



## The Browne Review of Higher Education Funding and Student Finance

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The purpose of this note is to provide an overview of the report of the Independent Review of Higher Education Funding and Student Finance (the Browne Review). The note highlights the report's proposals and includes analysis and responses to the report. This note follows on from two earlier notes on this topic: SN/SP/5695 *Reform of higher education funding in England* and SN/SP/4917 *Review of higher education tuition fees*.

The Browne Report proposes removing the cap on university tuition fees and creating a market in higher education by allowing institutions to choose their own fee rates. No fees would be charged up front and higher earning graduates would pay back more than lower earning graduates. The report recommends that popular institutions should be allowed to expand and it is envisaged that student choice will create a new higher education landscape.

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## **1 The Browne Report ‘Securing a Sustainable Future for Higher Education’.**

In November 2009 an independent panel was appointed to review higher education funding and student finance. The panel included members from business and academia and was chaired by Lord Browne of Madingley. During the Review the panel held four days of public hearings and questioned 36 witnesses, over 150 submissions were received and the panel visited 13 higher education institutions (HEIS). The panel’s report [Securing a Sustainable Future for Higher Education](#) was published on 12 October 2010. The report and accompanying documents are available on the [Review website](#).

Chapter 1 of the report makes the case for investment in higher education (HE):

Higher education matters because it transforms the lives of individuals. On graduating<sup>1</sup>, graduates are more likely to be employed, more likely to enjoy higher wages and better job satisfaction, and more likely to find it easier to move from one job to the next. Participating in higher education enables individuals from low income backgrounds and then their families to enter higher status jobs and increase their earnings. Graduates enjoy substantial health benefits – a reduced likelihood of smoking, and lower incidence of obesity and depression. They are less likely to be involved in crime, more likely to be actively engaged with their children’s education and more likely to be active in their communities.

Higher education matters because it drives innovation and economic transformation. Higher education helps to produce economic growth, which in turn contributes to national prosperity. OECD countries which expanded their higher education sectors more rapidly from the 1960s onwards experienced faster growth. Analysis submitted to the Review suggests that, in the UK between 2000 and 2007, the increase in employed university graduates accounted for 6% of growth in the private sector (measured by the extra wages they earned as a result of being graduates) or £4.2bn of extra output.

Chapter 2 of the report evaluates the current system and sets out the need for reform:

Reflecting on the challenges faced by the current system, the case for reform can be summarised under three headings: participation, quality and sustainability.

#### Participation

The higher education system in this country does not meet the aspirations of many people who wish to enter higher education. 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. Fair access has not been achieved.

#### Quality

Students are no more satisfied with higher education than 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. In any case the incentives for them to improve the student experience are limited.

#### Sustainability

The balance of private and public contributions has not changed. The higher education system remains dependent on public resources; and public resources are being cut. In all of our work we have been guided by seeking to meet these challenges..

The report states that its proposals are holistic and based on six key principles:

Principle 1: There should be more investment in higher education – but institutions will have to convince students of the benefits of investing more

Principle 2: Student choice should increase

Principle 3: Everyone who has the potential should have the opportunity to benefit from higher education

Principle 4: No student should have to pay towards the costs of learning until they are working

Principle 5: When payments are made they should be affordable

Principle 6: There should be better support for part time students

## 2 The Review's proposals

### 2.1 Students will pay more

The report states that 'new investment will have to come from who directly benefit'. There will be **no single fixed price for higher education**. The Review intends that different courses will cost different amounts and that diversity will flourish. Institutions will have to persuade students that their courses offer value for money. There will be scope for the Higher Education Funding Council for England (HEFCE) to withdraw public funding from many courses to contribute to wider reductions in public spending. However public funding for priority courses such as medicine, science and engineering will still be necessary.

## **2.2 Increased student choice**

The report advocates that there should be **more student places** across the sector and that relevant institutions should be able to expand. Students should have better information about the range of options so that ‘their choices will shape the landscape of higher education’.

## **2.3 All students with potential should be able to access higher education**

Higher education is an important vehicle for social mobility so the report states that ‘no one should be put off from studying because they cannot afford the cost of living’. The current complex system of **student finance will be simplified** and support for living costs improved, especially for those from low income backgrounds. Institutions will be evaluated on how well they provide fair access.

## **2.4 Students pay the costs of learning when they are in work**

The Government will pay costs upfront at the direction of students and **no student will face upfront fees**.

## **2.5 Repayments will be affordable**

**Repayments will be linked to income** so that those on low wages pay nothing and those on higher wages will pay the most. Graduates with low incomes will pay no interest and payments will stop when the cost of learning has been repaid. No one will pay for longer than 30 years.

