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The Independent Review of Higher Education Funding and Student Finance

1 Introduction

The following paper was commissioned by the Committee for Employment and Learning following the publication of the Independent Review of Higher Education and Student Finance (The Browne Review)¹.

This Briefing Paper provides a synopsis of its main findings, recommendations and a brief analysis. For additional information, also included are the changes introduced via the Comprehensive Spending Review and a brief synopsis of the Stuart Review.

2 Key Points

- The Browne Review was based around six guiding principles;

¹ The Independent Review of Higher Education and Student Finance <http://hereview.independent.gov.uk/hereview/> (first accessed 22nd October 2010)

- The Review identified the need to reform under three headings: Participation, Quality and Sustainability;
- The researcher's examination of the Browne Review found 29 separate recommendations²;
- The IFS analysis of the Review found that lower earning graduates would pay less for their degree and higher earning graduates more;
- Million+, a University think tank, conducted an analysis of the review and concluded that Universities would lose income if they set fees at £6,000;
- The Government will benefit if the reviews recommendations are implemented with taxpayers saving £6,000 per student per degree;
- The Comprehensive Spending Review (CSR) announced a number of reforms to HE;
- The Stuart Review recommended that student fees in Northern Ireland should be held at the current level in real terms. However, it was also recommended that the findings of the Stuart Review should be re-examined following the publication of the Browne Review; and
- A consultation into Higher Education (HE) funding will be launched in Northern Ireland by the Minister for Employment and Learning in February 2011.

3 Background and Principles

The Independent Review of Higher Education and Student Finance was commissioned under the Labour Government in November 2009.

Headed up by Lord Browne of Madingley, a former Chief Executive of British Petroleum (BP), the review was tasked with examining the existing system of HE funding in England and providing recommendations for its future development.

In order to frame the review, the report operated under six guiding principles:

1. There should be more investment in Higher Education – but institutions will have to convince students of the benefits of investing more;
2. Student choice should be increased;
3. Everyone who has the potential should be able to benefit from Higher Education;
4. No student should have to pay towards the cost of learning until they are working;
5. When payments are made they should be affordable; and
6. There should be better support for part time students.

² Please note, as the Browne Review does not provide a full list of its Recommendations this figure is based on a review of the document.

Using these Principles the review examined the current HE system and its potential impact on future economic growth and social mobility.

The Browne review sums up the need for reform under three headings:

Participation: The current HE system does not meet the aspirations of many people who want to enter HE. There are not enough places for those who want to study full time and there is insufficient support for those who want to study part time. The Review states that *“Fair Access has not been achieved”*³.

Quality: Students are no more satisfied with HE than they were ten years ago. Employers report that many graduates lack the skills they need to improve productivity. Institutions have no access to additional investment to pay for improvements to the courses they provide. The Review points out that the incentives institutions use to improve the student experience are limited.

Sustainability: The balance of public and private contributions has not changed, with the HE system dependent on public resources. This is a concern when public resources are being cut.

The Review, having identified the areas in need of reform, used this information alongside the previously discussed principles to develop the ‘Student Finance Plan’, which lays out an alternative system to student finance from that currently in use.

4 Browne Review Recommendations

As can be expected the Browne Review made a number of recommendations regarding the future development of the Higher Education Funding system.

The Recommendations are listed below, separated into the sections in which they appear in the review:

1. After leaving university, graduates will begin repaying when they reach annual earnings of over £21,000 a year, up from £15,000 under the current system. Even then, the payments will be small (for example at an income level of £25,000 a year the repayments will be £7 a week).
2. The current cap on fees of £3,290 per year will be removed, allowing universities to put quality first and charge accordingly. A tapered levy on institutions charging more than £6,000 (the *soft cap*) per year will ensure that those which charge the most contribute more to supporting the poorest students. In addition, universities that wish

³ The Independent Review of Higher Education and Student Finance <http://hereview.independent.gov.uk/hereview/> (first accessed 22nd October 2010) (page 23)

to charge more will be required to demonstrate to the regulator and to their students both improved standards of teaching and fair admission. There will be no cap.

