



# Proposals to refocus higher education student finance



## Consultation

Consultation document No: 061/2008

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Action required: Responses by 16 February 2009

# Proposals to refocus higher education student finance

- Audience** All bodies concerned with higher education student finance and higher education funding in Wales, including local authorities, higher education institutions, Student Loans Company, Higher Education Funding Council Wales, Trades Unions, Sector Skills Councils, employers' organisations and forums, voluntary and community organisations.
- Overview** The Welsh Assembly Government is consulting on proposals to remodel the student finance system in Wales for full-time undergraduate students. It is looking at:
- Remodelling the student finance system;
  - Widening participation;
  - Tackling student debt;
  - Investing in the higher education sector.
- Action required** Responses to this consultation document should be sent by **Monday 16 February** to 'Student Finance Consultation', c/o Ms Linda Williams, at the address given below, or e-mailed to [studentfinanceconsultation@wales.gsi.gov.uk](mailto:studentfinanceconsultation@wales.gsi.gov.uk).
- Funding and Student Finance Division  
Department for Children, Education, Lifelong Learning and Skills  
Welsh Assembly Government  
Cathays Park  
Cardiff CF10 3NQ
- Further information** Please write by post or e-mail to the address and mailbox given above.
- Additional copies** Additional copies of the consultation may be obtained by writing by post or e-mail to the address and mailbox given above. The document is also available on the internet at <http://wales.gov.uk/consultations> and can be copied from there.
- Related documents** One Wales (2007)  
Skills that Work for Wales (2008)  
Fair and Flexible Funding (The Rees Review) (2005)  
Review of Higher Education in Wales Phase 1: Student Finance Arrangements (October 2008)

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# Proposals to refocus higher education student finance

## Overview

1. The Welsh Assembly Government is consulting on proposals to remodel the student finance system in Wales for full-time undergraduate students.
2. Under the proposals, eligibility will not change for any student entitled to the Tuition Fee Grant for the duration of their current course of study. Neither would the proposed remodelling of the student finance system impact on entitlement for students entering higher education at Welsh HE institutions in academic year (AY) 2009/10. Students who have an offer of a place before September 2009, and who take a gap year and start that course in AY 2010/11, would not be affected by the proposed changes.
3. Change would be phased in, beginning, it is intended, for new students from the start of the academic year 2010/11.
4. The Minister for Children, Education, Lifelong Learning and Skills, Jane Hutt AM, received a Report on 1 October 2008 from the first phase of a Review of Higher Education in Wales, which focused on student finance arrangements. The Review has been carried out by a Task and Finish Group chaired by Professor Merfyn Jones, Vice Chancellor of Bangor University. The Chair's Report set out the conclusions from the first phase of the Review, and made recommendations (which are summarised in the Chair's covering letter). The Task and Finish Group has now turned to Phase Two of its work – to provide advice on the mission, purpose, role and funding of higher education in Wales. This is due to report in March 2009.
5. The Minister made a statement to Plenary on 25 November 2008 in response to this Report, where she announced this consultation. She specified that it would look at:
  - **Remodelling the student finance system;**
  - **Widening participation;**
  - **Tackling student debt;**
  - **Investing in the higher education sector.**

Views are sought to inform these changes. Details of how to respond are on page 9 of this document. The closing date for responses is Monday 16 February 2009.

6. The consultation does not cover:
  - **Tuition fees in Welsh higher education institutions;**
  - **Other areas of higher education policy.**

## Remodelling the student finance system:

### TUITION FEE GRANT

*We concluded that the flat rate Tuition Fee Grant was an inflexible tool, neither effectively targeting funding towards Welsh Assembly Government strategic policy objectives nor sufficiently responsive to student needs or choice. We were very much in agreement that the key criterion for targeting statutory support should be that of household income, so that full-time students entering higher education from the poorest households have higher levels of maintenance support which they will not be required to repay.*

Professor Merfyn Jones, letter to Jane Hutt AM, 1 October 2008

7. While the Report points to the limitations of the Tuition Fee Grant, the Assembly Learning Grant provides more effectively targeted support to reduce the cost and debt associated with higher education for those students from households with the lowest incomes.