## **2.6 Better support for part-time students**

Current part-time students pay costs upfront, this can be seen as a barrier to people trying to combine work and study. Already 40 percent of students study part-time and this is likely to increase. The report proposes that **upfront costs for part-time students should be eliminated**.

# **3 Details of the proposals**

## **3.1 Enhanced the role of student choice**

The report states that the relationship between the student and the institution will be at the heart of the new system and that student choices should drive up the quality of higher education.

### ***University application process***

The student application process should be improved. Every school should be required to provide individual careers advice for students and this advice should be delivered by certified professionals. Similar careers advice and guidance should also be available to older people. **A single portal will be created for university applications and student finance applications**; it is envisaged that this system would be run by UCAS.

### ***Student Charters***

Students and institutions will produce student charters which will provide information about courses and include commitments to be undertaken by students when they join an institution. Institutions charging higher amounts will have to make stronger commitments to their students, commitments could include things like contact hours, individual feedback on assignments and class sizes. Student commitments could cover attendance.

### ***Information on employment prospects***

The report suggests improving the available information on the employment prospects of different courses. The UCAS portal should allow applicants to compare courses on the proportion of students employed one year after graduation and on the average salary after one year. It is expected that courses which deliver improved employability will be more successful than others.

### ***Abolish bursaries and improve access***

Since September 2006 HEIs have provided bursaries for low income students. Evidence suggests however that bursaries have been ineffective at influencing application decisions. The report proposes **abolishing bursaries and permitting institutions to use this money for other access activity** such as summer schools and outreach activity. Offering bursaries may continue to be a part of some institutions access agreements, but they will not be required to provide a minimum bursary to all eligible students.

### ***Expansion of places***

The report proposes allowing the HE sector to expand to accommodate demand from qualified applicants. In the last academic year around 30,000 qualified applicants were unable to secure a place so it is suggested that **HEIs are allowed to expand by ten per cent over the next three years**. The increase in student places should not be across the sector, but should follow student demand, so the report envisages that some institutions could lose places.

### ***Entitlement to student finance to be based on minimum entry standard***

Entitlement to student finance will be determined by a minimum entry standard based on aptitude. All students who meet the standard will be entitled to student finance. The report suggests that a **minimum entry standard should be set every year by the Government** shortly after the UCAS deadline for receiving applications. The Government will therefore make the decision on entry standards based on the known demand for places and student finance. The UCAS tariff point system will be developed to recognise a wider range of qualifications.

## **3.2 Student Finance Plan**

The current system of student support has been described and complex and confusing. Support for maintenance is available in the form of non-repayable grants and repayable loans, support for fees comes via repayable fee loans. Institutions also provide non-repayable bursaries which vary in amount from institution to institution. Some elements of student support are means tested others are not and income thresholds for student support have changes many times since 2006. The report makes proposals which aim to simplify student finance by breaking down the system into four elements: support for learning, support for living, support for paying and support for giving. .

### ***Support for learning (SF Learning)***

There will be **no upfront costs** for any student regardless of the mode of study. The report recommends **extending the support for costs to part-time students** studying for a third of the full time equivalent. This support would be for a maximum of nine years. Full time students will be entitled to support for the length of the course plus one year.

### *Levy on fees*

The report proposes that **institutions which charge higher than £6,000 per year in fees should pay a levy** on the income from charges above that amount to cover the costs to the Government of providing students with upfront finance. The proposals suggest a levy of 40 per cent on the amount above £6,000 if the fee is up to £7,000 and the levy rises proportionally as the fee amount rises. Institutions charging £12,000 would pay a levy of 75 per cent on the amount over £6,000. The levy is designed to deter institutions from transferring cost to the Government by charging fees that do not match the employment returns of their courses. The levy would be the same for all institutions.

#### *Removal of the cap on fees*

When variable fees were introduced in 2006 only a handful of institutions chose to set fees below the £3,000 highest amount. The cap therefore became the standard price. The Browne proposals **do not include a cap on fees**. The report states that a cap has not been suggested as there is no robust way of identifying the right maximum level. It also says that a cap has a distorting effect on charging by institutions. It envisages that the levy would act to regulate fees rather than a cap.

