine the assessment criteria for eligibility for discretionary bursaries and the frequency of payments for all awards.

2.2 Criticisms of the Bursary Fund

Since its introduction critics have identified several flaws with the Bursary Fund, which include:

- **Allocation**

There is no correlation between how much money schools are allocated and how much they will be required to spend. Allocation is based on the number of students who claimed the top rate of EMA in 2009-10, yet the scheme is targeted at those with disabilities or in care through an "exceptional needs" priority category. This means that what schools receive bears little similarity to the needs of their students. The only requirement the government sets is that schools give £1,200 a year to those in the exceptional needs category.

⁴ in care, care leavers, young people in receipt of income support and disabled young people in receipt of Employment Support Allowance who are also in receipt of Disability Living Allowance.

- **Size of the grant**

The Bursary Fund pot is much smaller at £180m. Once a provider has issued the grant to those from the defined vulnerable groups whatever is left can be used to issue discretionary awards based on criteria set by that provider. This could mean, depending on how many students were categorised as vulnerable, that there is little or no monies left to give to other students who are from low income families but equally in need of financial support to study. Potentially schools or colleges could effectively be penalised for having more students who are most in need, which might dissuade them from having a good access policy.

- **Provider discretion**

The criteria for allocating any budget remaining, once the most vulnerable have been granted £1200 for the academic year is entirely at the discretion of the provider. Most, including LBBD, have chosen Free School Meals eligibility as the main criteria (withholding a small amount for special cases that fall outside this) on the grounds that this is a recognised measure of economically vulnerable learners which can be evidenced and is linked to the previous scheme

- **Administration**

Providers are expected to meet the costs of administering the Bursary Fund which should exceed no more than 5% of the fund received by the provider. With resources scarce it is not uncommon for this work to be passed to clerical staff that may not have the expertise required to make a reasoned judgment that could determine whether a young person would be a suitable candidate to receive financial support for their studies. Added to this there is no appeal system if a worthy applicant has been refused.

- **Ambiguity**

Students must apply for the bursary after enrolment not knowing whether they will receive a bursary and, if so, how much. This will likely dissuade young people from participating or affect retention if the payments prove too little to support that individual.

- **Postcode lottery**

The Guardian investigated the Bursary Fund at two institutions to highlight that provider discretion and lack of central guidance from commencement was creating a postcode lottery. At King Edward VI sixth form College in Stourbridge, West Midlands, a student whose family income is £30,800 a year can receive up to £300 a year for equipment to aid their studies and up to £100 a year for their transport. In addition, the college has a hardship fund which awards up to £100 a year to students in exceptional circumstances. In contrast, at a college in Nottinghamshire a student whose family income is more than £15,276 is not eligible for any funds. However, they are entitled to apply for the college's hardship fund which could mean half the cost of their course books, equipment and study trips are paid for.⁵

2.3 Local Context

EMA was a vitally important source of financial support for young people from low-income families. In Barking and Dagenham the majority of young people would have been eligible to receive the EMAs. The statistics below highlight the need to improve outcomes for young people to lift them, and future generations, out of poverty.

Key statistics for LBBD

- Barking and Dagenham has the 2nd highest unemployment rate in London, with 12.4% of people out of work. 3,800 residents are unemployed and in receipt of Job seeker's Allowance
- 28.8% of pupils in Barking & Dagenham qualify for free school meals, yet 38% of pupils are from workless homes.
- 34.9% of children are poverty-stricken, making Barking and Dagenham the eighth highest for Child Poverty, it is estimated that 18,500 children are living in poverty. Gascoigne, Heath, Village and Thames wards have more than twice the national average number of children living on benefits
- People living in Barking and Dagenham have the lowest average income level in the capital. 24% of households earn under £15,000
- Borough 8th most deprived in London and ranks 9th among 354 authorities in England
- Among those of working age who are unemployed 44.5% lack any qualifications. Barking and Dagenham is the 4th lowest in England for literacy and 2nd lowest for numeracy
- In Barking and Dagenham 37% of children are living in families claiming key benefits
- Youth unemployment in Barking and Dagenham is at 8.1% (ONS).