8. The Minister accepted the Report's conclusions on the Tuition Fee Grant, and has declared her intention to redirect resource away from the Tuition Fee Grant. The Minister accepted the Report's proposals to use a significant proportion of the resources released from the Tuition Fee Grant to enhance the Assembly Learning Grant. The Minister also intends to look at new ways of providing extra assistance with student debt.

9. The Minister also declared her intention to maintain the principle that full-time undergraduate students should not be expected to pay up front fees. She proposed that students under the remodelled student finance system should be eligible for an enhanced level of Tuition Fee Loan to ensure that principle is met.

**Q. Do you agree with these arguments for redirecting resources away from the Tuition Fee Grant?**

**Q. In this remodelled student finance system, would you support the intention to provide an enhanced level of Tuition Fee Loan to maintain the principle that full-time undergraduate students should not be expected to pay up front fees?**

10. The Welsh Assembly Government offers incentive grants for postgraduate (PGCE) initial teacher training (ITT) courses in Wales. These grants match similar ones available in England, except that all our incentives are lower than the equivalents in England. This reflects the fact that currently tuition fees in England can add up to £1,800 to the cost of training to become a teacher on a PGCE course. The aim has been that the overall level of support available (the combination of ITT incentives and grant funding towards tuition fees) is the same in both countries. The Welsh Assembly Government proposes to proportionately increase the levels of PGCE incentives to ensure that these proposed changes to the student finance system do not have the effect of reducing our support for those on postgraduate initial teacher training courses.

**Q. In this remodelled student finance system, would you agree with the intention to proportionately increase our PGCE incentives in order to maintain the same overall level of support available for ITT students in Wales and England?**

## **Remodelling the student finance system:**

### **ASSEMBLY LEARNING GRANT**

11. The Minister accepted the Report's proposals to use a significant proportion of the resources released from the Tuition Fee Grant to enhance the Assembly Learning Grant. She proposed that Assembly Learning Grants should be much more generous to students with lower household incomes and that they would continue to be available on a means-tested basis for those from middle income households.

**Q. Do you agree with the arguments for enhancing the means-tested Assembly Learning Grant?**

*We did not consider, however, that it was within our remit to propose precise levels of support, tapers, or thresholds. We have instead suggested to you a broad framework which we consider to be appropriate and, guided by that framework, we have made recommendations for a reformed package of student finance with illustrative examples.*

Professor Merfyn Jones, letter to Jane Hutt AM, 1 October 2008

12. The Group did not set out a precise model for the shape of a remodelled Assembly Learning Grant. The Report does however make reference to an illustrative example which is among those set out in the scenarios considered by the Group (and described in detail in Appendices 9, 10 and 11 of the Report).

13. The Minister has set out her intention that the enhanced Assembly Learning Grants should be much more generous to students with lower household incomes and will continue to be available on a means-tested basis for those from middle income households.

14. This consultation is seeking views on what specifically an enhanced Assembly Learning Grant should look like. There are several key features of the enhanced Assembly Learning Grant.

15. Firstly, the **amount for a full Assembly Learning Grant** will need to be established. Under the current system for new students, a full Assembly Learning Grant is £2,835 for AY 2008/09. The Task and Finish Group considered a range of levels for an enhanced Assembly Learning Grant, from only uprating it in line with inflation to approximately £2,984, through to increasing it to £6,000 by AY 2010/11. The Report pointed to one illustrative scenario they had considered which raised the level of the full Assembly Learning Grant to £5,000 for AY 2010/11, but only as one illustration of how this could be done.