#### **Support for living (SF Living)**

The report states that the Government should provide a minimum amount of support for all students to cover living costs to support participation and improve equality of access. Evidence suggests that the changes to fees in 2006 did not have a negative impact on participation due to the improved support for living costs. However the report states that the means testing of support is burdensome and that the support for low income students is not sufficient. Browne therefore makes the following proposals:

- Simplify the maintenance loan system by creating a **non-means tested flat rate loan entitlement of £3,750** for all students.
- Increase the **maximum grant to £3,250** for students from households with an income of £25,000 or less. Partial grants would be available for students from households with an income of up to £60,000.
- Eliminate the requirement for bursaries and combine the minimum bursary amount with the grant. Support for living cost will therefore come from one place and on the basis of a single application. Institutions will still be free to offer additional support on top of the Government support and the most selective institutions in particular would be expected to offer generous bursaries to low income students.

Support for living costs will not be available to part-time students. This proposal is based on the assumption that these students are able to combine study and work and that they have access to Government benefits that full time students do not.

#### **Support for paying (SF for Paying)**

Payments would be linked to earnings and so that graduates pay for higher education in proportion to the benefit they have received.

Currently students repay their loans on an income contingent basis, graduates repay 9 per cent of their income over £15,000. Interest rates are linked to inflation so there is no real rate of interest and the outstanding balance increases in line with this inflation. Any outstanding loans are written off after 25 years.

The report states that the present system is not sufficiently progressive and it criticises the fact that under the current system wealthy students in effect receive a Government subsidy which incentivises borrowing regardless of need. The threshold for repayments is also criticised for being too low and making graduates on relatively poor wages liable to make repayments. Browne therefore makes the following proposals:

- **Students with higher incomes should pay a real rate of interest.** The interest rate should be equal to the Government's cost of borrowing (inflation plus 2.2 per cent).
- **Students earning below the repayment threshold should pay no real rate of interest.** Their loan balance will only increase in line with inflation.
- Those earning marginally above the threshold whose payments do not cover the costs of the real interest will have the rest of the **interest rebated** to them by the Government.
- The repayment threshold will be reviewed regularly and increase in line with average earnings. The **threshold will rise initially to £21,000.**
- The **maximum payment period will increase to 30 years.** This is to offset some of the increased cost of loans incurred by the Government in increasing loan thresholds.

Using a real rate of interest should encourage families with high incomes to pay upfront and incentivises the early repayment of loans by high earning graduates: this eases the Government borrowing requirement.

These proposals are more progressive than the current system as high earners will no longer benefit from the interest rate subsidy and the loan balance of low earners will not grow in real terms. These changes could mean that the lowest earning graduates will pay no more than they do now, but the highest earning ones could pay significantly more.

The report also suggests that under their proposed system the Government could review restrictions on funding for students taking second degrees.

### ***Support for giving (SF Giving)***

In the UK there is no established culture of giving to higher education, it is estimated that less than one per cent of alumni donate to their institutions. This compares unfavourably to the US where in 2008-09 ten per cent of alumni made donations. The report proposes that the system by which students make repayments by way of a payroll deduction could be used to allow additional payments to designated institutions.

## **4 Structural changes: the Higher Education Council (HEC)**

The HE system is currently overseen by four bodies; the Higher Education Funding Council for England (HEFCE) which distributes funding, the Quality Assurance Agency (QAA) which oversees standards, the Office for Fair Access (OFFA) which promotes fair access to HEIs and the Office of the Independent Adjudicator (OIA) which oversees student complaints. The report proposes **merging these bodies into one Higher Education Council (HEC)**. HEC will take a more targeted approach to regulation and allow greater autonomy for institutions. The work of HEC will be scrutinised through an annual report to Parliament. The functions of HEC are outlined in terms of its role in investment, quality assurance, equality of access, competition and dispute resolution.

#### **4.1 Investment**

HEC will identify and invest in high priority courses, evaluate value for money and protect student interests.

#### **4.2 Quality**

The HEC will manage quality and standards across the sector. The Council will define minimum levels of quality for programmes in priority subjects which are eligible for direct public funding, this could mean setting programme content and minimum numbers of laboratory hours in science courses.

#### ***Teacher training***

It will be a requirement that all new academics with teaching responsibilities, in institutions receiving income from the Student Finance Plan, undertake a teacher training qualification accredited by the HE Academy.

#### **4.3 Equality of Access**

There will be an Access and Success fund to support institutions in recruiting and retaining students from disadvantaged backgrounds.

Since 2006 HEIs charging higher fees have been required to have access agreements in place which have been approved by OFFA. Institutions are also required to have Widening Participation Strategic Assessments (WPSAs) in order to receive HEFCE widening participation funding. Access agreements and WPSAs will be replaced by a single Access Commitment which should be agreed between HEC and each institution and updated annually as a condition of receiving funding through the Student Finance Plan. The scrutiny of Access Commitments will be tougher for HEIs charging fees over £7,000 per year.