3. Demand for higher education will continue to increase and the government will fund more places so that everyone who has the potential to benefit from HE gets the opportunity to do so. A 10% increase in student places will be factored into the system over the next four years

Enhancing the Role of Student Choice

4. Every school will be required to make individualised careers advice available to its pupils.
5. There will be a single online portal for applications for university entry and student finance. This portal will be run by UCAS.
6. Institutions and students will work together to produce Student Charters that provide detailed information about specific courses and include commitments made by students to the academic community they are joining.
7. Institutions will no longer be required to provide a minimum bursary to all students receiving the full grant from Government for living costs.
8. The higher education system will expand to accommodate demand from qualified applicants who have the potential to succeed.
9. Entitlement to student finance will be determined by a minimum entry standard, based on aptitude. In addition, Institutions will face no restrictions from the Government on how many students they can admit.

The Student Finance Plan

10. Full time students will pay no fees upfront. Government will provide the upfront costs. The same upfront support for the costs of learning will be extended to part time students.
11. The loan system for the costs of living will be simplified to create one flat rate entitlement of £3,750 (currently ranges from £3,497 to £4,924 dependent on household income). This means anyone applying for a loan knows exactly how much

funding they are eligible for and if they are only applying for loans then no means test is necessary.

12. The maximum grant for the costs of living available to students from low backgrounds on top of the loan will increase to £3,250 (currently ranges between £51 to £2,906, dependent on household income). The full grant will be available up to a household income of £25,000 and a partial grant up to a household income of £60,000. All students will receive at least as much cash in hand as they do now (total of grant and maintenance loan). The cost of living grant will not be available to part time students.
13. Institutions will not be required to provide a minimum bursary and that cash in hand for students will come through the grant for the costs of living instead. Making the minimum bursary part of the Government package of support will mean that students receive all of their minimum support for living costs from one place and on the basis of a single application.
14. Students with higher earnings after graduation will pay a real interest rate on the outstanding balance for the costs of learning and living. The interest rate will be equal to the Government's cost of borrowing (inflation plus 2.2%). Students earning below the repayment threshold will pay no real interest rate. The loan balance will increase in-line with inflation.
15. The repayment threshold will be reviewed regularly and increased in line with average earnings. As the threshold has not been increased since 2005, there will be a one-off increase at the start of the new system from £15,000 to £21,000.
16. Changing the threshold in line with earnings increases the costs of loans for government. Some of the cost will be offset by increasing the maximum payment period from 25 to 30 years. After 30 years, any outstanding balance will be written off by government.
17. Institutions will be able to use the system by which students make payments to Government to attract more charitable giving.

Safeguarding the Public Interest in the Higher Education System

18. Higher Education is currently overseen by four bodies: Higher Education Funding Council (HEFC), Quality Assurance Agency (QAA), Office for Fair Access (OFFA) and the Office of the Independent Adjudicator (OIA). These will be replaced by a single Higher Education Council. It will take a more targeted approach to regulation, with greater autonomy for institutions. The Council will be independent from

Government and have five areas of responsibility: Investment; Quality; Equality of Access; Competition; and Dispute Resolution.

19. It will be a condition of receipt of income from the Student Finance Plan for the costs of learning that institutions require all new academics with teaching responsibilities to undertake a teaching training qualification accredited by the HE Academy.
20. There will be a new Access and Success fund to support institutions in recruiting and retaining those students who need additional support due to the effects of a disadvantaged background.
21. To improve the accountability of institutions for achieving fair access, WPSAs⁴ and Access Agreements will be replaced with a single Access Commitment, to be agreed between institutions and the HE Council and updated annually.
22. No minimum spend will be required from institutions that meet their targets on access and completion. Institutions that do not meet their targets will have to agree with the HE Council a minimum level of spend that will be used to improve performance.
23. The Council will carry out an annual survey of charges, allowing easy comparison for students between the charges set by institutions and the success of institutions in providing value for money.
24. New providers will be able to apply for targeted HE Council investment if they offer priority programmes and they will be subject to the same quality requirements as any other provider.
25. Students on all courses, irrespective of the status of their institutions, will be able to access the Student Finance Plan.
26. The HE Council will require the governing bodies of institutions to certify each year that the institution is a viable going concern. The Council will have powers to provide targeted funding to prevent institutional failure from taking place. It will also make recommendations to the governing body of an institution where it views that management is ineffective.
27. If institutional failure cannot be prevented in a way that is cost effective for public investment or in the best interests of students or staff, then the Council will explore

