

Fees and student support under the new higher education funding regime: what are different universities doing?

IFS Briefing Note BN134

Haroon Chowdry
Lorraine Dearden
Wenchao Jin
Barnaby Lloyd

Fees and student support under the new higher education funding regime: what are different universities doing?¹

Haroon Chowdry, Lorraine Dearden, Wenchao Jin and Barnaby Lloyd

Institute for Fiscal Studies

Executive summary

- This briefing note contains the first in-depth analysis of the new student support arrangements following the changes to the higher education finance regime introduced in September 2012. The key change is the creation of the National Scholarship Programme (NSP). It replaces the minimum statutory bursary and is used to provide financial support to disadvantaged students in the form of fee waivers, cash bursaries, and subsidised goods and services.
- Under the NSP, the government has provided universities with £50 million of funding for 2012–13, which consists of around 16,600 scholarship awards at £3,000 each. Universities face guidelines stipulating how they can use this money and must at least match this contribution using their own resources, by increasing the generosity of each award or by providing a greater number of awards or both.
- Universities have received funding in proportion to their size. However, the funding does not take into account the socio-economic make-up of a university's student body: a university that admits more deprived students may have to spread its NSP funding (and its own contribution) across a higher number of low-income students, compared with a university of a similar size that serves a more affluent student body.
- On top of this, higher-status universities appear to be contributing more of their own resources to fund their student support arrangements than lower-status universities do, perhaps because they have, on average, higher fee income per student.
- The result is that clear patterns emerge in the amount of total support offered to eligible students. Higher-ranked institutions, such as those in the Russell Group and the 1994 Group, offer more generous total support packages than lower-ranked institutions on a per-student basis.

¹ The authors gratefully acknowledge funding from the Nuffield Foundation (grant number EDU/39084).

- Furthermore, given the differential socio-economic make-up of higher- and lower-status universities, the differences in the amount of support available per disadvantaged or low-income student are even starker. A student with a family income of less than £25,000 could expect to receive total support of over £2,900 a year on average at a Russell Group university; this amount would be around £900 (£700) at a University Alliance (Million+) institution.
- Another consequence is that the average cash support available to low-income students at lower-status universities has actually fallen following the reforms, while it has increased among higher-status universities. Such students may qualify for fee waivers, which were not present under the old system, but these may be less valuable to students than cash support since they are only a potential future benefit.
- Bursaries aimed at high-achieving students, which did exist before the reforms, have now become more generous. Lower-ranked institutions in particular seem to be concentrating their bursary provision towards higher-achieving pupils (those with grades of AAB or higher at A level or equivalent). This could be a response to the admission arrangements under the new system, which permit universities to recruit as many AAB students as they wish, or it could be an attempt by such institutions to increase the share of high-achieving students that they enrol.
- While Russell Group universities currently charge the highest fees before fee waivers (almost exclusively £9,000 per year), they also offer the most generous fee waivers to poorer students. By contrast, Million+ and University Alliance institutions tend to charge lower fees but offer smaller fee waivers. The result is that there are smaller differences in average effective fees, after fee waivers, between different types of institution.
- The system is now more complex than before, as each institution designs its own support arrangements. Furthermore, the eligibility criteria for student support are not always transparent. For over 70% of the universities we have examined, students would not know in advance how much total support they would be guaranteed to receive through fee waivers and bursaries. This is because these universities have a fixed number of scholarships available, which are awarded through some discretionary process to students deemed to be the most deserving. This lack of transparency will not aid students in making decisions about whether to participate in higher education and, if so, where to apply.

- Moreover, any uncertainty about how much support a student can expect to receive may mean that such support makes little or no difference to students' application decisions. Students who do apply to this 70% of universities would do so irrespective of the support they will eventually receive, in which case any support they do receive is a payment for participation that would have happened anyway. This potential 'deadweight' issue raises questions about whether the current implementation of the NSP is an effective way to incentivise participation among students from disadvantaged backgrounds.

1. Introduction

This briefing note aims to provide the first detailed picture of the range of fees charged and support offered by universities in England to English students who started undergraduate degrees in September 2012 under the new higher education (HE) finance regime. While the reforms, characterised by cuts in public funding and rises in fees, have shifted the balance of funding between the public and private sectors, another important area of reform was the support provided to students.²

The key reform to the system of up-front student support is the creation of a National Scholarship Programme (NSP), replacing the statutory minimum bursary requirement. Under the old system, universities were obliged to provide a bursary of at least 10% of the full fee – approximately £300 – to every student who received the maximum government grant (for which they were eligible if their parental income was £25,000 or less). Under the new system, the government has contributed £50 million to the NSP to fund a minimum of 16,600 scholarship awards at £3,000 per award. The funding is allocated to higher education institutions (HEIs), which must then match the contribution from their own resources. Government support for the NSP will increase to £100 million in 2013–14 and to £150 million in 2014–15.

This briefing note relates to the financial support available to those who commenced their studies in 2012. We consider in detail how the new regime is likely to affect student fees and support. Given the planned increases in the NSP,

² The broad implications of these changes have been detailed in H. Chowdry, L. Dearden, A. Goodman and W. Jin, 'The distributional impact of the 2012–13 higher education funding reforms in England', *Fiscal Studies*, 2012, 33, 211–36, with errata to be published in the December 2012 issue of *Fiscal Studies*.

future cohorts are likely to enjoy more generous financial support than the 2012 cohort. But we focus on the 2012 cohort because the details for future cohorts are not available at the time of writing. The government's £3,000 contribution per award is supposed to be delivered in the first year of study.³ As a result, there is generally significantly more support available in the first year of study than in subsequent years, although this does vary by university.

To carry out this analysis, we focus on the student support arrangements set for 2012–13 by 90 major HEIs in England,⁴ drawing on information from each individual HEI's website, from their agreements with the Office for Fair Access (OFFA) and, where necessary, obtained by contacting the university's admissions office directly. This information is based on what was available as of Spring 2012; any revised or new information since then will not have been reflected in this report. We then combine this information with details on the characteristics of each HEI's student body, in order to calculate the average level of student support at that HEI. We also provide breakdowns of the support available to specific types of student, such as those with lower parental income or those with higher achievement at A level.

Universities have received funding in proportion to their size. However, the funding does not take into account the socio-economic make-up of a university's student body: a university that admits more deprived students may have to spread its NSP funding (and its own contribution) across a higher number of eligible students, compared with a university of a similar size that serves a more affluent student body. Furthermore, higher-status universities seem to contribute more of their own resources (per student) to their support schemes than lower-status universities do, perhaps drawing on the higher fee income per student at their disposal.

The result is that clear patterns emerge in the amount of total support offered to eligible students. Higher-ranked institutions, such as those in the Russell Group and the 1994 Group, are offering more generous packages of student support, while lower-ranked institutions are generally offering less generous packages of support. Another consequence is that the average cash support available to low-

³ The universities may spread their matched funding across subsequent years, or increase the number of awards, or increase the amount available in year 1.

⁴ There are about 110 universities in total in England. The 90 institutions we look at, which are listed in the appendix, are the ones for which we can find data on student numbers and are ranked in the Complete University Guide.

income students at lower-status universities has actually fallen following the reforms, while it has increased among higher-status universities. Such students may qualify for fee waivers, which were not present under the old system, but these may be less valuable to students than cash support since they are only a potential future benefit.

Bursaries aimed at high-achieving students have now become more generous. Lower-ranked institutions in particular seem to be concentrating their bursary provision towards higher-achieving pupils (those with grades of AAB or higher at A level or equivalent). This could be a response to the admission arrangements under the new system, which permit universities to recruit as many AAB students as they wish, or it could be an attempt by such institutions to increase the share of high-achieving students that they enrol.

While Russell Group universities currently charge the highest fees before fee waivers (almost exclusively £9,000 per year), they also offer the most generous fee waivers to poorer students. By contrast, Million+ and University Alliance institutions tend to charge lower fees but offer smaller fee waivers. The result is that there are smaller differences in average effective fees, after fee waivers, between different types of institution.

Our research suggests that the way the new NSP has been used by HEIs varies greatly, adding a further layer of complexity to the HE funding system. For over 70% of the universities we have examined, it is not clear in advance to prospective students exactly how much they will receive in fee waivers and bursaries. Students would only find out how much support they can receive after enrolling at the HEI. This uncertainty could affect students' application or participation decisions, while also increasing the likelihood of 'deadweight loss' (since the students who do end up receiving NSP awards would have been likely to attend anyway). This lack of transparency is particularly prevalent among, though not limited to, lower-ranked institutions that have historically had higher proportions of individuals from disadvantaged backgrounds. Overall, the risk of deadweight, where it exists, raises questions about whether the NSP is a good use of taxpayers' money and whether it is effective in reducing barriers to HE among disadvantaged students.

This briefing note proceeds as follows: Section 2 discusses the policy background, while Section 3 outlines our methodology. In Section 4, we examine the provision of bursaries and scholarships, how it varies across different types of institutions and its implications for students from different backgrounds.

Section 5 examines how fee waivers reduce the effective fees that students face, again across different types of institutions and considering the implications for different types of students. Finally, Section 6 concludes.