A questionnaire taken in February 2011 of Barking & Dagenham pupils between the ages of 11-18 displayed that out of 306 respondents, 42% felt EMA and University was the topic they most concerned about.⁶

Youth unemployment in Barking and Dagenham is at 8.1%. This figure is estimated from the latest statistics available from the Office for National Statistics (ONS). The figure is extraordinarily high when taking into consideration the national unemployment rate which is at 7.7% indicating above average rates of unemployment. Then, comparing this to adult qualification levels in the local constituencies, 19.4% and 12.3% of adults in Barking and Dagenham & Rainham respectively have no qualifications. From these several statistics, we can certainly draw a correlation between education and unemployment; the less educated you are, the less likely you are to get a job.⁷ These stark facts illustrate the need to get young people into further education and thus competing in a fiercely competitive jobs market. EMA payments, or a similar locally run scheme, is a means by which to incentivise and support young people through further education and the rewards level 3 qualifications bring.

3. Case Study

In September 2012 the LWSC invited David Stone (Student Grants Consultant, LBTH) and Diana Warne (Head of Secondary Learning and Achievement, LBTH) to share with

⁶ UKYP Scrutiny Report, 2011

⁷ UKYP Scrutiny Report, 2011

members details of Tower Hamlets' Mayor's Education Award and the impact the scheme was having locally.

The table below provides a summary of the MEA and provides useful details about the policy, the cost of the scheme, how it was funded, and how it was administered by the Council. Should Barking and Dagenham opt to develop a discretionary award scheme, Tower Hamlets provides a useful model or starting point to develop such a policy.

Tower Hamlets Mayor's Education Award	
Rationale	Approximately 65% of post-16 students in Tower Hamlets (2300 students- years 12, 13 & 14) were in receipt of the government EMA amounting to £560 per year. This made a significant difference to the ability of young people to remain in education where 63% of the school population are in receipt of Free School Meals.
Eligibility	<p>To apply for the MEA, students must meet all of the following criteria:</p> <ul style="list-style-type: none"> • be 16 to 19 years old before the start of the academic year in which their course starts and 16 to 21 years old for those with special needs or learning difficulties or disabilities • live in Tower Hamlets for at least three years at the time of their application (young people who have lived in the borough for less than 3 years but hold full refugee status are also eligible, as are young people who are looked after by Tower Hamlets Council outside the borough) • attend a maintained school or college, within or outside the borough, (schools and colleges will be able to verify whether this applies to them) or another learning provider that provides nationally recognised qualifications and is subject to government inspection. Students can study in a school, sixth form or college in another borough as long as they have lived in Tower Hamlets for at least three years at the time of their application or are under the care of Tower Hamlets Council. Students who attend private schools and colleges will need to check with their school's admissions office, to find out if they are participating in the scheme. • study for a nationally accredited further education course, this includes A-level equivalents , BTEc, national diplomas or NVQs • be from a family with a household income of less than £20,817 in the 2012/13 tax year (please note that household income includes taxable income, Working Tax Credit and taxable benefits).
Payments	<p>Provided the applicant meets the criteria above he/she receives an initial instalment of £200 before the end of February and if the applicant continued to attend school or college, meeting acceptable standards with regard to attendance/attainment/behaviour, they receive a further instalment of £200 in April of that academic year.</p> <p>The award can only be paid directly into a student's bank account. Students who don't currently have a bank account need to set up their own account in order for the money to be transferred.</p>

