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## Report of the Director of Resources

### Executive Board

Date: 5<sup>th</sup> January 2011

**Subject: DEPUTATION TO COUNCIL 17<sup>TH</sup> NOVEMBER 2010  
GOVERNMENT PROPOSALS TO INCREASE UNIVERSITY TUITION FEES**

<p><b>Electoral Wards Affected:</b></p> <p>ALL</p> <p><input type="checkbox"/> Ward Members consulted (referred to in report)</p>	<p><b>Specific Implications For:</b></p> <p>Equality and Diversity <input checked="" type="checkbox"/></p> <p>Community Cohesion <input checked="" type="checkbox"/></p> <p>Narrowing the Gap <input checked="" type="checkbox"/></p>
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Eligible for Call In  Yes

Not Eligible for Call In  
(Details contained in the report)

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## EXECUTIVE SUMMARY

1. A deputation from Leeds University Students' Union to Council on 17<sup>th</sup> November asked members to call upon local MPs to:
  - support adequate funding of Higher Education without removing the cap on fees;
  - vote against the cuts to Higher Education and against any subsequent rise in fees; and
  - vote against tuition fee loans with interest, because Muslim students will not be able to use the proposed loans.
2. This report outlines the Government's proposals for university tuition fees and the impact those proposals would have on Leeds.

## **1.0 Purpose Of This Report**

- 1.1 This report outlines the Government's proposals for university tuition fees and the impact that those proposals would have on Leeds so that members may consider how best to respond to the deputation by Leeds University Students' Union.
- 1.2 A transcript of the deputation's speech is attached as an appendix.

## **2.0 Background Information**

- 2.1 University tuition fees were first introduced following the 1997 Dearing Report, after a period in which public investment in higher education had failed to keep pace with rapidly expanding demand for university places. The current system, which capped fees at £3,000 a year (uplifted annually for inflation), was introduced in 2006 and was designed to bring in more private contributions and to make the system more sustainable. The 2006 reforms went some way towards addressing the decrease in funding per student, but it still remains below what it was in 1992 and the demand for places still exceeds supply, with about 36% of applicants failing to find a place. Funding levels apparently remain below those of comparable countries and the current cap on fees means that institutions have no scope to raise additional funds through tuition fees to invest in improving quality.
- 2.2 It was in this context that the previous Government commissioned Lord Browne to carry out "*an independent review of higher education funding and student finance*". The aim of the review was to make "recommendations to Government on the future of fees policy and financial support for full and part-time undergraduate and postgraduate students". Lord Browne's report, *Securing a Sustainable Future for Higher Education*", was published on 12<sup>th</sup> October 2010.
- 2.3 Lord Browne's report was immediately endorsed by the Secretary of State, Vince Cable, and the Government's own proposals were set out by the Universities Minister, David Willetts at the beginning of November.
- 2.4 The Browne review has been carried out alongside the Spending Review which indicates that Government support for higher education is to reduce by 40% from £7.1bn to £4.2bn over the four-year review period.

## **3.0 The Governments' Proposals**

- 3.1 The main proposals are as follows:
  - Any university or college will be able to increase their fees to £6,000 a year. Different levels of fees may be charged for different courses.
  - In exceptional cases, institutions will be able to charge up to £9,000 a year, but will have to show that they are spending some of the additional income on "widening participation and fair access". The Office for Fair Access will have powers to apply sanctions on any institutions that fail to do so.
  - A new £150m National Scholarships Programme will be targeted at bright potential students from poor backgrounds.
  - Students from families with incomes of up to £25,000 a year will be entitled to a higher maintenance grant of £3,250 (up from £2,906). Partial grants will be available for those with family incomes of up to £42,000.
  - Part-time students will be entitled to tuition loans (provided they are studying for at least a third of their time).