2. Policy background

The main aspect of student support is the national system of state-provided grants and loans for maintenance. The maintenance grant is means-tested and only available to students whose gross family income is less than £42,600 a year. The poorest students (those with gross family incomes of no more than £25,000 a year) are eligible for the maximum grant of £3,250. While all students can receive a maintenance loan, the amount of loan they can receive varies according to their parental income, their term-time living arrangements and whether they are enrolled at a London university.

This briefing note, however, focuses on the separate system of support offered by universities to students. Up until 2011–12, under the statutory minimum bursary requirement, universities had to provide a bursary of at least 10% of the full fee to every student who received the maximum maintenance grant. A substantial proportion of universities provided bursaries to these students only. While the amount of bursary provided was often higher than the minimum required by law, the difference was small in most universities.

Under the new system in operation from 2012–13 onward, the statutory minimum bursary requirement has been removed. Instead, universities charging full-time undergraduate students more than £6,000 per year are obliged to participate in the National Scholarship Programme (NSP). This is a government-subsidised scheme that aims to provide financial support for students from low-income households. The government has contributed £50 million to the NSP to fund some 16,600 scholarship awards at £3,000 per award.⁵ The funding is allocated to higher education institutions (HEIs), which face guidelines over how this money can be used and must at least match it from their own resources. Government support for the NSP will increase to £100 million in 2013–14 and to £150 million in 2014–15. However, as the details of these future contributions had not been finalised at the time of writing, we focus on the £50 million available in 2012–13 in this paper.

⁵ This number is considerably lower than the number of new students who would previously have been eligible for a statutory minimum bursary – approximately 100,000. Source: Authors' calculation based on an estimated income distribution using the Family Resources Survey.

HEIs have received NSP funding and awards in direct proportion to the number of students enrolled,⁶ meaning that larger institutions receive more money than smaller institutions. However, an HEI with a disadvantaged student body will not receive more NSP funding than another HEI of the same size with a more affluent student body, even though the former will have more students enrolled who would be eligible for support. An HEI with a relatively more disadvantaged student body would therefore have to spread its total support – including its own contribution – across a larger number of students, which could result in less financial support to individual students.⁷

Figure 1 plots two indices of deprivation against the ranking of universities, with institutions ranked on the horizontal axis from left to right so that higher-status HEIs are on the right-hand side. HEI rankings have been taken from the 2012 Complete University Guide.⁸ Each red bar shows the percentage of students at a university who are from the 20% most deprived areas, based on an Index of Multiple Deprivation.⁹ Each green bar shows the percentage of students who come from the 20% of neighbourhoods with the lowest historical HE participation rates.¹⁰ It is clear that lower-ranked universities are more likely to have a higher proportion of disadvantaged students; therefore the government NSP contribution per disadvantaged student is lower at less prestigious universities.

⁶ In 2012–13, the number of scholarship awards allocated to a university is approximately equal to 5% of its places for new full-time, home-domiciled, undergraduate entrants.

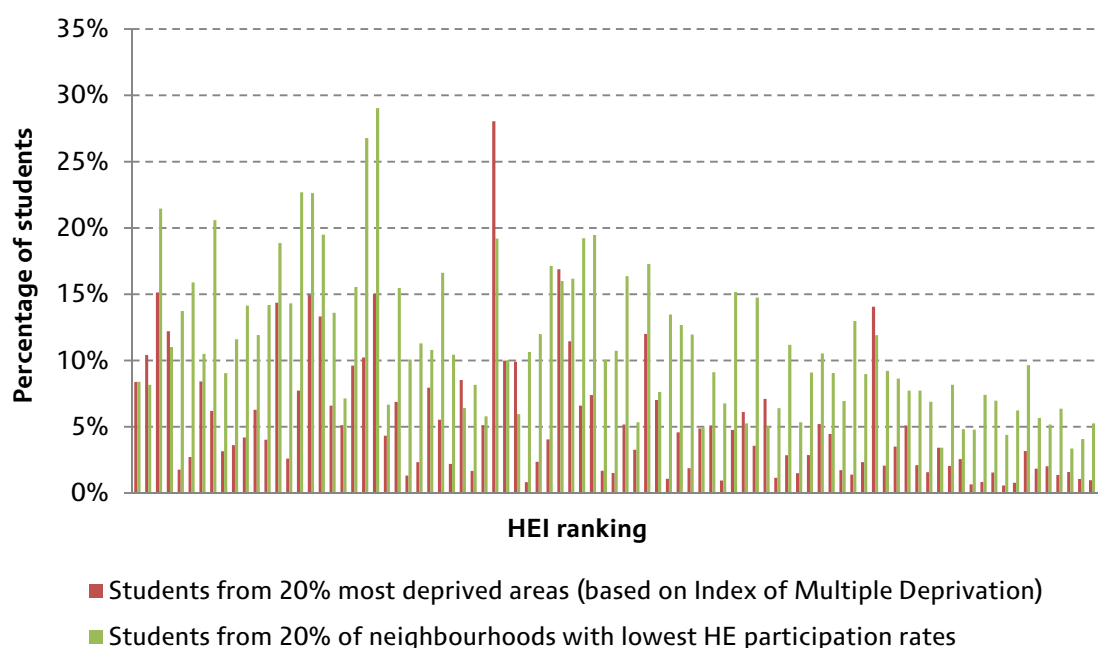
⁷ At the same time, however, it could be argued that this would present disadvantaged students with an incentive to apply to higher-status institutions, which typically have a smaller share of disadvantaged students (as shown in Figure 1).

⁸ See <http://www.thecompleteuniversityguide.co.uk/league-tables/rankings> for more information. The 2012 rankings were the latest available at the time of writing.

⁹ This is a score published by the Department for Communities and Local Government that summarises a local area's level of deprivation in a variety of dimensions (such as income, education and environment). More information can be found at <http://www.communities.gov.uk/communities/research/indicesdeprivation/deprivation10/>.

¹⁰ Both of these pieces of information are published at the HEI level by the Higher Education Statistics Agency (HESA).

Figure 1. Percentage of students from disadvantaged backgrounds, by university ranking



Notes: Institutions are ranked on the horizontal axis from left to right so that higher-status HEIs are on the right-hand side. HEI rankings have been taken from the 2012 Complete University Guide.

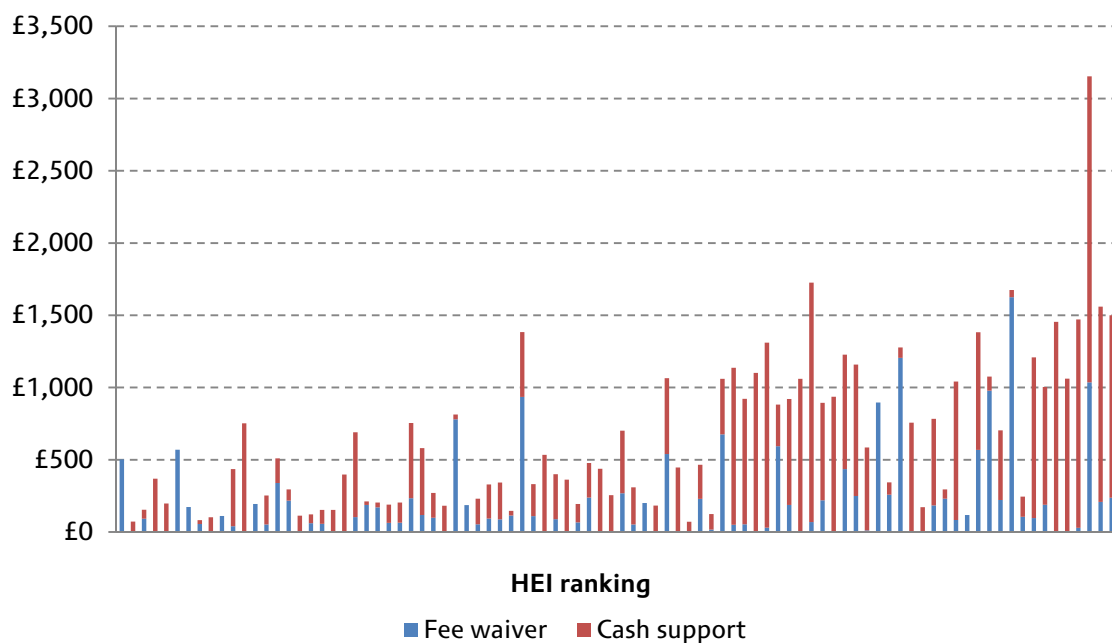
While universities are expected to match the government NSP contribution, the government also makes some stipulations about the way its NSP contribution may be used: for example, no more than £1,000 per award may be offered as cash,¹¹ and only students with gross family income of £25,000 or less – i.e. those eligible for the full maintenance grant – may be eligible to apply for the NSP. Beyond these guidelines, however, each university is free to design the details of its overall student support package and to structure its own matched contribution as it wishes. We observe significant differences across universities in their schemes: some offer more than £3,000 per NSP award (using their own resources to top up each award), while others use their resources to create additional awards and support a greater number of students.