<p>Application</p>	<p>Students make one application for the Mayor's Education Award per academic year to receive the two instalments of £200.</p> <p>For 2012/13, students were able to make an on-line application through the LBTH website, the previous year had been paper-based. Application forms are verified by the school or college as evidence that the applicant is attending lessons and meeting acceptable standards of attendance and attainment.</p> <p>Students who enrol late this academic year can use the on-line application form, as long as they are applying within three months of their enrolment date.</p>
<p>Administration</p>	<p>The scheme is administered by the Housing Benefits team as this cuts down on the bureaucracy normally associated with means-tested grant schemes. The Benefits team has access to income details for the majority of applicants' families, thereby saving the need in most cases for parents to prove their income. To further streamline the administration of this grant it is proposed to use the current year's income rather than the previous year's income as a basis for means testing. This will bring to the scheme into line with the Benefits team's normal mode of operation.</p> <p>Applications are processed by the council's Benefits Team and take up to six weeks. Applicants can appeal within 21 days of the date of the letter refusing support. Appeals are also processed by the Housing Benefits Team.</p>
<p>Cost</p>	<p>The Scheme has been in operation for one full year, the total cost for that year (2011/12) was £279,200. In that period 629 students received the full £400 and 138 received £200. Year 13 students were able to draw down on transitional support from the YPLA/EFA making the first year of the scheme cheaper.</p> <p>For 2012/13 £1,123,000 was budgeted for the MEA. It is important to note that Tower Hamlets are using Council reserves to fund the scheme initially while opportunities for support from corporate sponsors are explored.</p> <p>Administrative costs have been absorbed in-house but in future £40,000 has been in-built into the budget to cover this work.</p>
<p>Impact</p>	<p>In 2011, 43% of Tower Hamlets students who stayed on to study in Year 12 received a grant from the MEA. Evidence has shown that the grant has helped to improve attendance rates in sixth forms across the borough, which naturally helps improve attainment rates.</p> <p>Further analysis of the impact of the MEA scheme will be completed at the end of the 2012/13 academic year. One emerging issue is that applications for MEA are fewer than expected</p>

4. Proposal

Based on the Tower Hamlets case study, information gathered about other replacement EMA schemes in development across London, and crude modelling done by LBBD

officers, the Select Committee would like to present the following options appraisal to Cabinet which outlines two ways in which a discretionary award scheme could be implemented.

The options below have been calculated using the following data:

- Number of resident Young People (YP) 16-18 claiming EMA in the last full year of operation was 3137 (Source: YPLA)
- % of resident YP claiming at the higher rate = 80% (Source: London Councils)
- 55% of resident YP study in borough institutions (Source: Learning Plus UK)
- 237 eligible YP in schools received the bursary in 2011-12 (Source: LBBD consortia figures)
- A further 910 YP at Barking and Dagenham College received support in 2011/12 including supplement from College funds (Source: Barking and Dagenham College)

4.1 Option A:

A discretionary award for young people from low income families (household income less than £20,817) who are resident and study at any maintained school or college⁸, within or outside of the borough

Cost (excluding administration) = between £270k and £550k

4.2 Option B:

A discretionary award for young people from low income families (household income less than £20,817) who are resident and study at borough providers⁹ only

Cost (excluding administration) = between £150k and £300k

Recommendation 1

The Select Committee recommends that the Cabinet implements Option A subject to a feasibility study and full cost analysis. Option A is preferred by the Select Committee because it does not discriminate against young people who choose, for whatever reason, to study outside of the borough. It is important that young people participate in education or training, whether this is in Barking and Dagenham is irrelevant.

4.3 Conclusion

The LWSC feels that the Council should take steps to ensure that young people, especially those from poorer backgrounds, are participating in training or education beyond their GCSEs. Young People face bleak circumstances and have been hit hard by Government cuts in recent years. It is likely that young people feel de-moralised by high unemployment figures that lead them to question whether further education or vocational training will result in better outcomes for them. We therefore feel it is appropriate to provide

⁸ As defined by the Department of Education

⁹ Including Free Schools, Academies, and City Technology Colleges

an incentive (that is easy to access and without the complexity or ambiguity of the national 16-19 Bursary Fund) in order to get young people into post-16 education and on the path to a productive and fulfilling life. Especially in the context of Raising the Participation Age whereby the Council will be responsible for ensuring that all 17 year olds (and 18 year olds from 2015 onwards) are involved in education or training.