#### **4.4 Competition**

Under the proposals HEIs will face increased competition, they will compete for students and they may also face competition from new providers.

#### ***New providers***

New providers will be able to apply for HEC investment if they offer priority programmes. Students on all courses, irrespective of the status of their institution will be able to access the Student Finance Plan. The HEC will publish an annual survey of charges to ensure that students get the benefit of this competition.

#### ***Mergers of HEIs***

The Council will require the governing bodies of HEIs to certify each year that the institution is a viable concern. The Council will have powers to provide funding to prevent institutional failure. If institutional failure cannot be prevented in a cost effective way the Council will explore options such as mergers or takeovers.

#### **4.5 Dispute resolution**

The complaints function of the OIA will be taken over by HEC, bringing the regulatory and complaints functions together will allow the regulation to adapt in the light of decisions about complaints.

## 4.6 Priority subjects

The report proposes that there will be two categories of courses that will attract funding from the HEC; clinical training programmes such as medicine and veterinary science and priority programmes which would primarily be science, technology and healthcare courses but could include other subjects. In determining the levels of funding for each programme the HEC will consider, data on delivery costs and the degree to which the programme produces graduates with skills in shortage areas.

## 5 Analysis of the proposals

The Higher Education Policy Institution (HEPI) has published an analysis of the Browne proposals, *The Independent Review of Higher Education Funding: an analysis*, the report is in favour of higher fees, but less convinced about removing the cap and some of the other proposals;

The government appears largely to be withdrawing from investment in higher education teaching, and the Committee appears to endorse this as a matter of principle, rather than an unfortunate consequence of the economic crisis. If that is the Committee's view, it is a pity that this fundamental point was not argued in more detail rather than offered as a given. If that is not the Committee's view then it is equally a pity that it did not argue more vigorously for greater government investment.

The argument in favour of a higher fee is convincing, particularly if the government is unable to maintain its share of funding. Universities need adequate funding to provide high-quality education. Also convincing is the case for a real rate of interest on loans. Previous HEPI reports among others, have pointed out that the extent of the subsidy on the interest rate is one of the reasons why fee levels could not be increased in the past and why higher education numbers have had to be restrained.

What is less convincing is the argument for removing any cap and allowing unconstrained fees. If these proposals are implemented then England will be virtually the only public higher education system in the world (including in the United States) with no government imposed fee cap. The reason all other countries regard university fee levels as a matter where the government has an interest is that the fees charged by universities – and the implications of this for access and participation – are matters of public interest. It is implausible to say, as the Committee does, that it felt unable to set a limit because there was no objective way of doing so. All other jurisdictions find it possible.

### **Will the proposals decrease the public contribution to HE?**

One purpose of the Committee's proposals is to reduce the demands on the public purse, and a number of claims are made regarding this. It is difficult though to evaluate these, because the report fails to provide information about key assumptions that would allow the calculations to be tested, and in particular has made no estimate of the Resource Accounting and Budgeting (RAB) cost to the government.

The Committee proposes many measures which can be expected to increase public expenditure, and others that will lead to a reduction, and calculates that the net effect will be to reduce the demands on taxpayers by £1.8 billion annually. A large part of this is the reduction of HEFCE teaching grant from £3.5 billion annually to £0.7 billion, but the next largest is an increase in fee loan repayments to £2.9 billion – a highly uncertain figure that it is not possible to test because the underlying assumptions have not been revealed.

## **Moving to a market system**

So we must take the claim that the proposals will reduce the taxpayers' contribution by £1.8 billion annually as at best unproven and at worst unlikely, but the claims made for moving closer to a free market are not just to save public money.

The report concludes:

although it is true that under these proposals universities will have some greater freedoms, they will also be subject to new and intrusive government controls. And the greater freedom will, in reality, be exercised by only a minority – those able to command higher fees while at the same time recruiting more students – while the increased constraints will be more general in their effects.

The Institute of Fiscal Studies (IFS) have also published a document called *A progressive graduate tax after all* which analyses the cost to graduates of the proposals:

Under Lord Browne's recommendations, graduates on lower incomes would not face the 2.2% real interest rate. Assuming a typical debt of £30,000 upon graduation, an individual would need to earn around £28,500 in real terms to service the full amount of interest. For graduates earning between £21,000 and this level, the interest charged would be capped to match their repayment, while for graduates earning below £21,000 no interest above inflation would be levied. Not only does this mechanism limit how much interest lower-earning graduates must pay, but it also prevents the debt from growing in real terms because the interest is always covered: either by the graduate, or partly or fully by the Government.