Figure 2a shows the annual average fee waiver and cash support offered per student at different universities, again ranked with higher-status HEIs on the right-hand side. Each university has two stacked bars: the red bar shows the average fee waiver offered by the university, while the blue bar shows the average cash support. A majority of HEIs offer both fee waivers and cash support. In general, higher-ranked universities provide more total financial support per

¹¹ Universities can provide the rest of the government contribution in the form of fee waivers, discounted foundation year, discounted accommodation or other similar institutional services.

student on average. Among higher-ranked institutions that provide the most generous financial support per student, more tends to be in the form of cash bursaries rather than fee waivers. There are large variations among similarly-ranked universities in terms of the average amount of total support offered. Furthermore, among universities that offer a similar amount of total support on average, there are still differences in the mix of fee waivers and bursaries. No two universities are the same, which adds to the complexity of the student support system.

Figure 2a. Average annual financial support per student, by HEI ranking



Notes: Institutions are ranked on the horizontal axis from left to right so that higher-status HEIs are on the right-hand side. HEI rankings have been taken from the 2012 Complete University Guide.

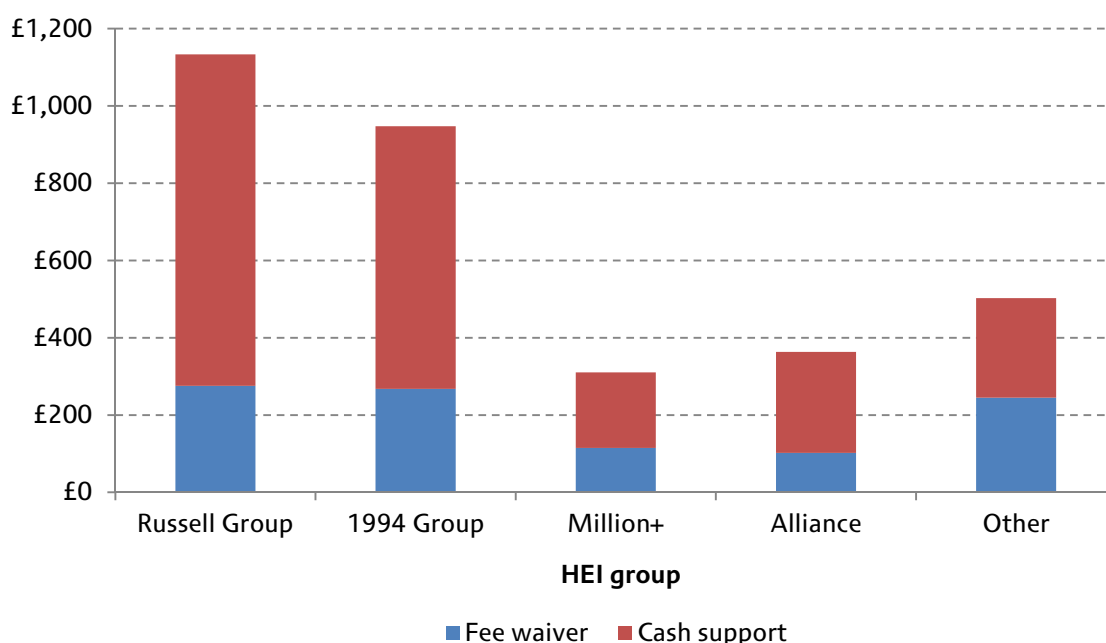
Figure 2b repeats the exercise for different groups of HEIs – the higher-status, research-intensive institutions such as the Russell Group and the 1994 Group, alongside the Million+ and University Alliance groups (and HEIs that do not fall into any of these groups). This graph makes clear that the higher-status institutions in the Russell and 1994 groups are able to offer more generous packages of total support, the disparity with other HEI groups being particularly stark for cash bursaries. Since all universities receive broadly the same amount of government NSP funding per student, this means lower-status universities on average spend less of their own resources (per student) on total financial

support, while the higher-status universities provide more of their own contributions and are more than matching the government contribution.¹²

Eligibility for support under the NSP is most commonly determined by a student’s parental income, though in many cases low income alone does not guarantee an award. Popular selection criteria include: A-level scores; whether the student comes from a neighbourhood with low historical HE participation rates or with other measures of disadvantage; whether the student is from the HEI’s local area; and the student’s extracurricular achievements. Published criteria include phrases such as ‘... from low income households who show great academic potential. A panel will make a decision based on your supporting statement’ and ‘Students who are able to provide evidence of multiple criteria are more likely to be successful in being awarded a scholarship’.

Some universities have financial support schemes in addition to the NSP. For example, many universities offer an excellence scholarship to students with high A-level grades (such as AAB or better). Box 1 illustrates some common features of the financial support packages via case studies of three different universities.

Figure 2b. Average annual financial support per student, by HEI group



¹² However, higher-status institutions do, on average, have higher fee income per student (see Figure 8).

Box 1. Examples of financial support packages at different universities^a

Example A: a leading Russell Group university

This university offers a transparent and generous scheme including both up-front cash support and fee waivers. Eligibility is purely based on household income and there are no further criteria. Prospective students can find out how much cash and fee waivers they are entitled to on the university's website by entering their household income. The poorest students (those with household income no more than £16,000) are entitled to a fee waiver of £5,500 and a cash bursary of £4,300 in the first year of their degree. In each subsequent year, these students would receive a £3,000 fee waiver alongside a £3,300 bursary. Students eligible for the partial maintenance grant (those with household income between £25,000 and £42,600) receive smaller bursaries and no fee waivers.

Example B: a mid-sized mid-ranked university in London

This university has three separate scholarship schemes – about 300 NSP awards, up to 150 Academic Excellence awards and just under 400 Access Scholarship awards. Each student can get at most one scholarship each year.

The NSP includes a £2,000 fee waiver and £1,000 cash support in year 1 only. The Academic Excellence award gives £1,000 cash and £2,000 fee waiver (or £3,000 fee waiver) per year for three years. The Access Scholarship includes £1,000 cash in year 1, £1,500 in year 2 and £2,000 in year 3. All awards after year 1 are subject to the student meeting progression criteria. Given the mutual exclusivity and the differences in the amounts, our analysis has assumed that students prefer the Academic Excellence award to the Access Scholarship, and the Access Scholarship to the NSP.

Both the NSP and the Access Scholarship require the student to have a household income no more than £25,000 and to meet one of the university's six 'under-represented' criteria (e.g. having a disability). It is unclear how the university selects among eligible students; we have assumed that the more disadvantaged are prioritised. The Academic Excellence award requires the student to have at least 360 UCAS points (equivalent to AAA or higher at A level), but if there are fewer than 150 eligible applicants then the remaining awards go to students with AAB.

To be eligible for any scholarship, students had to make this university their firm choice through UCAS by early May 2012. However, eligibility does not guarantee any award and students would only be informed about their scholarship application result in September 2012.

Example C: a large, lower-ranked university in the North West

This university offers an NSP scheme for low-income or disadvantaged students and an Excellence Scholarship for high-achieving students. The NSP eligibility criteria include having household income no more than £25,000 and coming from the local area. Prioritisation is based on disadvantage, such as coming from a neighbourhood with low HE participation. Each NSP award consists of a £2,000 fee waiver and £1,000 cash bursary in year 1 only. The university has matched the government contribution to NSP exactly 1:1, so the total number of awards available is twice the number of awards that were allocated to the university from the government.

The Excellence Scholarship requires the student to achieve at least 340 UCAS points (equivalent to AAB or higher at A level) and can be paid on top of any NSP support. The Excellence Scholarship includes a £1,000 fee waiver and £1,000 cash bursary in year 1 only.

a. Many universities have small, ad hoc and discretionary schemes that are designed for students in particular circumstances (e.g. those leaving care, studying certain subjects or experiencing unexpected hardship during their study). As we have no information on the number of students in these specific circumstances, we ignore such schemes throughout this paper.

While some universities publish clear and transparent criteria for their student support schemes, this is only true for 26 of the 90 universities we have examined. The remaining 64 offer a fixed number of scholarship awards, which are allocated through a discretionary process to students deemed to be the most deserving.¹³ Of these, 29 universities allocate on the basis of parental income, 7 use other measures of disadvantage, 10 look at academic potential or achievement in the allocation process, and 18 base student support decisions on some combination thereof. Thus, students applying to these universities cannot know in advance how much *total* support they will receive. The uncertainty that students face over the total amount of financial support they can get will not assist with their decisions over whether to go to university and, if so, which one.

3. Methodology

The purpose of this research is to calculate the average levels of support available at different universities and the amount of support available for different types of student or in different years of study. We focus on the student support arrangements at a set of 90 major HEIs in England,¹⁴ drawing on information from each individual HEI's website, from their agreements with the Office for Fair Access (OFFA) and, where necessary, obtained by contacting the university's admissions office directly. This information is that which was available as of Spring 2012; any revised or new information since then will not have been reflected in this report. We have also collected information on all bursaries that were operating in HEIs in 2011 – before the reforms – in order to examine how the provision of bursaries has changed this year.

In order to calculate the *average* levels of financial support offered by each HEI, we need to know how much support each student at that HEI is eligible for, which in turn requires knowing their parental income, A-level attainment and other socio-economic characteristics. Whilst this information is available to universities, it is not publicly available in real time (some of it is available with a lag). We have therefore used a number of data sources and additional

¹³ Some of these universities may operate other fully transparent schemes (based on a simple income threshold), but these are typically far less generous.