⁴ Widening Participation Strategic Assessments

options such as mergers or takeovers led by other providers so that the institution in a new form becomes a going concern.

- 28.** The HE Council will take on the role of adjudicating on complaints which students have been unable to resolve through institutional routes. Bringing the regulatory and complaints function together will enable regulation to be adapted in light of decisions about complaints where appropriate.
- 29.** Public investment will be targeted on the teaching of priority subjects. Based on identified current or future needs, courses that provide significant social returns such as skills or knowledge will receive additional public investment. Courses will receive funding based on whether they are a Clinical Training Programme or a Priority Programme. The minimum level of investment is expected to be consistent with the current premium paid by HEFCE on equivalent courses (ca. £700m per year).

5 Discussion

The Browne Review has a number of far reaching implications for HE. The following section will discuss some of the main areas considered by the review including the removal of the fee cap and the impact of the recommendations on students and Universities.

Analysis of the removal of the cap by the Institute for Fiscal Studies found that if Universities charged the *soft cap* rate of £6,000 (above which Universities will be liable to supply the Government with a percentage of the fee) graduates would repay around £20,100 (including maintenance loans)⁵. Importantly:

Those in the bottom 30% of lifetime earnings would actually pay back less than under the current system, whilst only the highest-earning 30% of graduates would pay back the full amount of their loans.

The IFS concludes that:

The resulting spread of repayments would be more progressive than under the current system, in the sense that lower-earning graduates would pay less and higher-earning graduates would pay more.

However, Million +, a University Think Tank, found in its analysis of the Browne Review that the 'average graduate' (a male graduate on c. £28,000 pa) will pay an additional £4,642 compared to a graduate on £55,000 pa who will pay £6,200 more⁶.

⁵ Institute for Fiscal Studies 12th October 2010 Graduates and Universities Share Burden of Browne Recommendations <http://www.ifs.org.uk/publications/5302> (first accessed 29th October 2010)

⁶ Million + Universities and Students Both Losers from Browne <http://www.millionplus.ac.uk/press/universities-and-students-both-losers-from-browne> (first accessed 29th October 2010)

The use of the soft cap will have an effect on HEI funding in that Universities will lose income if they set fees at the £6,000 mark as a result of proposed cuts to the teaching budget. As stated in the Browne Review, whilst discussing access to Universities:

*Scrutiny of Access Commitments by the HE Council will be tougher for institutions with higher charges, especially those seeking to charge above **£7,000 per year (which is roughly equivalent to what institutions will have to charge to maintain investment at current levels based on our assumptions about the reduction in HEFCE funding)**⁷. (Emphasis added).*

The IFS found that Universities would lose teaching grants of approximately £9,900 per student over the course of a degree. As a result, Universities would have to charge £7,000 a year in order to cover the cost of a degree⁸.

This rise in fees could, as described in the Sutton Trust analysis, have a major impact on students accessing HE. The Trust found in a recent study that of 2,700 secondary school students that if fees increased to £7,000pa only 45% would go to University with only 26% going if fees went up to £10,000pa⁹.

Also of note is Recommendation 9¹⁰ in which the review proposes that students who want to receive government funding for their tuition fees must reach a minimum grade.

As stated in the review:

The minimum tariff entry standard will be set every year by Government shortly after the UCAS deadline for receiving applications.