The Select Committee appreciates that this proposal has significant cost attached and it is being put forward at a time when the Council is under severe pressure to balance its books and deliver key frontline services. However, this policy fits with the Council's key policy objectives and could potentially save the local public purse in the long run as the calculated lifetime public finance cost of a cohort of young people who are NEET (between 16-18 years of age) is at least £12 billion.¹⁰

5. Financial Implications

Implications completed by: (Carl Tomlinson: Group Manager H&E and F&R Finance)

- 5.1 The introduction of a Council-funded discretionary award scheme to support young people from low income families studying on further education courses would be between £270k and £550k per annum based upon option A being recommended. This covers the cost of awards but does not include the cost of administering the scheme. There is currently no budgetary provision for this scheme or its administration, therefore, if Cabinet elect to implement the scheme, resources would need to be identified.

6. Legal Implications

Implications completed by: (Lucinda Bell, Education Lawyer)

- 6.1 The Council has powers to establish a scheme along the lines of the one suggested in the report, by virtue of the Local Education Authority (Post-Compulsory Education Awards) Regulations 1999 (SI 1999/229). The Regulations, made under the Education Act 1996 confer power on a local authority to make a post-compulsory education award, that is to say a scholarship, exhibition, bursary or other award granted in respect of "an eligible person", that is, a person over compulsory school age.

Such an award may be granted for the purpose of enabling the eligible person to take advantage of certain educational facilities available to him, namely secondary education provided at a school, or a course of further or higher education.

The Regulations require that the Local Authority decides each year whether or not to make these payments, and what the eligibility criteria will be. If adopted, the scheme would have to be reviewed annually, and a fresh decision made.

S149 (1) of the Equality Act 2010 imposes a duty on the Council, to have due regard to;

- The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the EqA 2010).
- The need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it. This involves having due regard to the need to:

¹⁰ Estimating the lifetime cost of NEET, Coles et al, University of York, 2010

- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it; and
- encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

Section 149(6) makes it clear that compliance with the PSED in section 149(1) may involve treating some people more favourably than others, but that is not to be taken as permitting conduct that would otherwise be prohibited by or under the EqA 2010 (this includes breach of an equality clause or rule or breach of a non-discrimination rule (*section 149(8)*)).

- The need to foster good relations between persons who share a relevant protected characteristic and those who do not share it. This includes having due regard to the need to tackle prejudice and to promote understanding.

The Council might rely on duties under s149 of the Equality Act in seeking to adopt this proposal. It must also have due regard to the S149 duty in determining eligibility.

The Council would have to decide on a suitable process for reviewing/appealing against decisions.

7. Other Implications

- 7.1 **Risk Management:** To ensure good value for money it will be important to monitor the impact of the scheme against key outcomes. Enrolment rates onto FE courses, retention rates, educational attainment and attendance of FE pupils would be good indicators by which to gauge the success or otherwise of the scheme.
- 7.3 **Staffing Issues:** None at this time. However, when determining how such a scheme might be administered, there may be staffing impacts to be considered. These will be explored should Cabinet elect to implement the scheme.
- 7.4 **Customer Impact:** It is expected that, if implemented, the scheme would have a positive impact on the groups identified in paragraph 1.1, who more than other groups were in receipt of EMA payments.

List of appendices

- None

Background Papers

- LWSC agendas and minutes 2012/13
- Education Maintenance Allowance Statistics, House of Commons Library, January 2011
- Staying the Course: Disadvantaged young people's experiences in the first term of the 16-19 Bursary Fund, Barnardo's, February 2012
- Youth Parliament Scrutiny Report, October 2011

- Should we end the EMA?, Centre for British Teachers Education Trust, 2009
- 16-19 Participation in education, written Evidence Submitted by National Union of Students to the Education Select Committee, April 2011
- Education Maintenance Allowance: The First Two Years. A Quantitative Evaluation, Institute for Fiscal Studies, 2002
- An Efficient Maintenance Allowance, Institute for Fiscal Studies, 2010