¹⁴ There are about 110 universities in total in England. The 90 institutions we look at, which are listed in the appendix, are the ones for which we can find data on student numbers and are ranked in the Complete University Guide.

assumptions to predict this information for the 2012 cohort of entrants at the 90 HEIs in question.

Our starting point is a cohort of graduates with simulated profiles of future earnings for each individual, using data on graduates collected from the British Household Panel Survey and the Labour Force Survey.¹⁵ Students are assigned a parental income that is loosely related to their total earnings as a graduate.¹⁶ This allows us to determine whether students would be eligible for financial support on income grounds and, if so, how much.

Second, students are assigned to an HEI on the basis of that HEI's ranking. We assume, effectively, that students from more affluent backgrounds or with higher future earnings are slightly more likely, *on average*, to attend higher-status universities.¹⁷

The next step is to determine whether students at an HEI have high A-level grades or come from deprived neighbourhoods. To do so, we make use of data published by the Higher Education Statistics Agency (HESA) containing, for each HEI, the A-level grades breakdown, the proportion of students living in the 20% most disadvantaged neighbourhoods (as determined by the Index of Multiple Deprivation) and the proportion living in the 20% of neighbourhoods with the lowest historical HE participation rates.

To assign A-level grades to individual students, we create an academic ranking within each HEI, effectively on the assumption that there is, *on average*, a slight positive relationship between a student's parental income, their earnings and their attainment.¹⁸ Within an HEI, the students with the highest academic ranking are assigned the highest grades, in accordance with the HESA proportions of students in each A-level attainment band at each HEI. For

¹⁵ More details on these data sources and the graduate earnings profiles can be found in Chowdry, L. Dearden, A. Goodman and W. Jin, 'The distributional impact of the 2012–13 higher education funding reforms in England', *Fiscal Studies*, 2012, 33, 211–36, with errata to be published in the December 2012 issue of *Fiscal Studies*.

¹⁶ We allow for a correlation of 0.1 between a student's ranking in the distribution of future earnings and their ranking in the distribution of parental income.

¹⁷ To implement this, we allow for a correlation of 0.1 between the HEI's ranking (obtained from the 2012 Complete University Guide) and the average of the student's rankings in the distributions of earnings and parental income.

¹⁸ We allow for a correlation of 0.1 between a student's academic ranking and the average of their rankings in the distributions of earnings and parental income.

example, if, at a particular HEI, 4% of students have A-level grades of A*AA or better, we allocate the highest-ranked 4% of students at that HEI to this attainment category, and so forth. This ensures that the distribution of prior attainment across students at each HEI is broadly correct.

To assign each student an indicator of whether they come from a deprived or low-participation neighbourhood, we assume that, *on average*, students with lower parental incomes live in neighbourhoods that are more deprived and that have lower historical rates of HE participation.¹⁹ The students at a particular HEI who are assigned the lowest neighbourhood rankings are then flagged as coming from deprived or low-participation neighbourhoods in accordance with the HESA statistics on the actual proportions of such students at that HEI. For example, if, at a particular HEI, 8% of students originate from the 20% most deprived neighbourhoods, we give this indicator to the 8% of students at that HEI with the lowest neighbourhood rankings, and so forth.

We then use this information to allocate an HEI's fee waivers and bursaries to its students who are deemed eligible. When universities just use transparent criteria such as parental income and/or A-level tariff points, and if those criteria guarantee eligibility, then this is a relatively easy process. If HEIs use a range of criteria in non-transparent discretionary ways, or have only a fixed number of scholarships and/or fee waivers available, we allocate the awards to the students deemed to match the specified criteria most closely. In cases where a number of criteria are used, we have tried to follow the criteria as best we can.²⁰ This

¹⁹ To implement this, we assume a correlation of 0.5 between a student's neighbourhood ranking and their parental income ranking.

²⁰ For example, one university's NSP scheme requires the recipient to come from a neighbourhood with low HE participation and their household income to be no more than £25,000. Among the eligible students, it claims to prioritise those with disabilities, in local authority care, from lower socio-economic classes (according to parental occupation), with low household income or whose parents did not attend university. As we do not have individual information on these characteristics, for this university we ranked the potentially eligible individuals (household income no more than £25,000 and from a low-HE-participation neighbourhood) by an index of disadvantage (the IMD, explained further in Section 2) and assigned the set number of NSP awards to the most disadvantaged. As a second example, when the criteria define eligible students as those 'from low income households who show great academic potential' and state 'A panel will make a decision based on your supporting statement', we take an average of each individual's academic ranking within the university and his/her disadvantage ranking within the university, and assign scholarships according to this composite rank.

generally involves identifying the students with the very lowest neighbourhood rankings or the very highest academic rankings within an HEI, until the total number of awards available is reached, and defining only those students as eligible for support. This ensures that awards are allocated to the correct number of pupils at each HEI.

In this paper, we do not distinguish between different types of cash support according to its label, such as ‘bursaries’, ‘scholarships’ and ‘awards’; all cash support provided by universities is considered jointly and is referred to as ‘bursaries’ or ‘cash support’ in this paper. The reason for this approach is that, in some universities, the NSP has been integrated into their bursary or fee waiver scheme, whereas in others it is separate.

We do, however, distinguish between fee waivers – which reduce a student’s fee *debt* – and cash support, which yields an immediate benefit to the student. The latter is often paid out in cheques, by bank transfer, or as discounts towards university accommodation and other services on campus.²¹ For individuals who go on to have some of their debt written off after graduation, a reduction in their fee debt will make no difference to them financially. Hence, where there is an option for students to choose how much support to receive as a fee waiver and how much to receive in cash, we always assume students opt for the latter. For the same reason, there is a key difference between fee waivers and cash support in their real cost to the taxpayer. Since the government is already expected to lose approximately a third of each £1 lent to students to cover their fees,²² fee waivers are less costly (to the government) than cash bursaries of the same nominal amount.

4. What changes have been made to bursaries?

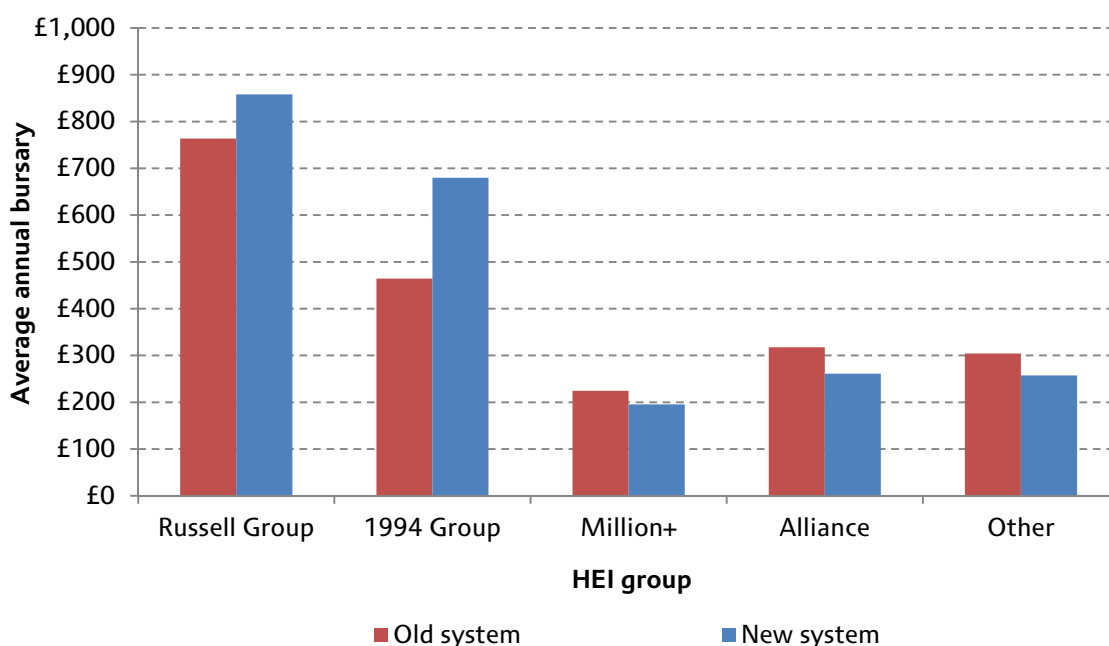
As mentioned in Section 2, under the old system, universities charging the maximum fee had to provide every year at least 10% of that fee in the form of a bursary to all students eligible for the full maintenance grant (in 2011, students with parental income of no more than £25,000). In reality, many HEIs provided more than the minimum bursary.

²¹ For the purposes of this analysis, we consider discounts towards accommodation and other university services as cash support.

²² See H. Chowdry, L. Dearden, A. Goodman and W. Jin, ‘The distributional impact of the 2012–13 higher education funding reforms in England’, *Fiscal Studies*, 2012, 33, 211–36, with errata to be published in the December 2012 issue of *Fiscal Studies*.

