
SECURING A SUSTAINABLE FUTURE FOR HIGHER EDUCATION

**AN INDEPENDENT REVIEW OF HIGHER
EDUCATION FUNDING & STUDENT FINANCE.**

12 October 2010

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FOREWORD



Lord Browne at City of Westminster College.

England has an internationally respected system of higher education. There are now a record number of people enrolled, studying an increasingly varied range of subjects at a diverse set of higher education institutions ('HEIs'). Graduates go on to higher paid jobs and add to the nation's strength in the global knowledge based economy. For a nation of our scale, we possess a disproportionate number of the best performing HEIs in the world, including three of the top ten.

However, our competitive edge is being challenged by advances made elsewhere. Other countries are increasing investment in their HEIs and educating more people to higher standards.

In November 2009, I was asked to lead an independent Panel to review the funding of higher education and make recommendations to ensure that teaching at our HEIs is sustainably financed, that the quality of that teaching is world class and that our HEIs remain accessible to anyone who has the talent to succeed. Over the last year, we have consulted widely and intensively. Our recommendations are based on written and oral evidence drawn from students, teachers, academics, employers and regulators. We have looked at a variety of different systems and at every aspect of implementing them – financial, practical and educational – to ensure that the recommendations we are making are realistic for the long term. I would like to thank all those who have contributed their knowledge, experience and time to this review. Our findings are contained in our full report and summarised here.

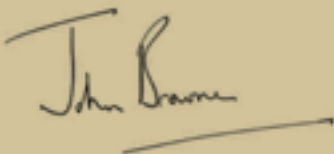
- Great advances have been made in making it possible for more people from all backgrounds to enter an HEI. Currently 45% of people between the ages of 18 and 30 enter an HEI, up from 39% a decade ago. Improvements have been made to ensure that students from disadvantaged schools or backgrounds are given a fair chance to study for a degree. Our recommendations build on this success. Support by way of cash for living ('maintenance') will be increased. Those studying for a degree part time will be given proportionate access to funding to those studying full time.
- The quality of teaching and of the awarded degrees is the foundation upon which the reputation and value of our higher education system rests. Our recommendations in this area are based on giving students the ability to make an informed choice of where and what to study. Competition generally raises quality. The interests of students will be protected by minimum levels of quality enforced through regulation.
- England's HEIs are very varied, in the type of student they attract, the standards of attainment they require for entry, the courses taught and so on. While most of higher education takes place in an HEI called a university this one word does not capture the reality of their diversity. Our recommendations reinforce this diversity. And since one size does not fit all, we would expect the result to be that HEIs will set varied charges for courses.
- A degree is of benefit both to the holder, through higher levels of social contribution and higher lifetime earnings, and to the nation, through higher economic growth rates and the improved health of society. Getting the balance of funding appropriate to reflect these benefits is essential if funding is to be sustainable. Our recommendations place more of the burden of funding on graduates, but they contribute only when they can afford to repay the costs financed. Students do not pay charges, only graduates do; and then only if they are successful. The system of payments is highly progressive. No one earning under £21,000 will pay anything.

We estimate that only the top 40% of earners on average will pay back all the charges paid on their behalf by the Government upfront; and the 20% of lowest earners will pay less than today. For all students, studying for a degree will be a risk free activity. The return to graduates for studying will be on average around 400%.

In formulating our recommendations we had to balance the level of participation, the quality of teaching and the sustainability of funding; changing one component has an impact on the others. What we recommend is a radical departure from the existing way in which HEIs are financed. Rather than the Government providing a block grant for teaching to HEIs, their finance now follows the student who has chosen and been admitted to study. Choice is in the hands of the student. HEIs can charge different and higher fees provided that they can show improvements in the student experience and demonstrate progress in providing fair access and, of course, students are prepared to entertain such charges.

Our recommendations will lead to a significant change; we do not underestimate the work that will be required. Since this review was commissioned the pressure on public spending has increased significantly. This will add urgency to make funding sustainable. We hope that, as these recommendations are debated, no one loses sight of the powerful role that higher education will play in continuing to build the greatness of this nation.

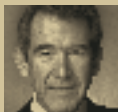
Respectfully submitted on behalf of the Review Panel, by



**LORD BROWNE OF MADINGLEY, FRS, FRENG
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12 October 2010

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THE PRINCIPLES

01



MORE INVESTMENT SHOULD BE AVAILABLE FOR HIGHER EDUCATION.

The current system puts a limit on the level of investment for higher education. As a consequence we are at risk of falling behind rival countries. Our proposals introduce more investment for higher education. HEIs must persuade students that they should 'pay more' in order to 'get more'. The money will follow the student.

02



STUDENT CHOICE SHOULD BE INCREASED.

No HEI can grow in the current system to respond to student demand. Many prospective students do not get adequate advice or information to help them choose a course of study. Our proposals put students at the heart of the system. Popular HEIs will be able to expand to meet student demand. Students will be better informed about the range of options available to them. Their choices will shape the landscape of higher education.

