

# Higher Education Funding and Student Finance

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# The Browne Review

## Terms of Reference

‘The Review will analyze the challenges and opportunities facing HE and the implications for student financing and support. It will examine the balance of contributions to HE funding by taxpayers, students, graduates and employers. Its primary task is to make recommendations to Government on the future of fees policy and financial support for full and part-time undergraduate and postgraduate students.’

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# SECURING A SUSTAINABLE FUTURE FOR HIGHER EDUCATION

AN INDEPENDENT REVIEW OF HIGHER  
EDUCATION FUNDING & STUDENT FINANCE.

12 October 2010

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[www.independent.gov.uk/browne-report](http://www.independent.gov.uk/browne-report)

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# The Independent Review Team

- ▶ **Lord Browne of Madingley**, Chair
- ▶ **Sir Michael Barber**, McKinsey consultant and former Education Advisor to Tony Blair
- ▶ **Diane Coyle**, freelance economist, former Advisor to HM Treasury
- ▶ **Professor David Eastwood**, Vice-Chancellor, University of Birmingham, and former Chief Executive of HEFCE
- ▶ **Professor Julia King**, Vice-Chancellor, Aston University
- ▶ **Rajay Naik**, former Chair of the British Youth Council
- ▶ **Peter Sands**, Chief Executive of Standard Chartered Bank




# Browne Review: 6 Principles

1. **More investment and more participation** in Higher Education
2. **Student choice** should be increased, students should have the ‘purchasing power’ to drive up quality through competition
3. **Everyone who has the potential** should be able to benefit from Higher Education
4. **No upfront payments:** no-one should have to pay until they start to work
5. When **payments** are made they **should be affordable**
6. **Part-time students** should be treated the same as full-time students for the costs of learning



# Browne Review: key recommendations


1. Lift the current cap on fees, but universities pay a levy if they charge more than £6k
  2. No student or family should have to pay fees upfront
  3. Loans for HE should come from the Government and only be repaid when graduates are earning more than £21k per annum
  4. Repayment level 9% of salary above £21k
  5. Interest charged at the Government's cost of borrowing – well below commercial rates
  6. Remaining unpaid loans forgiven after 30 years
  7. Non-means tested annual loan for maintenance for all students of £3250
  8. Maintenance grant of £3750 where family income is £25k or less, decreasing to family income of £65k
  9. A 10% increase in university places
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# Government Response Nov 2010


## Key changes in comparison with Browne proposals

- ▶ Capped tuition charge - graduate contribution (no levy for HEIs with higher tuition charges)
- ▶ Increase in the rate of interest for higher earners (to RPI + 3% max), and changes to the structure of interest subsidies
- ▶ £42k income threshold for receipt of partial student grants
- ▶ More generous maintenance loans (no figures yet)
- ▶ New National Scholarship Programme (£150M)
- ▶ No increase in places

## Support for

- ▶ Stronger commitments to fair access in return for higher tuition charges
  - ▶ Government-backed loan available for the full tuition charge – no upfront fees
  - ▶ Core features of loan repayment structure, including increased earnings threshold, repayment rate at 9% of earnings above threshold, and 30-year maximum liability
  - ▶ More generous full maintenance grants
  - ▶ Loans for tuition for higher-intensity part-time students (25% intensity)
  - ▶ A standard set of public information that students and parents most value
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# Government Response Nov 2010

- ▶ Fees: an 'absolute limit' of £9,000 per year
  - ▶ Will apply from 2012/13
  - ▶ HE Bill: details of how this will all work, Spring 2011
  - ▶ Students able to access a government-backed loan for the whole tuition charge
  - ▶ Recognition that there could be differences in tuition charges within institutions
  - ▶ All institutions expected to publish a standard set of information, whatever they charge - contact hours, teaching patterns and employment outcomes
  - ▶ Students who defer entry from 2011 to 2012 will be subject to new arrangements
  - ▶ No formal requirement for universities to provide bursaries to students from lower income families
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# Key messages

**There is a lot we don't know yet....**

- ▶ Conditions to set fees above £6k
- ▶ How the National Scholarship Programme will work
- ▶ Maintenance grant and loan levels: but indications that the combination will give all students at least slightly more cash than at present
- ▶ Prospectuses likely to be published without fee information!