This fits within the Reviews proposed simplification of the application process - prospective students will apply for their University place and funding at the same time, through a single website, thereby allowing both to be processed in tandem.

The entry standard will then be set by Government knowing what the demand for places is and the demand for student finance. This in effect creates an indirect control¹¹

In HEPI's analysis of the Browne Review it states:

⁷ The Browne Review, page 49

⁸ Institute for Fiscal Studies 12th October 2010 Graduates and Universities Share Burden of Browne Recommendations <http://www.ifs.org.uk/publications/5302> (first accessed 29th October 2010)

⁹ The Sutton Trust (October 2010) Initial Response to the Independent Review of Higher Education Funding and Student Finance

¹⁰ Please note, the numbering for this recommendation is the Researchers not that of the Browne Review – please see page 33 of the Browne Review for a full discussion of the proposed working of the scheme.

¹¹ HEPI 15th October Thompson, J and Bekhradnia, B The Independent Review of Higher Education Funding: An Analysis <http://www.hepi.ac.uk/files/49%20Browne%20Review%20summary.pdf> (first accessed 29th October 2010)

Also proposed is that government should decide, in any given year, the minimum number of tariff points for students to be entitled to loans and grants, and therefore effectively to play a decisive role in deciding on admissions to university.

And that...:

...universities will be told by the government whom they may and whom they may not admit – a major new intrusion into university autonomy¹².

It must be noted that the Browne Review does not suggest what a minimum grade for access to higher education funding will be, although if it has a variable level each year this could have a number of implications for students, including:

- Potential creation of an effective “minimum grade” to access third level education, set by Government rather than Higher Education Institutions;
- Implications for low income, disadvantaged social background students who may receive low passes (for example 3 E’s in A-Levels) which are sufficient to access a University place but not funding (depending, of course, on what the minimum tariff for funding is);
- Government finances dictating how many students attend University.

This is an area of the Browne review which needs to be examined in detail, including consideration of the impact on the Widening Participation strategy and the forthcoming NEETS strategy.

Following consideration of how the Browne review will affect Universities, students and graduates, the IFS found that the main beneficiary for the proposed reforms is the Government, as:

Compared with the current system, taxpayers would save £6,000 per student over the course of a degree.

6 Comprehensive Spending Review

The Comprehensive Spending Review (CSR)¹³ announced by the Conservative and Liberal Democratic Government on the 20th of October 2010 introduced some elements of the Browne Review to Higher Education Funding. These include:

- From the 2012-13 academic year Universities will be able to increase graduate contributions;

¹² Ibid

¹³ HM Treasury 20th October 2010 Comprehensive Spending Review http://cdn.hm-treasury.gov.uk/sr2010_completereport.pdf (first accessed 20th October 2010)

- There will be loan support for part time students with an offsetting reduction in the teaching grant;
- For students from low income backgrounds and low income graduates, a £150 million national scholarship fund will be established;
- There will be a reduction in bureaucracy through the simplification of the funding system, the streamlining of Arms Length Bodies and the abolition of central targets;
- There will be additional advice available to students via the development of an all-ages career service;
- Colleges will be expected to make savings through greater efficiencies and pay restraints;
- Research Council Institutes and Universities will deliver efficiencies of £162 million a year by 2014-15; and
- There is expected to be 40% savings from reform of Higher Education.

7 The Independent Review of Variable Fees and Student Finance Arrangements (The Stuart Review)

The Stuart Review was commissioned by the Minister for Employment and Learning in January 2009 and was published in October 2010 following the publication of the Browne Review.

The Stuart Review was designed to examine the impact of the introduction of variable fees and covered the following areas¹⁴:

- The impact of the current fee arrangements on institutions delivering higher education in Northern Ireland; and
- The impact of the current student finance arrangements on students and prospective students.

Evidence for the Stuart Review came from multiple sources, including the:

- Economic and Social Research Council (ESRC) Project;
- Department of Education;
- Department for Employment and Learning; and
- HESA Performance Indicators.