03



EVERYONE WHO HAS THE POTENTIAL SHOULD BE ABLE TO BENEFIT FROM HIGHER EDUCATION.

No one should be put off from studying in higher education because they cannot afford the cost of living while they are studying. HEIs will be evaluated on how well they are doing in providing fair access to all.

04



NO ONE SHOULD HAVE TO PAY UNTIL THEY START TO WORK.

The pressure on public finances could mean that students have to pay upfront or rely on loans from banks and money from families to meet the costs of higher education. We reject those approaches. In our proposal, Government will meet the upfront cost of higher education through the Student Finance Plan (see page 11 for more information). Students will not have to rely on banks or families to meet the costs of learning or living.

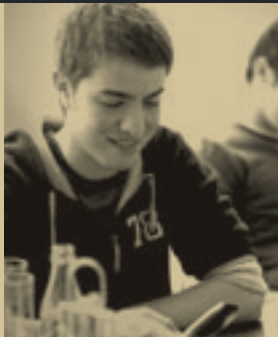
05



WHEN PAYMENTS ARE MADE THEY SHOULD BE AFFORDABLE.

Students should only pay towards the cost of their education once they are enjoying the benefits of that education. A degree is a good investment. Payments will be linked to income, so those on low incomes pay nothing. No graduate will face demands for payments that they cannot afford to make. Payments stop when the Student Finance Plan is complete – this is not a lifetime graduate tax (see page 6 and 7 for more information).

06



PART TIME STUDENTS SHOULD BE TREATED THE SAME AS FULL TIME STUDENTS FOR THE COSTS OF LEARNING.

The current system requires part time students to pay upfront. This puts people off from studying part time and it stops innovation in courses that combine work and study. In our proposal the upfront costs for part time students will be eliminated, so that a wider range of people can access higher education in a way that is convenient for them.

THE PROPOSAL

HIGHER EDUCATION

EMPLOYMENT



LEARNING

LIVING

EARNING



LEARNING

Students choose where they want to study and what they want to study. Government pays the costs of learning upfront.

LIVING

- Support for living costs available to all through an annual loan of £3,750. No means testing for access to loans for living costs.
- Additional support for students from families with an income below £60,000 per year, up to £3,250 in grants

EARNING & PAYING

- Students pay nothing up front. Graduates only make payments when they are earning above £21,000 per year.
- Payments are affordable – 9% of any income above £21,000.
- If earnings drop, then payments drop. If graduates stop work for whatever reason, then payments stop as well.
- The payment threshold is reviewed regularly to bring it into line with growth in earnings
- The interest rate on the loans is the low rate that Government itself pays on borrowing money. There is a rebate for low earners.
- Any balance remaining after 30 years is written off

PAYMENT HOLIDAY

If graduates stop work for any reason, then payments stop as well.



PAYING

OPTIONAL



GIVING

GIVING

- HEIs that charge the most for learning contribute to the costs of student finance by paying a levy on that income

Graduates can choose to make optional tax deductible payments to support their chosen HEI

PAYMENTS DUE BY GRADUATE EARNINGS

£ Annual earnings	Monthly		Weekly	
	Gross income	Payment	Gross income	Payment
0	0	0	0	0
21,000	1,750	0	404	0
25,000	2,083	30	481	7
30,000	2,500	68	577	16
40,000	3,333	143	769	33
50,000	4,167	218	962	50
60,000	5,000	293	1,154	68

The payment due is dependent only on the income of the borrower; it is independent of the interest rate and size of debt outstanding.

THE BENEFITS

We have been guided throughout our work by three aims: to increase participation, improve quality and create a sustainable long term future for higher education in this country. Our proposals are designed to deliver the following benefits.

PARTICIPATION

HIGHER EDUCATION EXPANDS SUSTAINABLY TO MEET QUALIFIED DEMAND, WITH ACCESS FOR ANYONE WHO HAS THE TALENT TO SUCCEED.

Our proposals create the financial scope for higher education to expand. We recommend a 10% increase in the number of places; and new support for the costs of learning for part time students. We propose an increase in the support for living costs for students from low income backgrounds. We recognise the role of HEIs in promoting access to higher education for all and ask the schools system to respond by improving guidance.

QUALITY

HEIs ACTIVELY COMPETE FOR WELL INFORMED, DISCERNING STUDENTS, ON THE BASIS OF PRICE AND TEACHING QUALITY, IMPROVING PROVISION ACROSS THE WHOLE SECTOR, WITHIN A FRAMEWORK THAT GUARANTEES MINIMUM STANDARDS.

Our proposals are designed to create genuine competition for students between HEIs, of a kind which cannot take place under the current system. There will be more investment available for the HEIs that are able to convince students that it is worthwhile. This is in our view a surer way to drive up quality than any attempt at central planning. To safeguard this approach, we recommend that the Higher Education Council enforces baseline standards of quality; and that students receive high quality information to help them choose the HEI and courses which best matches their aspirations.