Figure 3 shows our estimate of the average cash bursary entitlement per student in 2011 and 2012 by HEI group. We see that the annual average bursary has increased amongst the research-intensive Russell Group and 1994 Group universities, but has actually decreased slightly among the lower-status Million+, University Alliance and other establishments.

Figure 3. Average annual bursaries per student under the old and new systems, by HEI group



It is also informative to see how bursaries among low-income students changed after the reforms. Figures 4 and 5 compare average annual bursaries and first-year bursaries respectively, under the old and new systems for students with household income of no more than £25,000 – those who were universally entitled to bursaries under the old system.²³ Figure 4 shows that, at Russell Group and 1994 Group universities, bursaries for such students have increased in generosity on average, while at other institutions they have actually become *less* generous. Figure 5 reveals that, in the first year of study, all types of HEI except ‘other’ offer higher bursaries to this group of students than previously.

²³ Under the new system, students with household incomes of above £25,000 can receive cash bursaries financed by universities’ own resources, as these are not subject to government stipulations. Students who receive bursaries related to academic excellence may also include some with household incomes above £25,000.

Figure 4. Average annual bursaries for students with household income of no more than £25,000, by HEI group

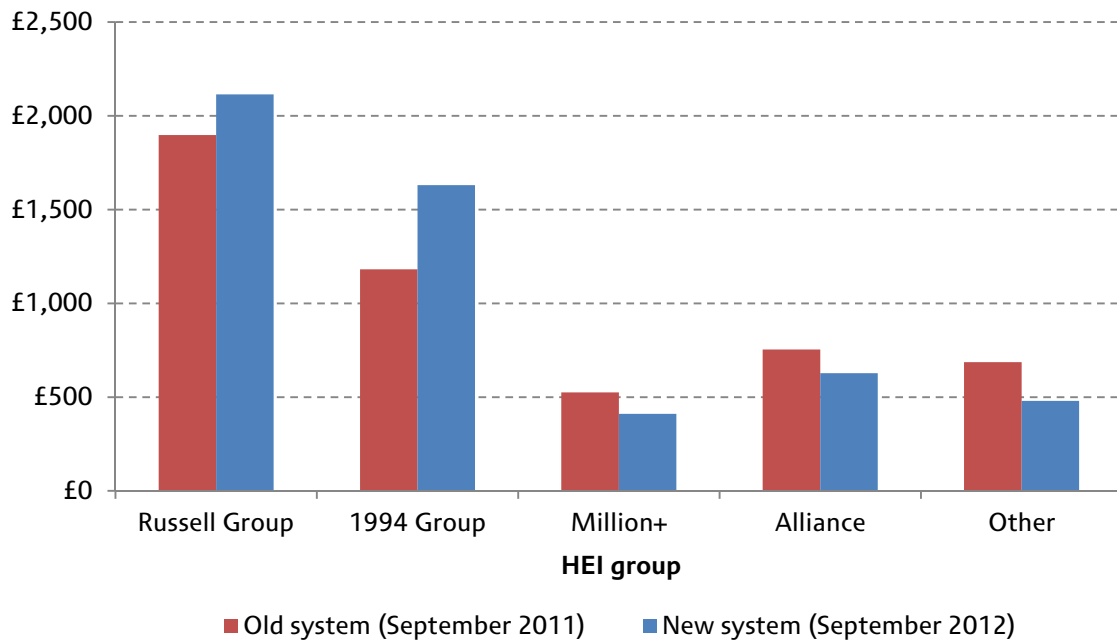


Figure 5. Average first-year bursaries for students with household income of no more than £25,000, by HEI group

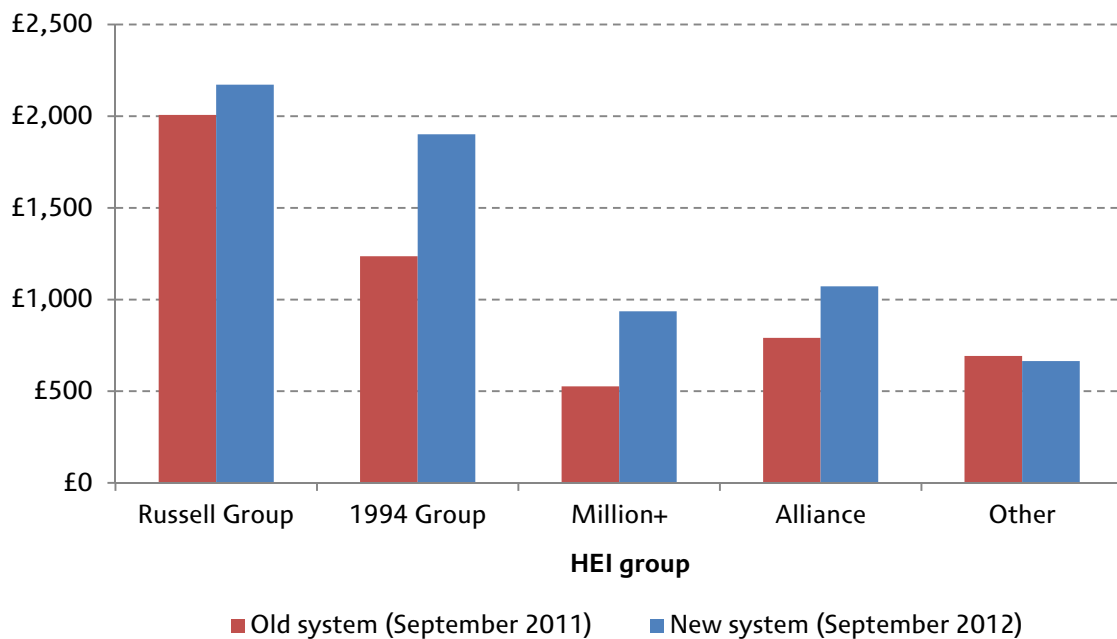
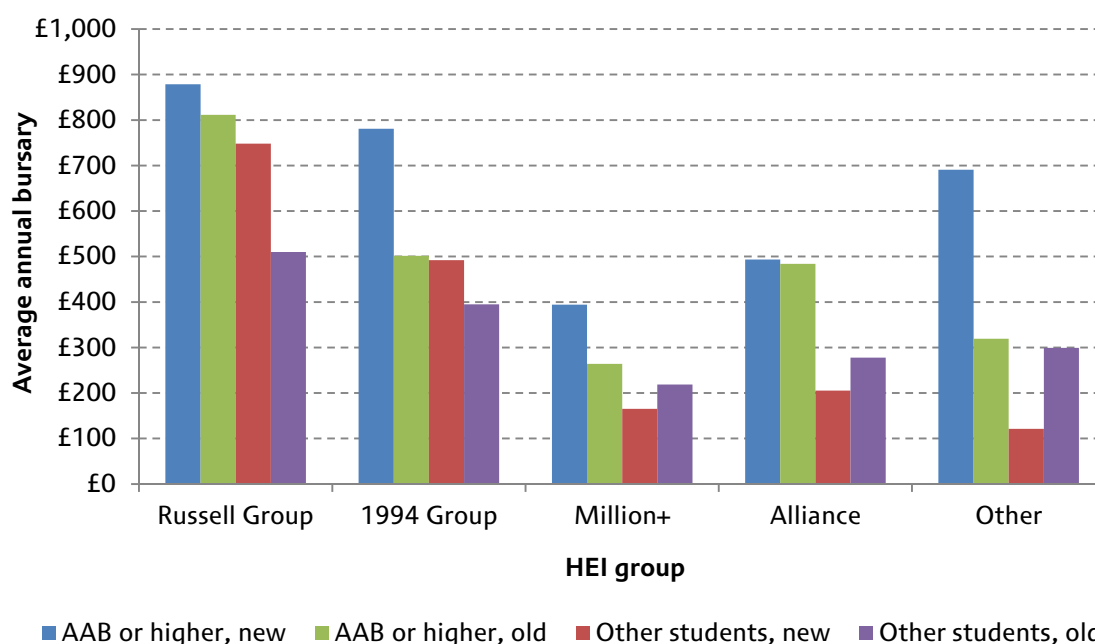


Figure 6. Average annual bursaries under the old and new systems, by A-level attainment and HEI group



Thus, the average decline in annual bursaries at Million+ and University Alliance HEIs is driven by significantly lower bursaries in the subsequent years of study.²⁴