### **A graduate tax by another name**

Ed Miliband, the new Leader of the Opposition, has voiced calls for a graduate tax to be introduced. In fact the present system of income-contingent repayments is for many effectively a temporary graduate tax. Graduates who do not pay off their debt in full under the current system face a 25-year graduate tax of 9% above £15,000 (with this threshold fixed in real terms). Under Lord Browne's proposals, this would for many become a 30-year graduate tax of 9% above £21,000 (with this threshold indexed in line with earnings). Indeed, for the lowest-earning 30% of graduates the actual level of fees makes no difference to how much they repay

The Social Market Foundation have published their own suggestions for HE funding in a publication called "*Funding Undergraduates: designing a fair market in higher education*". Their [press release](#) on the Browne report makes the following comment:

Today's proposals for student finance from the Browne Review will leave graduates who borrow through the Browne system with a growing burden of student debt, while better-off students can opt out of the loans system saving thousands of pounds in interest, according to new analysis from the Social Market Foundation (SMF).

Commenting, Director of the SMF Ian Mulheirn said:

"Our analysis shows that students who can access the Bank of Mum and Dad effectively get a £12,000 discount on the cost of their degree over their lifetimes compared to a middle-earning graduate.

The Browne proposals will introduce a market in HE, which is to be welcomed. But the distributional consequences of the funding proposals are unfair and risk deterring less well-off students from taking a degree."

## 6 Responses to the Browne Report

### 6.1 Government response.

The Secretary of State for Business, Innovation and Skills Vince Cable issued a [statement](#) on 12 October 2010 in which he said he 'broadly endorsed the thrust of the report':

I and the Minister for Universities and Science, the right hon. Member for Havant (Mr Willetts), thank Lord Browne and his review panel. The Government endorses the main thrust of the report. But we are open to suggestions from inside and outside the House over the next few weeks before making specific recommendations to Parliament, with a view to implementing the changes for students entering higher education in autumn 2012.

More detail will be contained in next week's spending review on the funding implications, but as a strategic direction the Government believe that the report is on the right lines. Browne acknowledges that;

"the current funding and finance systems for higher education are unsustainable and need urgent reform".

The issue is how, and it has to be framed in terms of how the higher education sector contributes to the deficit reduction programme. There is also, I think, consensus that there should be no up-front tuition fees for students, which would seriously deter students from low and middle-income families, and this Government strongly oppose up-front tuition fees.

Indeed, we share Lord Browne's conclusion that we should extend exemption from up-front tuition fees to part-time students, currently 40% of the student population, who have been unfairly discriminated against hitherto.

The question, then, is how much the graduate contributions for tuition should be.

We are considering a level of £7,000. Many universities and colleges may well decide to charge less, because there is clearly scope for greater efficiency and innovation in how universities operate. Two-year ordinary degrees are one approach. Exceptionally, Lord Browne suggests that there should be circumstances under which universities can price their courses above this point, but he suggests that this would be conditional on demonstrating that funds would be invested in securing a good social mix with fair access for students from less privileged backgrounds, and in raising the quality of teaching and learning. We will consider this proposal carefully.

We believe it essential that if the graduate contribution is to rise, it should be linked to graduates' ability to pay. On average, graduates earn comfortably more than £100,000 over their lifetimes compared with non-graduates, but not all graduates benefit in this way. Some choose socially useful but modestly paid or unpaid work, which may include time spent bringing up a family. At present, the graduate contribution acts too much like a poll tax, and is not fair.

I therefore asked Lord Browne specifically to look at progressive solutions to the problem, and he has come up with persuasive proposals to deal with it. He suggests a £21,000 graduate income threshold before any payment is made, as against £15,000 at present, and that it be linked to average earnings.

He also suggests that a real rate of interest should be paid, but only over that threshold. The effect is striking: 30% of graduates would pay less from their lifetime earnings than they do under the existing system. The top third of graduate earners would pay more than twice as much as the lowest third. That is fair and progressive.

The Government broadly endorse that approach, and we will examine the details of implementation. The principle of needs blind admission to universities must remain central.

The cost of university education to individuals and the state reflects living costs as well as tuition costs. The Browne report makes some constructive suggestions. We will make detailed proposals that will not only make it attractive for students from families of modest means to go to university, but be fair and affordable, including by exempting the poorest students from graduate contributions for some or all of their studies.