- Graduates will begin paying back loans when they are earning at least £21,000 a year (up from £15,000). The repayment will be 9% of income above the £21,000 threshold. Any outstanding amounts will be written off after 30 years.
- A real rate of interest will be charged, but with a progressive taper:
  - for graduates earning under £21,000 a year no interest will be applied;
  - for graduates earning between £21,000 and around £41,000 a real rate of interest will start to be charged reaching a maximum of RPI + 3%;
  - above £41,000 a year the full RPI + 3% interest rate will be applied.
 (Under the present system an interest rate of 1% above the Bank of England Base rate is applied with a cap of 4.4%. The current rate is 1.5%.)
- The Government are to consult on mechanisms that stop high earners from buying themselves out of the system early, but do not penalise graduates on more modest incomes who are striving to pay off their loans more quickly through regular payments.
- The changes are expected to come into effect for the 2012/13 academic year. A Higher Education White Paper with further details is to be published “later this winter”.

3.2 The proposals were considered in high-profile debates in the House of Commons on 9<sup>th</sup> December and in the House of Lords on 14<sup>th</sup> December. Enabling regulations were passed by both Houses. In the House of Commons the vote was 323 for and 302 against.

#### **4.0 Implications for Students and Leeds**

4.1 Research shows that the amount of debt graduates have when they leave university vary widely, but an annual survey conducted by Push UK suggests that students who are now in their first year will have average debts of over £23,000 when they graduate. If tuition fees increase from the current £3,290 a year to £6,000 or even £9,000, the average debt on graduation can be expected to increase to £30,000 or even £40,000.

4.2 The number of undergraduates studying in Leeds (who will be most affected by the tuition fee proposals) is around 41,000 (Source: UCAS 2010/11). In contrast, it is estimated that around 13,500 Leeds school-leavers go on to be full-time students in Leeds or elsewhere each year.

4.3 The majority of new students will be affected by the tuition fee increases but the effect on their personal finances and on the economy as a whole is difficult to quantify. On the one hand, the increase in the threshold will mean that graduates will not begin paying until their income is higher and they will be paying a smaller proportion of their overall income each month. On the other hand, the total amount they will have to repay will be significantly higher, they will be paying for a longer period and they will be liable for potentially much higher interest charges on the amounts outstanding.

#### **5.0 Implications For Council Policy And Governance**

5.1 It is argued that the proposals could deter some school leavers from going on to higher education. If this proves to be the case, it could lead to changes to the demographic profile of the city and to skills shortages to which the Council would need to respond.

#### **6.0 Legal And Resource Implications**

6.1 No immediate implications.

## **7.0 Conclusions**

- 7.1 The Council fully understands the concerns about the changes to student tuition fees and will seek to engage with the universities to explore the impact of the changes in more detail.

## **8.0 Recommendations**

- 8.1 Members are asked to consider the deputation's speech and to authorise officers to engage with the universities in order to fully understand the impact of the changes on students in Leeds.

### **Background Papers:**

*Securing a Sustainable Future for Higher Education*, an Independent Review of Higher Education Funding and Student Finance, Lord Browne of Madingley, 12<sup>th</sup> October 2010.

*Spending Review 2010*, H. M. Treasury, October 2010.

Press Release: *FOSIS raises alarm for Muslim student accessibility to higher education following Browne review*, Federation of Student Islamic Societies, 12<sup>th</sup> October 2010.

Press Release: *Government plans to reform university funding and student finance in England*, Russell Group, 3<sup>rd</sup> November 2010.

Press Release: *Reform of higher education and student finance*, Dept for Business Innovation and Skills, 3<sup>rd</sup> November 2010.

Ministerial Statement: *Higher education funding and student finance*, David Willetts, Minister of State for Universities and Science, 3<sup>rd</sup> November 2010.

*Student Debt Survey 2010*, push.co.uk, August 2010.

*Hansard*: House of Commons, Volume 520, Part 88, 9<sup>th</sup> December 2010  
House of Lords, Volume 723, Part 84, 14<sup>th</sup> December 2010