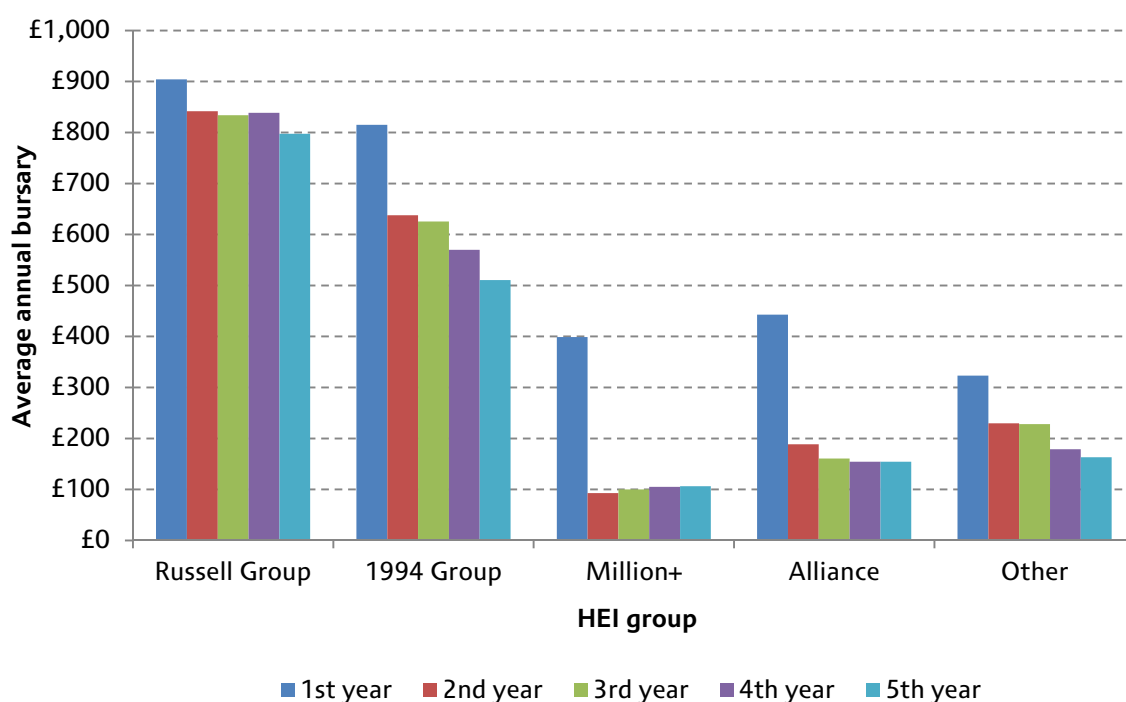
Figure 6 illustrates how the new system affects students with different A-level grades, focusing on those who achieve AAB or higher compared with those who do not. Cash bursaries are higher among students who achieve AAB or higher, on average, both before and after the reforms. This is because the practice of offering scholarships based on academic merit is a feature of both the old and new systems. Comparing the average bursaries before and after the reform, we see that the support for AAB students has increased across each HEI group, particularly among the 1994 Group and other universities. By contrast, the average cash bursary among non-AAB students has increased among Russell Group and 1994 Group HEIs only; it has fallen in Million+, University Alliance and other HEIs. It therefore appears that the lower-ranked universities are now

²⁴ Note that this analysis has not taken into account NSP allocations that the government will provide to universities in future years – which had not been published at the time of writing – or universities’ matched contributions in those years. These future NSP allocations are supposed to benefit future cohorts in their first year of study, but they might enable universities to spend more of their own resources to support the 2012 cohort in future years. For the purposes of this analysis, we can only take account of what had been announced by universities at the time of writing as being available in future years.

concentrating their bursary resources on high-achieving students, perhaps with the aim of attracting more of them.²⁵

Finally, Figure 7 breaks down the amount of cash bursaries available (under the new system) by year of study. For all HEI groups, the average amount of bursaries is higher in the first year of study than in subsequent years. This is particularly true for Million+ and University Alliance HEIs. Whilst their average annual bursaries are lower than under the old system (shown in Figure 3), their first-year bursaries are actually higher than under the old system. But this increase is more than offset by reductions in bursaries in subsequent years of study. Further analysis of individual universities (not presented here) reveals that around half offer almost as much cash support in subsequent years as in year 1, while the other half provide less in subsequent years. The latter half tends to include more lower-ranked universities than higher-ranked ones.

Figure 7. Average annual bursaries under the new system, by year of study and HEI group



²⁵ This may be a response more generally to the fact that, under the new system, HEIs are allowed to recruit as many students as they wish achieving AAB or higher, under the ‘core’ and ‘margin’ systems.

Any frontloading of support could potentially cause problems for student retention in HE beyond their first year of study. It appears to be an unintended consequence of the NSP, in particular the stipulation that the government portion of the NSP must be spent on the first year of study. Some universities may provide more support to the September 2012 cohort in subsequent years than has been announced to date. But for individual students facing the decisions of whether to go to university and which one to attend, uncertainty about the availability of future financial support is not helpful. On the other hand, support in the first year may be more salient for students making the decision over whether or not to attend.

5. How have fee waivers been adopted by universities?

The other aspect of student support under the new system is fee waivers, which have been introduced by most universities to supplement up-front cash bursaries. Fee waivers create a wedge between the gross tuition fee (before fee waivers) and the net tuition fee (after fee waivers). Students who take out a fee loan and who receive a fee waiver only need a loan for the net fee, which will be lower than the gross fee.

Figure 8 contrasts the average annual gross fee with the average annual net fee. Russell Group and 1994 Group universities are almost exclusively charging the maximum gross fee of £9,000 per year. The fee waivers that are provided lead to a net fee of around £8,700 per year, on average. The universities represented by the Million+ are charging somewhat lower gross fees (£800 lower on average) and somewhat lower net fees (£600 lower). They tend to provide smaller fee waivers, as shown by the smaller differences between their gross and net fees, but their average net fees remain lower nonetheless. This, combined with the pattern of bursaries across different HEI groups, confirms the pattern shown in Figure 2b of more generous total support packages offered by higher-status HEIs. Again, such HEIs seem to be contributing more of their own resources to student support arrangements (since the government NSP contribution is broadly flat per student).

There is also significant variation in the provision of fee waivers across individual institutions, as shown in Figure 9, which presents gross and net fees at the institution level. For each HEI, the blue diamond marker shows the average annual gross fee while the red square marker shows the average annual net fee. There is a clear relationship between HEI ranking and gross fees: almost all of the higher-ranked ones charge the maximum £9,000 per year. A handful of

universities, most of which are lower-ranked, charge a gross fee of less than £7,500 per year. Once fee waivers are accounted for, it becomes clear that the average net fee varies substantially across universities, even among those with a similar ranking. Some institutions charge £9,000 for all courses and offer few fee