SUSTAINABILITY

INCREASED PRIVATE CONTRIBUTIONS AND MORE TARGETED PUBLIC INVESTMENT TO SUPPORT HIGH QUALITY PROVISION AND ALLOW THE SECTOR TO GROW TO MEET QUALIFIED DEMAND.

The current funding and finance systems for higher education are unsustainable and need urgent reform. In our proposals, the system is put on a more sustainable footing by seeking higher contributions from those that can afford to make them, and removing the blanket subsidy for all courses – without losing vital public investment in priority courses. These measures create the potential to allow the numbers of student places to increase by 10% and enhance support for living costs while still allowing public spending reductions to be made.

HOW WOULD IT BENEFIT ME?

STUDENTS & GRADUATES

- Better education through a system that is built around their aspirations
- More choice, more opportunities
- Better information about courses
- No barriers to access
- Affordable payments



PARENTS & FAMILIES

- No upfront payment for the costs of learning
- Affordable contribution to the costs of living
- Additional targeted help for low income families
- Less means testing



HIGHER EDUCATION INSTITUTIONS

- More competition
- More say, more control
- Emphasis on quality
- Opportunity to raise more investment



GOVERNMENT

- Less involved, less regulation
- More trust in the decisions of students and HEIs



THE COMPARISON

How our plan differs from a graduate tax.

ISSUES	GRADUATE TAX	STUDENT FINANCE PLAN
<i>Cost of learning</i>	No upfront costs	No upfront costs
<i>Cost of living</i>	Will require support through loans – this means that graduates have to pay the additional tax as well as make loan payments	Graduates make a single set of payments to cover the costs of learning and living provided upfront by Government
<i>Payment terms</i>	Linked to income, no fixed mortgage style payments, payments continue indefinitely	Linked to income, no fixed mortgage-style payments, payments stop when costs of learning and living are paid back – or 30 years – whichever is earlier
<i>Protection for graduates on low incomes</i>	Graduates start paying when they cross the income tax threshold – £6,475 per year	Graduates pay nothing until they earn £21,000 per year
<i>Costs for graduates</i>	Uncapped, could be several multiples of the cost of the degree	Maximum payment is equal to the charge of the degree. Majority of graduates will pay less
<i>Funding to HEIs</i>	Tax revenues take time to build up – for first 25 years, model depends on Government filling that gap; after that, depends on Government enforcing a ring fence around graduate tax revenues	Direct funding relationship between student and HEI
<i>Burden on Government</i>	Additional £3bn a year until 2015-16 at least; additional spending continues until ca. 2041-42	No additional spending; continuing requirement to provide student finance
<i>Relationship between students and HEIs</i>	Student experience does not matter to HEI for raising funding	HEI depends on student willingness to pay for significant proportion of funding, so providing a high quality student experience is critical
<i>Incentives for HEIs</i>	No variability in funding, so no incentives to focus on quality, access or student experience	Sustaining income – or raising it – depends on improving quality, access and student experience

THE ADMINISTRATION

HOW IT IS FINANCED

- The Student Finance Plan will be administered by Student Finance, an organisation operating at arm's length from Government
- Students will be able to apply for finance at the same time as applying to study. Rather than choose the course and then seek finance separately, there will be a single application gateway.

The elements of the plan are:

- **Living:** Providing students with grants and loans for living costs on the basis of their own or their parents' income
- **Learning:** Paying the costs of learning upfront on behalf of the student
- **Paying:** Collecting payments from graduates, via the tax system, and managing their remaining payments
- **Giving:** Providing an easy way for graduates to make voluntary tax deductible payments to their chosen HEI

HOW IT IS REGULATED

THE HIGHER EDUCATION COUNCIL

The higher education system is currently overseen by four bodies. These will be replaced by a single Higher Education Council, charged with looking after students' interests and the public investment in higher education. It will take a more targeted approach to regulation, with greater autonomy for HEIs.

The Council will be independent from Government and from HEIs. It will have five areas of responsibility:

- **Investment** – identifying and investing in high-priority courses; evaluating value for money; dealing with the unexpected, with the primary aim of protecting students' interests
- **Quality** – setting and enforcing minimum quality levels across the whole sector
- **Equity of access** – making sure that individual HEIs and the sector as a whole make measurable progress on admitting qualified students from disadvantaged backgrounds

- **Competition** – ensuring that students get the benefits of more competition, by publishing an annual survey of charges, looking after the interests of students when an HEI is at risk and regulating the entry of new providers
- **Dispute resolution** – students can ask the Council to adjudicate on a dispute that cannot be resolved within their HEI, and the Higher Education Council can provide a decision which binds both sides

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The Higher Education Council will explain how it is investing taxpayers' money, and safeguarding students' investment in higher education through an annual report to Parliament.



To read the full report of the Independent Review
of Higher Education Funding & Student Finance, please visit

www.independent.gov.uk/browne-report