

## Localisation and the Means Test: A Case Study of Support for English Students from Autumn 2012

John Hills and Ben Richards



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## Localisation and means-testing

**Mid 1960s:** Mike Reddin identified 3,000 local authority means-tests:

"Local authorities are therefore responsible for administering at least 3,000 means tests, of which some 1,500 are unique. Some 1,500 definitions of poverty, financial need and ability to pay; ability to pay some 1,500 different rates of charge or contribution; need to receive some 1,500 different rates of benefit"

Tony Lynes: *How to pay surtax while living on the breadline*

**1970s:** National rent rebate scheme  
(now Housing Benefit)  
National rent rebate scheme  
(now Council Tax Benefit)

## Under the Coalition

Collision: Cuts

Protect the poorest

Localism

➔ Means-testing and local variation

e.g. Council Tax Benefit: 10% cuts passed to local authorities. Potential to undermine aims of Universal Credit – simplification, unification and smoothing out worst of the poverty trap? Too early to tell effects.

But **can** now see that is happening in another area – means-tested student support.

## Structure of presentation

- Student finance history and background
- Survey of 52 universities at UCAS deadline in January 2012
- Typical means-tested support systems
- More generous systems – 27 universities
- Other variations
- Implied means-tests
- Interaction with rest of tax and benefits system
- Implications

## Student finance: Background (England)

- Mix of private and social returns.
- On *average*, subsidising private returns is regressive.
- But credit market failures and information problems – worst if low-income background.
- Historically tuition and living costs from tax-funded grants.
- After 1997: £1,000 fees up front with income contingent loans for living costs.
- After 2006: Top-up fees up to £3,000, repaid on income contingent basis (with eventual write-off)

## Browne and the Spending Review

- **Browne report 2010:** Uncapped fees to allow expansion without more public spending. Levy on fees over £6,000. Modelling on basis of £6,250 and of £6,000 to £8,000. Existing bursaries 'complex and confusing'.
- **2010 Spending Review:** End of government support for tuition costs for humanities and social sciences. Fees from £6,000 to £9,000 (no levy) from September. Increase in repayment threshold to 9% above £21,000 (written off after 30 years). Access agreements with OFFA if charging over £6,000.

## Summary from Autumn 2012

Main types of student financial support 2012-13	Yearly amount	How is it paid?	Pay back?	Provided by
<b>Tuition fee loan</b>	Up to £9,000	To university	Yes	Government
<b>Maintenance loan</b>	Up to £7,675	Cash	Yes	Government
<b>National maintenance grant</b>	Up to £3,250	Cash	No	Government
<b>National Scholarship Programme</b>	At least £3,000 (1st year)	Up to £1,000 cash, the rest fee waivers / discounts	No	Government and university
<b>University bursary</b>	Depends on university	Cash / accommodation discount	No	University
<b>University tuition fee waiver</b>	Depends on university	Tuition fee waiver	No	University

## Restrictions on survey and analysis for 'simplicity'

- Treat cash bursaries and fee reduction equally, but in long term fee reductions may be less valuable (because of write-offs).
- English students from Autumn 2012.
- Full-time, single, living away from home.
- Not: mature students, leaving care, second time, part-time, foundation courses, foundation years, non-honours degrees, years abroad or in industry.
- Position as on Jan 2012 websites
- 52 largest UK universities plus other Russell Group (LSE/Imperial)
- No information: Central Lancashire/Huddersfield.
- 52 universities with 59% of UK full-time undergraduates.
- Focus on structure of means-tests.

## University groupings

- 19 out of 20 Russell Group with more generous means-tested support (not Queen's University Belfast for English students)
- 8 non-Russell group with more generous systems
- 22 non-Russell Group using primarily National Scholarship Programme (NSP).
- 2 with no means-tested support (Glamorgan/Ulster as well as QUB)
- 2 with no information

## Residual income

- Mainly parental **gross** income in financial year 2010-11 (for Autumn 2012 entrants)
- Pension contributions deducted and allowance for other dependent children (£1,130 in 2010-11)
- Before tax and NICs. Excludes tax credits and other benefits.
- **Plus** student's **unearned** income in academic year 2012-13.
- Includes 'all income from scholarships, exhibitions, bursaries, awards, grants, allowances, and all other payments for attending your course during the academic year'.