Figure 8. Gross and net fees, by HEI group

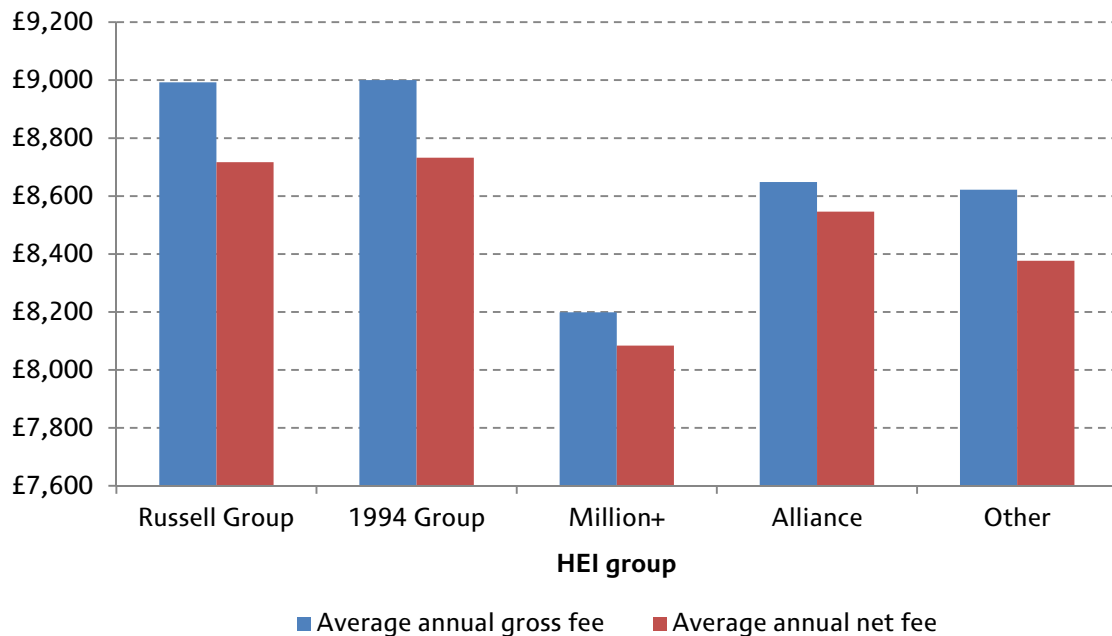
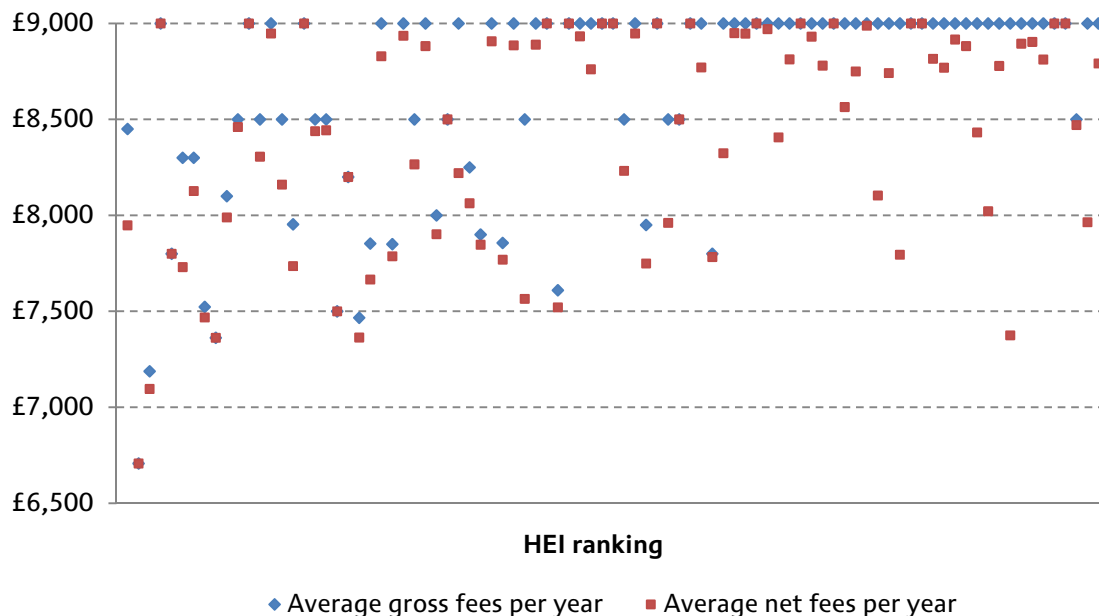
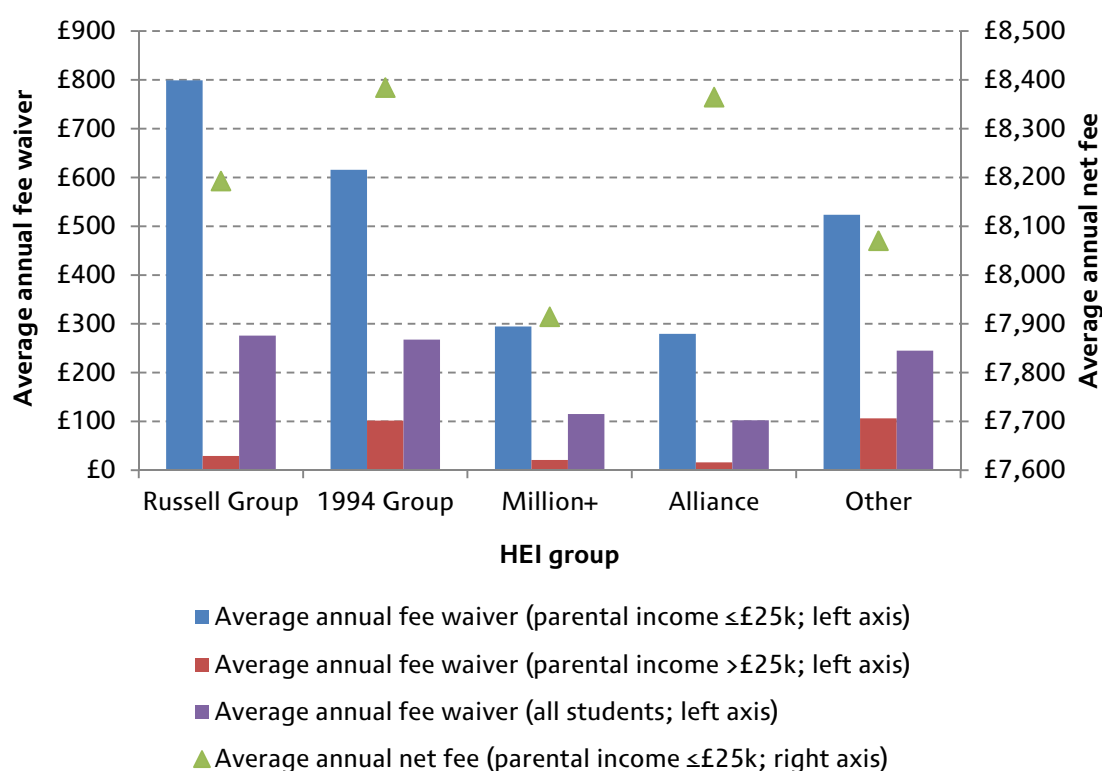


Figure 9. Gross and net fees, by HEI ranking



Notes: Institutions are ranked on the horizontal axis from left to right so that higher-status HEIs are on the right-hand side. HEI rankings have been taken from the 2012 Complete University Guide.

Figure 10. Average annual fee waiver, by household income and HEI group



waivers,²⁶ but there are also many highly-ranked universities that charge similar levels of net fees to lower-ranked ones.

Household income is the most important determinant of a student’s eligibility for fee waivers. Figure 10 compares the average fee waiver for students whose household income is £25,000 or below with the fee waiver available to richer students, by HEI group. This income threshold is imposed by the government as the essential eligibility criterion for the NSP, although it does not guarantee eligibility for fee waivers. Many universities adopt this benchmark even for their own schemes. On average, a student with household income of no more than £25,000 and attending a Russell Group university can expect to receive over £800 in fee waivers per year (as shown by the first blue bar), compared with almost zero for a richer student (as shown by the first red bar). Similarly, the 1994 Group, the Million+ and the University Alliance give significantly more in fee waivers to the students in this low-income group than to other students. As mentioned above, the Russell Group and the 1994 Group offer more in fee

²⁶ The 24 HEIs that offer no fee waivers all offer some up-front cash support (including discounts for living costs, such as accommodation and food).

waivers on average than other HEIs; it is clear now that these differences are very much driven by the fee waivers offered to low-income students.

The green triangular markers in Figure 10 show the average net fee (measured on the right-hand axis) faced by students with a household income of £25,000 or less. As Figure 8 showed, without fee waivers, low-income students would face average tuition fees of almost £9,000 a year at Russell Group universities, compared with only around £8,600 (£8,200) at University Alliance (Million+) establishments. However, Figure 10 demonstrates that the picture changes after fee waivers are taken into account. The substantial fee waivers offered by Russell Group universities to low-income students mean that such individuals would face a net fee of £8,200 on average. This is less than the £8,400 they would face at 1994 Group and University Alliance HEIs, and closer to the £7,900 they would face at Million+ universities.

Taken together, Figures 4 and 10 show that there are vast differences in total support (bursaries and fee waivers) available to low-income students across the different HEI groups. A student with a family income of no more than £25,000 could expect to receive a total support package worth over £2,900 a year on average at a Russell Group university; at a University Alliance or Million+ HEI, the average total support for the same student would be only around £900 or £700 respectively.

Another factor in determining potential eligibility for fee waivers is A-level attainment. Many universities, and in particular the lower-ranked ones, offer scholarships to students who achieve at least AAB grades at A level or a certain number of points on the UCAS tariff. Attracting such students may be a way for universities to expand under the new admission arrangements, and also to improve the quality of their student body. We saw in Figure 6 that AAB students receive more cash support than others; a similar picture is shown for fee waivers in Figure 11. For each HEI group, students who achieve AAB or higher receive higher fee waivers than non-AAB students; the difference is particularly sizeable among Million+ and other universities.

As was mentioned earlier, the government contribution to NSP funding must be used in the first year of study; the matched funding by universities can be used in any year. This generally means that university fee waivers are larger in the first year than in subsequent years, as illustrated in Figure 12. Interestingly, although Russell Group universities provide, on average, higher fee waivers than 1994 Group universities in the first year, this is not so for the second and third years of

study. University Alliance institutions seem to provide most of their fee waivers in the first year and have the lowest average fee waivers in subsequent years.