Lord Browne considers alternatives, including a graduate tax, which I believe the new leader of the Labour party favours. I have consistently argued for a progressive contribution, which we are now delivering. Some key features of a progressive graduate contribution would incorporate the best features of a graduate tax. It would be collected through the pay packet at a rate of 9p in the pound above the £21,000 threshold and, combined with a real interest rate, as Browne recommends, it would be progressive and related to ability to pay.

However, Browne identifies serious problems with what he calls a "pure" graduate tax. He concludes that the proposal is simply unworkable.

If there are any lingering doubts among those on the Opposition Benches, I strongly recommend that they read the open letter from the new shadow Chancellor to the new Labour leader three weeks ago, which reads:

"Oh, and for goodness' sake, don't pursue a graduate tax. We should be proud of our brave and correct decision to introduce tuition fees. Students don't pay them, graduates do, when they're earning more than £15,000 a year, at very low rates, stopped from their pay just like a graduate tax, but with the money going where it belongs: to universities rather than the Treasury."

[...]

Finally, there is a challenge to us all to promote a long-term sustainable future for higher education. This has been a difficult issue for all parties in the House. Those on the Opposition Benches have ranged between early advocates of a graduate contribution, such as the right hon. Member for Sheffield, Brightside and Hillsborough (Mr Blunkett) and the new shadow Chancellor, through to those implacably opposed to change, and to the current Labour leadership, who have apparently embraced a graduate tax. The Conservatives initially campaigned against graduate contributions, but reversed their position. My own party consistently opposed graduate contributions, but in the current economic climate we accept that the policy is simply no longer feasible.

That is why I intend, on behalf of the coalition, to put specific proposals to the House to implement radical and progressive reforms of higher education along the lines of the Browne report.<sup>1</sup>

On October 21 2010 David Willetts the Minister for Universities gave a speech at the [HEFCE Annual Conference](#) in which he voiced doubts about the levy:

Lord Browne's proposed levy to avoid any Exchequer subsidy for loans has also aroused quite a lot of concern across the sector. It means that as soon as universities raise their fee above the threshold level, they face a rapidly rising levy which can drive

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<sup>1</sup> Oral Statement from Vince Cable 12 October 2010 at <http://www.bis.gov.uk/news/topstories/2010/Oct/Browne-report-response>.

their fees up even higher in order to reach a given level of income. Another objection, for example, is that a levy could become an obstacle to philanthropy if the upfront payment of fees via donors were to attract it. If you didn't have a levy, however, there would be a need for some sort of upper cap. We recognise there are arguments for a lower rate for the levy, or for not having a levy at all and sticking with a fee cap instead.

We have not reached a final decision on the levy and the fee cap, but there is an interesting feature within the current arrangements for higher education funding, which consist of a basic cap of £1,310 and a higher rate cap of £3,290. It would be possible to set new levels for each, with stringent conditions on access which any institution would have to meet before setting a graduate contribution at the higher rate.<sup>2</sup>

## 6.2 Labour response

John Denham the Shadow Secretary for Business, Innovation and Skills issued a response which is available on the [Labour Party website](#):

"Lord Browne's report deserves careful study but, his conclusions seem to reflect a belief that the Coalition Government will cut spending on HE Teaching by around two thirds. This is a massive cut even when set against the coalitions aim to cut spending by 25%. Higher Education is a major driver of growth and innovation and needs sustainable financial support from both the public and private sources.

"It is right that students make some contribution towards to cost of their Higher Education. However, the system must be fair, progressive, sustainable, and ensure that students can choose the course most suited to them and not be forced to shop around for the cheapest course.

"We are concerned that many graduates will be shackled by debt for the majority of their working lives; that those on middle incomes in typical graduate jobs may pay more than their fair share and the highest earners will pay less and be free of debt much earlier."<sup>3</sup>

## 6.3 Liberal Democrats

An article on the *BBC News* website "[Lib Dem MPs push Minister for low tuition fee cap](#)" stated the following:

Backbench Lib Dem MPs are pushing for the lowest possible cap on university tuition fees, the BBC understands.

It is thought the issue has been the subject of "lively" talks between Lib Dem MPs and ministers.

[...]

But Mr Cable is believed to be coming under pressure from Lib Dem backbenchers for an even lower cap than the £7,000 he is suggesting.

Lib Dem sources told the BBC: "The lower the cap and the harder the cap the better."

There are also calls to raise the income threshold at which fees have to repaid from the £21,000 a year salary suggested by Lord Browne to £26,000.