**Q. What level of Assembly Learning Grant support would be appropriate for those eligible students from the lowest-income households in a remodelled student finance system?**

16. Next, to enable means-testing, the **income thresholds for a full and partial Assembly Learning Grant** will need to be set. Under the current system for new students, students with a household income of £18,370 or less are eligible for a full Assembly Learning Grant and students with a household income between £18,371 and £39,300 are eligible for a partial Assembly Learning Grant in 2008/09. The Task and Finish Group considered a range of thresholds for an enhanced full and partial Assembly Learning Grant, from reducing these respectively to about £15,000 and £30,000, through to increasing these respectively to about £25,000 and £60,000 (in line with the thresholds used for the English maintenance grant in AY 2008/09 only – the upper threshold for the English maintenance grant in AY 2009/10 will be about £50,000). The Report mentioned one illustrative scenario they had considered which had eligibility thresholds broadly similar to current arrangements, but only as one illustration of how this could be done. Within any given cost envelope, the higher the thresholds for the full and partial Assembly Learning Grants were, the lower the level of these grants would be.

**Q. What are your views on the appropriate eligibility thresholds for full and partial Assembly Learning Grants in a remodelled student finance system?**

17. As well as income thresholds for full and partial grants, **the rate or rates at which the partial Assembly Learning Grant tapers** will also need to be set. Within any given cost envelope a single taper for the grant would effectively mean targeting a larger proportion of resources at students from middle-income households, while more than one tapering rate would enable more of the resources available to be targeted at students from lower-income households.

18. The current arrangements for partial Assembly Learning Grants use two tapering rates. If a student's household income is £18,370 or less, they will be entitled to the full Assembly Learning Grant of £2,835. The amount of grant they can receive will then decrease by £1 for every £6 of household income above £18,370 up to the point where household income is £27,850. Above this point, the amount of grant they can receive is tapered less steeply and will then further reduce by £1 for every £9.50 of income up to the point where household income is £39,300. At this point, they will be able to receive the minimum Assembly Learning Grant of £50. Where the household income exceeds £39,300, they will not be able to receive any Assembly Learning Grant.

**Q. What are your views on the form of tapering which the Welsh Assembly Government should apply to an enhanced Assembly Learning Grant?**

19. In addition to establishing the characteristics of the Assembly Learning Grant, the **extent to which any increase in the Assembly Learning Grant is substituted for an equivalent amount of Maintenance Loan** will need to be decided. Under current arrangements, the Tuition Fee Grant is fully substituted for the Tuition Fee Loan, but the Assembly Learning Grant is only partially substituted for Maintenance

Loan – the amount of Maintenance Loan for which a student is eligible is reduced by £1 for every £1 of Assembly Learning Grant they are eligible for, up to a maximum of £1,255, so if a student receives the full Assembly Learning Grant of £2,835, their maintenance loan entitlement will be reduced by £1,255.

20. There is the potential to substitute the entire increase in the Assembly Learning Grant under the proposals. This would reduce Maintenance Loan costs and could lessen the student loan debt of eligible students. However, if the Assembly Learning Grant was only partially substituted for Maintenance Loan, this would give students from lower-income households access to more overall student finance support, through a combination of grants and loans.

**Q. What are your views on how much of the increase in Assembly Learning Grant the Welsh Assembly Government should substitute for the Maintenance Loan?**

21. There is a non-means-tested element of the Assembly Learning Grant available to ITT students. A similar element also exists in the Maintenance Grant available to ITT students from England. We propose this non-means-tested element should remain in place in an enhanced Assembly Learning Grant for ITT students, at the same level as present (allowing for inflationary increases).

**Q. Should the non-means-tested element of the Assembly Learning Grant available to ITT students be retained at the same level as at present?**

22. The Special Support Grant is for students who may be eligible to receive certain means-tested benefits such as Income Support and Housing Benefit. This will generally be lone parents, other student parents and students with disabilities. The Special Support Grant covers additional course costs such as books, equipment, travel or childcare that result from attending a course. The amount of support, the income assessment arrangements and the payment arrangements are currently the same as for the Assembly Learning Grant. The amount of Special Support Grant a student receives will not affect the amount of Maintenance Loan they may be entitled to receive. Nor will their entitlement to Department of Work and Pensions benefits be affected if students receive a Special Support Grant. However, students eligible to receive a Special Support Grant are not eligible to receive an Assembly Learning Grant.