The initial intention of the introduction of variable fees was to develop a market between HEIs. The Stuart Review identified that:

None of the HEIs introduced variability to the fee structures and only a limited amount of variability was introduced by some of the Further Education Colleges.

¹⁴ DEL Independent Review of Variable Fees and Student Finance Arrangements (The Stuart Review)
<http://www.delni.gov.uk/index/publications/pubs-higher-education/variablefeesreview.htm>

This trend was replicated in the rest of the UK with most Universities increasing their fees to the maximum allowed (£3,000 at the time of introduction and currently £3,290 at the time of writing).

When considering the impact of variable fees, the Stuart Review found that there was an initial fall in student enrolment numbers when it was introduced. However *“the trends that were evident prior to their introduction appear to be re-establishing.”*

Other data provided by DEL and UCAS shows that the number of students enrolled in NI HEI's increased between 2008 and 2009 from 18,072 to 19,292 (an increase of 7%).

Whilst the introduction of variable fees appears to have had a limited impact on the enrolment of students, it does appear to have affected the expectations of students.

The Stuart Review quotes figures from the NUS Student Experience which found that 75% of students say they are enjoying their University experience. On average, 8.5% of students said they were not enjoying their University experience with the highest negative response (10%) from Post 1992 and Other Institutions students. It should be noted that the survey had 2,407 responses to this question with 169 from Other Institutions and 1,021 from Post 1992 HEI's (the highest number of responses)¹⁵.

When asked as part of the NUS study to state where they would allocate funds, 21% of all respondents stated teaching with a further 18% stating student finance. This reflects the key concerns identified in the NUS study and discussed in the Stuart Review:

Among those not enjoying their experience, the two key reasons given are the quality of teaching and the level of debt/concerns about the cost of studying at University¹⁶.

Following an extensive review of higher education in Northern Ireland the Stuart Review considered four alternatives to the current system:

- Maintain the current fee level;
- Abolish fees at Northern Ireland Institutions;
- Increase the fee cap; and
- Consideration of the current maintenance grant for living costs.

Based upon the review and consideration of the alternatives the Stuart Review made a number of recommendations, including:

- Maintain student fees at the current levels in real terms;

¹⁵ National Union of Students 2008 NUS Student Experience Report
http://www.nus.org.uk/PageFiles/4017/NUS_StudentExperienceReport.pdf (first accessed 19th October 2010)

¹⁶ DEL Independent Review of Variable Fees and Student Finance Arrangements (The Stuart Review)
<http://www.delni.gov.uk/index/publications/pubs-higher-education/variablefeesreview.htm>

- Align maintenance grant thresholds for means testing closer to those currently applicable in England and retain the differential;
- Processes should be put in place to enable measurement of loan recovery;
- Policies regarding maintenance grant and fee payments for NI students studying in the ROI should be reviewed to bring them into step with other NI students; and
- The details of the student finance package and the benefits within are better communicated to parents, careers teachers and prospective students.

A point made a number of times throughout the Stuart Report is that many of its recommendations and findings would need to be reviewed following the publication of the Browne Review.

8 Summary

The Browne Review proposes major reform of the HE system in England and could have similar implications for the system here in Northern Ireland.

There are a large number of recommendations (there are 29 identified in this paper) such as the removal of the cap on fees (although there is a proposed *soft cap* with Universities which charge more than £6,000 per annum having to pay a percentage of the fee to government), the increase in the income repayment level (from £15,000 to £21,000) and the proposed development of a single portal for both degree and funding applications.

In addition, the Comprehensive Spending Review of the 20th of October announced a number of reforms to the HE system, including loan support for part time students, with an offsetting reduction in the teaching grant, and an expected 40% savings from reform of Higher Education.

A consultation on student finance arrangements for Northern Ireland has been announced by the Minister for Employment and Learning (due to commence in February 2011) with the Stuart Review being revisited to include consideration of the Browne Review. The revised Stuart Review will be used to inform the consultation.