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<sup>2</sup> David Willetts speech to HEFCE Annual Conference 21 October 2010 at <http://nds.coi.gov.uk/content/Detail.aspx?ReleaseID=416135&NewsAreaID=2>.

<sup>3</sup> Labour Party website Browne Review response- Denham at <http://www2.labour.org.uk/browne-review-response--denham>.

Lib Dem deputy leader Simon Hughes is thought to have raised the issue in talks with deputy prime minister Nick Clegg.<sup>4</sup>

#### **6.4 Universities UK (UUK)**

A UUK [media release](#) gave the report a cautious welcome:

Universities UK has responded today to the publication of Lord Browne's independent review into higher education funding and student finance in England.

Professor Steve Smith, President of Universities UK, said: "We are extremely pleased that Lord Browne's proposals build on the fair and progressive elements of the current system. No parent or student would have to pay tuition fees upfront, only a graduate would pay when they are earning £21,000 per year. This will be crucial in supporting those from disadvantaged backgrounds through university.

"The bottom 20 per cent of earners would pay back less than they do at the moment and only the top 40 per cent on average would be expected to pay back all the costs.

"The review addresses directly the need for a properly funded higher education system. Any Government proposals arising from the review must deal immediately with the anticipated gap in public funding for universities.

"We know these are difficult decisions, but in an era of public funding cuts, we have to look fairly and squarely at who pays for the cost of higher education. The alternatives would mean universities having to reduce the number of student places or returning to a period of underfunding. Both of these would be hugely damaging to students, universities and the economy.

"I urge politicians not to leave us with an insurmountable funding gap and, instead, work together to find a workable solution. If they don't then they will starve our universities of the resources they need to teach the students of tomorrow and the chance to remain a leading player on the higher education world stage.

"The report makes some bold proposals relating to the regulation of the university sector and there are some aspects which we believe require a careful approach

#### **6.5 Russell Group**

The Russell Group [news release](#) said that they supported the proposals, particularly the removal of the cap on fees:

Russell Group Director General Dr Wendy Piatt said: "We support the urgent and necessary reforms outlined by the Browne Review. These recommendations could make or break our world-class universities. That's because, bluntly, our leading institutions will not be able to compete with generously-funded universities in other countries if they are not able to secure extra funding. The proposals offer a very good deal for students and a fair and progressive way forward which protects low-earners. Unless we ask graduates to make a bigger contribution, they – as well as society as a whole - will be short-changed. This is the stark choice the country has to wrestle with. Our graduates need to compete with the best in the world, and we would be letting them down if we didn't ensure they get the very best education.

##### **Lifting the cap**

"By removing the cap in England, the expert team led by Lord Browne has rightly

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<sup>4</sup> "Lib Dem MPs push Minister for low tuition fee cap" *BBC News* 26 October 2010

recognised that a substantial increase in graduate contributions is the only viable and the fairest way to secure this vital investment. Increasing and varying the contribution made by graduates is the fairest option because it reflects the link between what a student gains from a university education and what they give back.[1]

“Second only to the US, the UK punches well above its weight in the quality of its higher education. But our international competitors, fuelled with huge cash injections from their Governments and the freedom to ask for higher graduate contributions, have begun to outpace us. To remain in the higher education premiership, we have to give our universities access to vital additional investment - otherwise we will be relegated to the third division.

## **6.6 Million+**

A Million + press release “[Universities and students both losers from Browne](#)” expressed concern about the report:

Responding to the Browne Review of university fees and funding the university think tank million+ has said that the majority of students will pay much more for their education whilst universities could be £500-£600 million worse-off than at present. Professor Les Ebdon, Chair of million+ and Vice-Chancellor of the University of Bedfordshire, said: “Browne is a double whammy hitting both universities and students. At a stroke universities stand to lose up to £3.5 billion of teaching funding. Whether they like it or not, universities could be forced to charge higher fees yet they will still be worse-off than at present. At the same time, 80% of students will pay much more to go to university than they currently do yet they face little prospect that the student experience will be improved or that universities will be able to fund the state of the art facilities they might expect.

“It is difficult to see how the Review’s claim that more investment should be made available for higher education can be achieved by these proposals which will see the public funding of universities cut so dramatically and the cost of higher education transferred to individual students, graduates and their families. Public funding of universities was never a ‘subsidy’ rather it was part of a partnership of funding to ensure that we have a strong knowledge-based economy and a highly skilled workforce.