**Q. Should any changes made to the level or thresholds for the Assembly Learning Grant be reflected in the Special Support Grant?**

**Q. Do the questions in this consultation enable you to address your main concerns with full-time undergraduate student finance in Wales? If not, please outline your other concerns and the reasons for these here.**

23. This consultation only relates to the student finance provided for full-time undergraduates by the Welsh Assembly Government. Ministers are aware that the area of part-time, distance and blended learning options is continually evolving and needs to be kept under constant review. Two years ago, the Welsh Assembly Government responded formally to the recommendations of the Graham Review of

Part-Time Higher Education, and AY 2008/09 is the first year in which the new targeted dependants' grants have been introduced. Phase 2 of the Review of Higher Education in Wales Task and Finish Group chaired by Professor Merfyn Jones will be considering the increasingly significant role of part-time study in Wales.

## **Tackling student debt**

24. Student loans are very different to commercial loans.

25. Firstly, student loans are exempt from commercial rates of interest. The only rate of interest charged is in line with inflation, and so borrowers only repay in real terms what they borrowed. Interest on student loans for the financial year 2008-09 is only 3.8%. This represents a significant government subsidy.

26. Secondly, borrowers are not required to start repaying their student loans until after they leave their course and they are earning over £15,000 a year. To help them manage repayments they only repay 9% of any income over that £15,000 threshold, whatever that amount is. If income falls below the threshold, no repayment is made. This is known as 'income-contingent repayment'.

27. The total Welsh Assembly Government budget for subsidy of student loans in financial year 2008-09 was £58 million.

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|---|
| <p><b>Q. Do you agree that resources should be redirected towards providing extra assistance with student debt?</b></p> |
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*Whilst the above measures [to remodel the student finance system] will assist students from the lowest income households with debt, by reducing the overall level of debt they need to incur, there is a need to recognise the strength of the argument to increase the repayment threshold for student loans.*

Professor Merfyn Jones, letter to Jane Hutt AM, 1 October 2008

28. Borrowers are increasingly likely to start repaying their student loans early in their careers, as the student loan repayment threshold has now been held at the income level of £15,000 a year for the past seven years. Without indexation, the relative value of the threshold erodes over time. The Review of Higher Education in Wales Phase 1 Report suggested that "indexing the threshold might enable all parties to better budget for the future". Indexation of the repayment threshold by the Retail Prices Index (RPI) would be forecast to cost the Welsh Assembly Government about £17 million a year by 2015-16 and indexation of the threshold by earnings would be forecast to cost the Welsh Assembly Government about £37 million a year by 2015-16.

29. The Minister has recognised the strength of these arguments and has begun pressing the UK government to consider index linking the subsidised loan repayment threshold.

**Q. Would index-linking the student loan repayment threshold improve the student loan system?**

*I intend to do more. My preferred approach is to look for ways to provide debt relief to graduates. I will work on the legislative and financial detail in the coming weeks and months. It is one way in which consultation will help us to shape the detail of a new, made-in-Wales, approach to tackling student debt.*

Jane Hutt AM, Plenary Statement on Higher Education, 25 November 2008

30. The Welsh Assembly Government is also mindful of other issues with the current subsidised student loans. Firstly, students are charged interest at the rate of inflation during their course of study. Secondly, among recent cohorts of students, many of those who studied outside Wales and consequently did not benefit from the Tuition Fee Grant have taken out higher levels of subsidised student loans.

31. The Minister intends to look at options to support these students and new graduates within the powers available to Welsh Ministers. In line with the *One Wales* commitment, her preferred approach would be to look for ways to provide debt relief to graduates. The Welsh Assembly Government will work on the legal and financial detail in the coming weeks and months.

**Q. Do you agree with the Welsh Assembly Government's preferred option of debt relief for graduates? Are there other, better ways in which assistance with student debt could be provided?**

**Q. If debt relief for graduates were to be offered, should it be available to all graduates who have received student loans from the Welsh Assembly Government or should we seek ways to make it available only to specific categories of graduates, and if so, which categories?**

**Q. Should any debt relief scheme**

- be linked to loan repayments
- be means-tested
- last for a specific period of time