Figure 11. Average annual fee waiver, by A-level achievement and HEI group

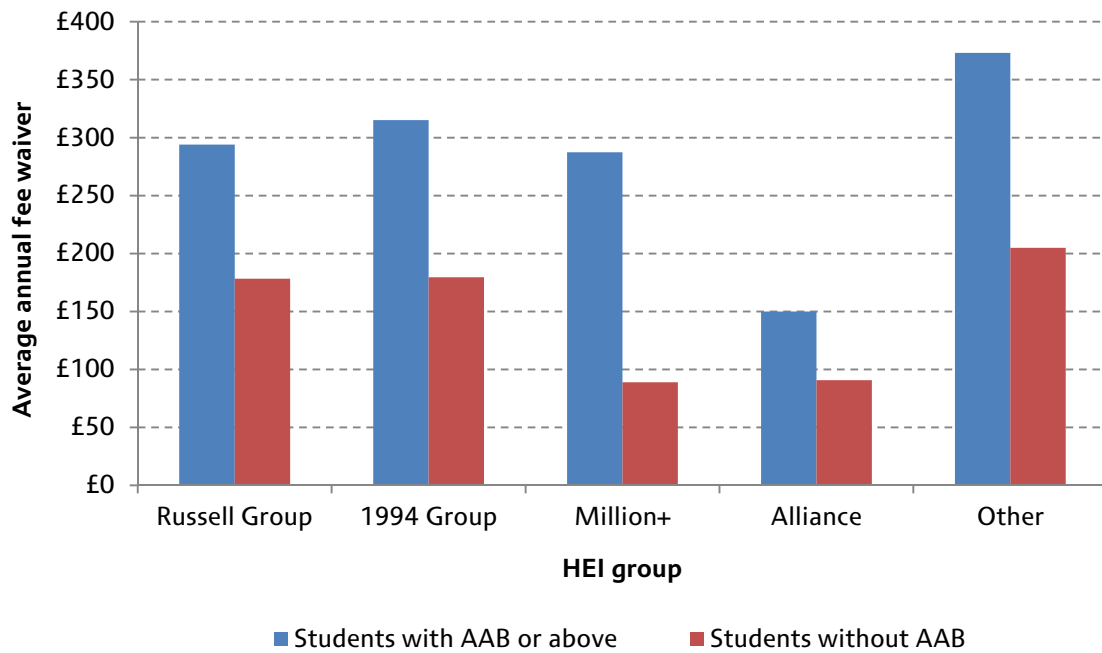
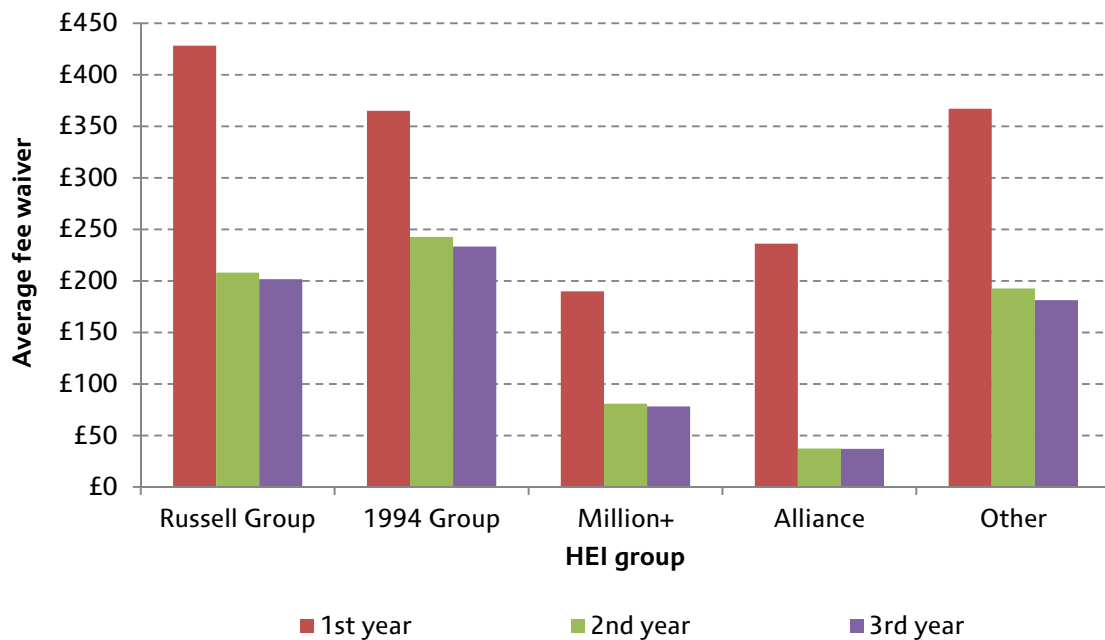


Figure 12. Fee waivers, by year of study and HEI group



6. Conclusions

This briefing note contains, to our knowledge, the first in-depth analysis of the new student support arrangements following the changes to the higher education finance regime introduced in September 2012. The key change is the creation of the National Scholarship Programme (NSP), which provides funding to support disadvantaged students. This is passed on to eligible students in the form of fee waivers, cash bursaries, and subsidised goods and services.

Under the NSP, the government has provided universities with £50 million of funding for 2012–13, amounting to around 16,600 scholarship awards at £3,000 each. Universities must use their own resources to match the contribution from government, by increasing the generosity of each award or by increasing the total number of awards available or both. Universities have received funding in proportion to their size, meaning that larger institutions receive funding for more NSP awards. However, the funding does not take into account the socio-economic make-up of a university's student body: a university that admits more deprived students may have to spread its NSP funding (and its own contribution) across a higher number of eligible students, compared with a university of a similar size that serves a more affluent student body.

The result is that clear patterns emerge in the amount of total support offered to students. Higher-ranked institutions, such as those in the Russell Group and the 1994 Group, are offering more generous packages of student support, while lower-ranked institutions are generally offering less generous packages of support. Furthermore, given the differential socio-economic make-up of higher- and lower-status universities, the differences in the amount of support available per disadvantaged or low-income student are even starker. A student with a family income of no more than £25,000 could expect to receive total support of over £2,900 a year on average at a Russell Group university; this amount would be around £900 (£700) at a University Alliance (Million+) institution.

On average, bursaries have become more generous under the new system among the research-intensive Russell Group and 1994 Group, but have become less generous among other institutions, and this remains true even when focusing upon students from low-income backgrounds. The fall in bursaries among lower-status universities for low-income students is, on average, more than offset by the new fee waivers offered to the same group of students.²⁷ In the first year of

²⁷ But the students may value £1 of fee waiver much less than £1 of cash bursary.

study, bursaries for low-income students have become more generous; they are front-loaded and then reduced in subsequent years. This could pose an issue for students after they finish their first year, if their decision to apply to university was a marginal one.

Bursaries aimed at high-achieving students, which were also a feature of the old system, have now become more generous. Lower-ranked institutions in particular seem to be concentrating their bursary provision towards higher-achieving pupils (those with grades of AAB or higher at A level or equivalent), at the expense of other students. This could be a response to the admission arrangements in the new system, under which universities are allowed to expand by recruiting AAB students, or it could reflect an intention by universities to attract a higher-achieving mix of students.

While Russell Group universities currently charge the highest gross fees (almost exclusively £9,000 per year), they also offer the most generous fee waivers. By contrast, Million+ and University Alliance institutions tend to charge lower gross fees but offer smaller fee waivers. The result is that there are smaller differences in net fees between different types of institution: from around £8,100 for the Million+ group to £8,700 for the Russell and 1994 groups. For lower-income students, the fees are actually lower among the Russell Group institutions than among the University Alliance group.

The system is now more complex than it was, as each institution designs its own support arrangements. These arrangements involve a combination of fee waivers, cash bursaries and other discounts. The added complexity will not aid students in their decision-making process about whether to participate in HE and, if so, where to apply.

Furthermore, the eligibility criteria for student support are not always transparent: while low income is often a criterion for eligibility, it does not always *guarantee* eligibility for student support in cases where institutions exercise some discretion over awards or can only provide a fixed number of awards. Other criteria (such as academic or extracurricular achievement) may also be used in allocating NSP awards, with institutions using their discretion or a separate application process to provide such awards. For over 70% of the universities we have examined, students would not know in advance how much total support they would be guaranteed to receive through fee waivers and bursaries. This is because these universities have a fixed number of scholarships available, which are awarded through some discretionary process to students

deemed to be the most deserving. This lack of transparency will not aid students in making decisions about whether to participate in HE and, if so, where to apply. At these institutions, the resulting uncertainty from a student's perspective about how much support they can expect to receive may mean that the existence of the support makes little difference to student choices over whether or not to attend. Students who do apply would be doing so irrespective of how much they will eventually receive (since this amount is not known in advance), in which case any support they do receive is unlikely to have influenced their participation decision. This is a type of 'deadweight loss', since the money paid out relates to participation that would have likely happened anyway. If the main purpose of the NSP is to incentivise participation among students from low-income backgrounds, this lack of certainty and resulting 'deadweight' could be a major problem, perhaps enough to undermine the purpose of the programme.

Appendix: List of universities used in this briefing note

Anglia Ruskin University	University of Chester
Aston University	University of Chichester
Bath Spa University	University of Cumbria
Birmingham City University	University of Derby
Bournemouth University	University of Durham
Brunel University	University of East Anglia
Buckinghamshire New University	University of East London
Canterbury Christ Church University	University of Essex
City University	University of Exeter
Coventry University	University of Gloucestershire
De Montfort University	University of Greenwich
Edge Hill University	University of Hertfordshire
Goldsmiths College	University of Huddersfield
Imperial College London	University of Hull
King's College London	University of Keele
Kingston University	University of Kent
Leeds Metropolitan University	University of Lancaster
Liverpool John Moores University	University of Leeds
London Metropolitan University	University of Leicester
London School of Economics	University of Lincoln
London South Bank University	University of Liverpool
Loughborough University	University of Manchester
Manchester Metropolitan University	University of Newcastle-upon-Tyne
Middlesex University	University of Northampton
Nottingham Trent University	University of Northumbria at Newcastle
Oxford Brookes University	University of Nottingham
Queen Mary and Westfield College	University of Oxford
Roehampton University	University of Plymouth
Royal Holloway and Bedford New College	University of Portsmouth
School of Oriental and African Studies	University of Reading
Sheffield Hallam University	University of Salford
Southampton Solent University	University of Sheffield
Staffordshire University	University of Southampton
Thames Valley University	University of Sunderland
University College London	University of Surrey
University for the Creative Arts	University of Sussex
University of Bath	University of Teesside
University of Bedfordshire	University of the Arts, London
University of Birmingham	University of the West of England, Bristol
University of Bolton	University of Warwick
University of Bradford	University of Westminster
University of Brighton	University of Winchester
University of Bristol	University of Worcester
University of Cambridge	University of York
University of Central Lancashire	York St John University