“Nor does the Review’s claim that these proposals introduce a more progressive repayment system stand-up. All graduates on average and higher earnings will pay more, with the ‘squeezed middle’ proportionately worst affected. In these circumstances the Review’s ambition that everyone who has the potential should be able to benefit from higher education is unlikely to be realised. In fact there is a real risk that some students who would have gone to university will decide not to go and that opportunity and socially mobility will be fatally undermined.

“Finally, we are concerned that the Review fails to properly analyse the merits of a graduate tax. Our research shows that graduate tax which removes the need for fees and fee loans and requires graduates to pay a very small additional tax of say 1-2% for a fixed period of, for example, 25-35 years will always be fairer and is a much more progressive than what Browne is proposing. Claims that a tax would be levied on those earning very low amounts, that a graduate tax would last a lifetime and that the majority of students would pay more are not based on any modelling of how a tax might actually be implemented.”

## **6.7 National Union of Student (NUS)**

The [NUS president](#) called the proposals ‘dangerous’:

Aaron Porter, NUS President said:

"Lord Browne's dangerous proposals are clearly out of touch with the public mood and would put our future at risk."

"The Government must now rethink this review to ensure the fair and sustainable funding of students and universities that recognises their central importance to our economy."

"Lord Browne failed to properly consider an alternative to higher fees but the Government now has the time and responsibility to do so."

## 6.8 Union of Colleges and Universities (UCU)

The UCU issues a [press release](#) against the report:

UCU general secretary, Sally Hunt, said: 'This is a savage attack on what a university is and what it can offer to all students - not just those with deep pockets - as it effectively privatises the cost of higher education from state to family.'

'Browne's proposals would make our public degrees the most expensive in the world. At an enormous cost of between £40,000 and £70,000 for one child's education, it would be the final nail in the coffin for an affordable university degree for many ordinary families.'

'As a result of this creation of a market for student places, we would see departments and universities close and a devastating effect on the curriculum as only so-called priority courses survive. It would become almost impossible to develop courses in new areas of knowledge without directly perceived economic benefit. If enacted, these proposals will weaken our position as a global knowledge centre.'

## 6.9 HEFCE

Sir Alan Langlands the chief executive of HEFCE made comments on the Review in a speech at the HEFCE Annual Conference, the speech was reported in the *Times Higher Education* on 28 October 2010 in an article "[HEFCE chief: prepare for tough journey in uncharted territory](#)":

Sir Alan also said that:

- Lord Browne's "aspirations" for more investment and a 10 per cent increase in student numbers could not be delivered "on a sustainable basis" over the CSR period
- Hefce modelling shows a potential shortfall in total income that could be "considerably in excess" of £1 billion (see chart below)
- Although the government has promised to focus the cuts on the second half of the CSR period, universities should expect an "extremely tough" year in 2011-12 - the year before the new fee regime kicks in - and there could also be cuts this academic year
- The issue of public funding for teaching must be revisited in future.

Sir Alan said it would be a huge mistake for the sector to treat students as cash cows.

"If we value our students simply for what we can get out of them or what they might earn in the future, they will in turn estimate our value by what they can get out of us," he warned.

"This would be a real betrayal of higher education and what it stands for."

## **7 Comment**

Further debate and comment on the report is available on the [Guardian website](#), the [BBC News](#) website and in the *Times Higher Education* 14-20 October 2010.

## **8 Timetable for implementation**

It is hoped that the reforms will be in place for the start of the 2012/13 academic year. Legislation will be necessary to enact many of the recommendations and if the 2012/13 deadline is to be met legislative procedures will have to start soon. Mr Willetts has commented on the need for speedy action in his speech to HEFCE on 21 October 2010:

There are some decisions, however, that can't wait. We do need to set out in the next few weeks the way forward for graduate contributions and student support if we are going to have any chance of implementing changes for the Autumn of 2012. Many prospective students will visit universities and decide on their applications in the Summer of 2011, and so they need to know the likely costs by then, and how the Government will help them to meet those costs. In turn, universities have explained to me that their prospectuses – with information on graduate contributions – will go to print in April 2011. It is rather like A. J. P. Taylor's thesis that train timetables determined the outbreak of the First World War: once the presses begin rolling, everything is fixed.

This means that amendments to regulations governing the current fees structure and student support need to happen sooner rather than later. Prompt decisions will mean we can then implement in regulations the commitments we make. We hope to bring proposals on regulation of graduate contribution levels to Parliament before Christmas. Following Lord Browne's proposal to introduce a real rate of interest on contributions, we will also need to seek an early opportunity to make the limited changes to primary legislation on that specific issue, and also update repayment regulations to enable a more progressive system.