**and if so how?**

**Q. Do you have any other comments on how a debt write-off may work?**

## **Investing in the higher education sector**

*Members of the Group were acutely aware of the comparative levels of funding in Wales and England, particularly in light of HEFCW's recent estimates of a higher education funding gap of at least about £61m in AY 2005/06 between HE in Wales and England, and the urgent need to improve levels of investment in the sector for the ultimate benefit of students. We recognised that the quality of the student experience and of provision, whether it be a sector with excellence in its facilities or one with an attractive and well targeted bursary system, is essential to ensuring the best, in terms of quality and value for money, that HE can offer to students.*

*We were also of the firm view that investment in higher education is of benefit to the wider economy, society and culture of Wales - not just to those studying and working in the sector. No modern society exists which does not see a well-resourced HE sector as pivotal to its prosperity and future.*

Professor Merfyn Jones, letter to Jane Hutt AM, 1 October 2008

32. The Minister accepted the Report's recommendation that a proportion of the resource released in moving to a new system of student finance should be re-invested in the Welsh Higher Education sector.

33. It is proposed that all the resource released for investment in the Welsh Higher Education sector would take place on a 'something-for-something' basis. This means that the resource would be used to target priorities in the sector, in line with *One Wales* Welsh Assembly Government priorities.

34. The Review of Higher Education in Wales Task and Finish Group have already turned to Phase Two of its work – to provide advice on the mission, purpose, role and funding of higher education in Wales. This is due to report in March 2009. The Welsh Assembly Government will consider the recommendations it receives in determining the types of investment that will provide best value.

**Q. Do you agree that a proportion of the resource released from remodelling the student finance system should be re-invested in the Welsh Higher Education sector on a targeted basis as described in the consultation document?**

**Q. How should the Welsh Assembly Government ensure that resources re-invested in the Welsh Higher Education sector are best targeted in line with *One Wales* objectives, such as the study of priority subjects and Welsh-medium higher education?**

35. The Report from Professor Jones recommended that the Minister should "Provide significant increased funding directly to the HE sector in Wales to support additional bursaries and scholarships for students at Welsh HEIs ... measures could be put in place to ensure this funding is effectively targeted to support both national and local priorities such as Welsh-medium study, priority subjects, and widening access for students from lower income households". In line with the Report's recommendation, it is proposed that a proportion of the resource re-invested in the Welsh Higher Education sector should be set aside for additional targeted bursaries and scholarships.

**Q. Please outline your views on:**

- **additional targeted bursaries and scholarships in the Welsh Higher Education sector,**
- **how these should be targeted, and**
- **what measures should be put in place to ensure that targeting is effective.**

## Further information

36. To read the Minister's statement in full go to:

<http://www.assemblywales.org/bus-home/bus-chamber/bus-chamber-third-assembly-rop.htm?act=dis&id=107171&ds=11/2008#rhif5>

37. To read Professor Merfyn Jones's report, his covering letter, and the appendices to the report, go to:

[http://new.wales.gov.uk/topics/educationandskills/policy\\_strategy\\_and\\_planning/feandhe/wagreviews/reviewhighereducationwales/?lang=en](http://new.wales.gov.uk/topics/educationandskills/policy_strategy_and_planning/feandhe/wagreviews/reviewhighereducationwales/?lang=en)

[http://new.wales.gov.uk/topics/educationandskills/policy\\_strategy\\_and\\_planning/feandhe/wagreviews/reviewhighereducationwales/?lang=cy](http://new.wales.gov.uk/topics/educationandskills/policy_strategy_and_planning/feandhe/wagreviews/reviewhighereducationwales/?lang=cy)

38. To respond to the consultation document , please send your comments to:

Student Finance Consultation  
c/o Linda Williams  
Funding and Student Finance Division  
Department for Children, Education, Lifelong Learning and Skills  
Cathays Park  
Cardiff CF10 3NQ

Or by e-mail to:

studentfinanceconsultation@wales.gsi.gov.uk

### **Before close on Monday 16 February 2009**

39. The Welsh Assembly Government intends to publish a summary of the responses to this document. Normally, the name and address (or part of the address) of its author are published along with the response, as this gives credibility to the consultation exercise. If you do not wish to be identified as the author of your response, please state this expressly in writing to us.