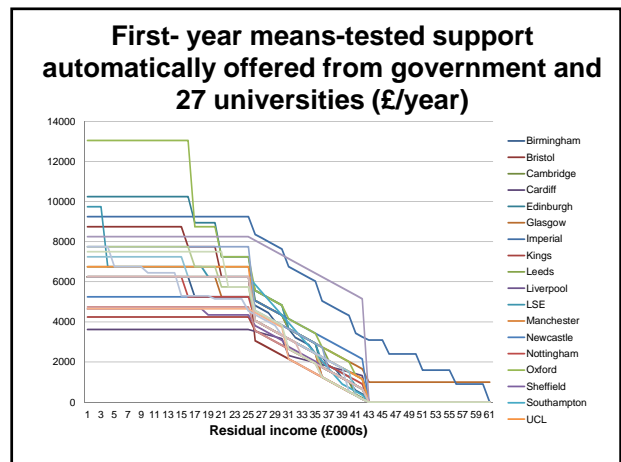
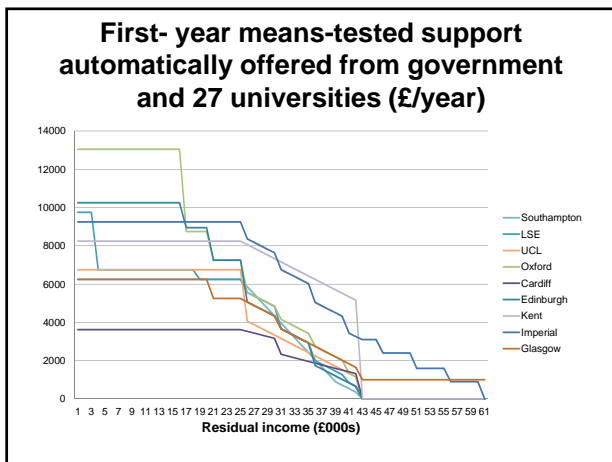
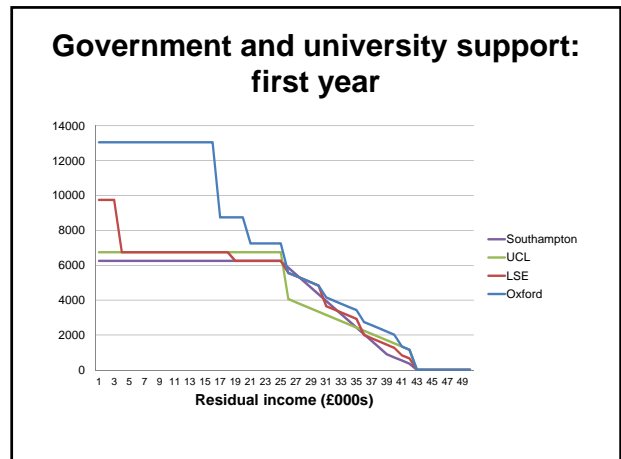
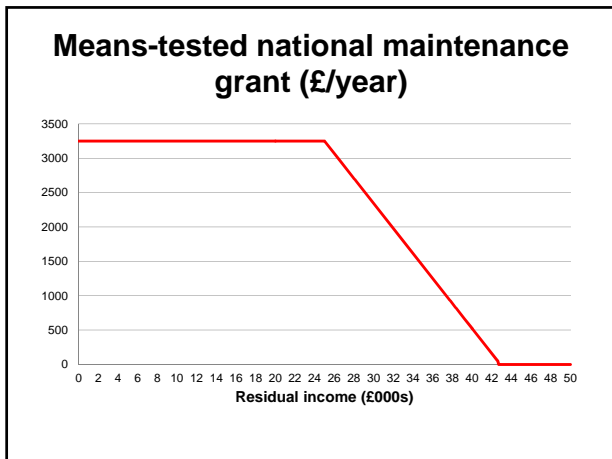
## Digression: Schrödinger's Bursary