**We have to wait for the HE Bill in the Spring**

***BUT....***





# Messages for potential applicants

**A degree is probably the best investment you will ever make**

- ▶ Graduates are more likely to be employed and have significantly higher lifetime earnings
- ▶ Graduates report higher job satisfaction
- ▶ Graduates enjoy significant health benefits – less likely to smoke or be obese or depressed
- ▶ Graduates are ‘good citizens’ who get involved in their children’s education; vote; don’t get involved in crime; are active in their communities
- ▶ Graduates are more likely to come back into education later in life: for work or just for personal interest

Graduates are happier, healthier, wealthier....

**It really is still the best investment you will ever make**



# Messages for potential applicants

**The financial return to you as an individual is significantly higher than the economic return to the country of you having a degree**

- ▶ So it is ‘fair’, in an economic sense, that the individual should make a larger contribution than the state
- ▶ The Government will still be making very significant contribution to the cost of higher education – through the loans to students rather than through large contributions direct to Universities



# Messages for potential applicants

## Higher Education will remain FREE at the point of access

- ▶ The support for students from low income families will be better than it is today
- ▶ For students the cost of maintenance will, generally, remain the challenge – as is the case today – but it looks as if the combination of maintenance grants and loans will mean that all students have slightly more cash than they do today
- ▶ Parents should not be worrying: students don't pay, parents don't pay, graduates pay – when they can afford to

**You won't be worse off as a student than students are today**



# Messages for potential applicants

## You pay only when and if you can afford to

- ▶ Graduates earning over £21k pay 9% of income over £21k – £7 per week at £25k (average graduate earnings are now £21k)
- ▶ It is estimated that only 40% of graduates will pay off their loans in full over 30 years – so there is significant Government subsidy for most people
- ▶ The lowest paid 25% of graduates will pay LESS than under today's scheme

**It is nothing like a commercial loan – it never comes to bite you**



# Messages for potential applicants

## It will feel exactly the same as a tax for most graduates

- ▶ When I graduated in 1975 base rate income tax was 33%
- ▶ Base rate income tax was in the 33% - 25% range through the 1970s and 1980s – reducing to 25% in 1988
- ▶ Base rate today is 20% - so above £21k this is just like a base rate of 29% - less than I paid!!
- ▶ Arguments about graduate tax versus government loan repayments are really ‘academic’ for the majority of graduates

**This is much more like a tax liability than a debt**



# Key messages to potential applicants

The price of tuition won't make that much difference to you...  
especially if you don't become a high earning graduate

	<b>CURRENT SYSTEM</b>	<b>NEW SYSTEM</b>	<b>NEW SYSTEM</b>
Fee	£3290	£6000	£9000
Maintenance Loan	£4000	£4000	£4000
Total Loan	£21,870	£30,000	£39,000
<b>REPAYMENT</b>	<b>£14,000</b>	<b>£10,678</b>	<b>£10,967</b>

*HEPI Report number 50, November 2010. Payments are shown discounted by inflation to Year 1 of the repayment period*

**Don't be put off by the price if it is really what you want to do**



# Proposed Access conditions

**Institutions charging tuition contributions above the £6,000 threshold will:**

- ▶ be expected to draw up a new access agreement with OFFA
- ▶ be obliged to participate in the National Scholarship Programme

**New access agreements would include:**

- ▶ details of outreach activities, financial aid for poorer students, and targeted scholarships
- ▶ an agreement with OFFA for ‘a programme of defined progress each year’ against access benchmarks ‘as calculated by the Higher Education Funding Council’

**Potential sanctions if progress is not made towards benchmarks:**

- ▶ redirection by OFFA of a proportion of contributions over £6,000 towards ‘specified access activities’
- ▶ withdrawing the right of the university to charge more than £6,000



# Issues still not clear on access...

**National Scholarship Programme : Government's current preference is:**

- ▶ matched funding from universities
- ▶ a free first year or expansion of the foundation year model
- ▶ targeting this funding towards 'bright potential students from poor backgrounds', including the 'principal beneficiaries' of the Government's pupil premium

**Further clarity is needed in a number of other areas, eg:**

- ▶ the relationship with OFFA for those charging £6,000 or less for all or most of their courses
  - ▶ how the 'access benchmarks' would be determined, and especially the role of stakeholders from across the sector in the development of existing measures
  - ▶ how any chosen measures can be appropriately used to assess 'progress' at institutional level
  - ▶ whether OFFA would continue to monitor spending on financial support and outreach measures as a proportion of additional income from tuition charges
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