Parental income in 2010-11: £24,500  
 Student's income in 2012-13: Nil  
 Residual income: £24,500

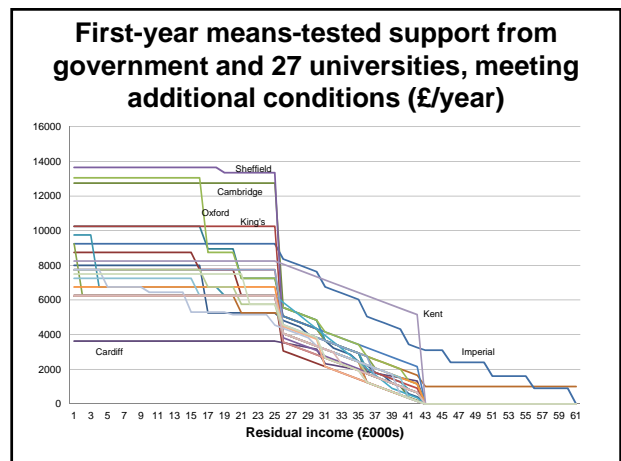
- ➔ Below £25,000 so qualifies for NSP – fee reduction £2,000, grant £1,000. So residual income now £25,500
- ➔ Above threshold so no grant.

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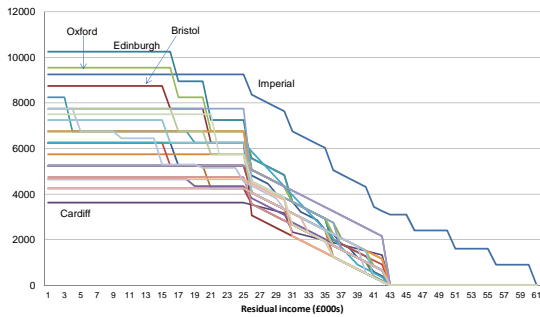
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- ### Other variations
- Lower in 2<sup>nd</sup>/3<sup>rd</sup> years (14/27)
  - State school (Warwick)
  - Low participation area (Newcastle/Kent)
  - Free school meals (Birmingham)
  - Low incomes and high grades (Newcastle)
  - No income (Leeds)
  - Multiple criteria (Cambridge)



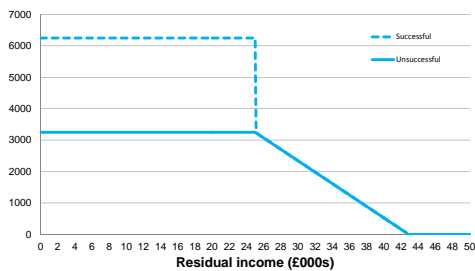
### Second and third year means-tested support automatically offered from government and 27 universities



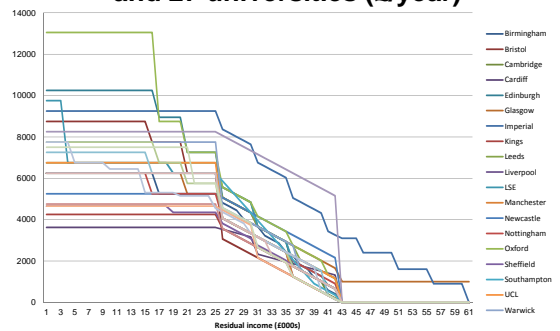
### Universities using National Scholarship Programme (22)

- Fixed number of scholarships/fee reductions
- Income limit: £25,000 or lower (e.g. £16,190)
- Some – poorest first (e.g. de Montfort)
- Additional criteria
  - A level scores
  - Partnership schools
  - Non-graduate parents
- £3,000 in first year, lower or none in later years in many
- Usually maximum of £1,000 in cash
- Other lower value awards as well
- Slab systems: all or nothing

### Means tested support from government and NSP only (£/year)



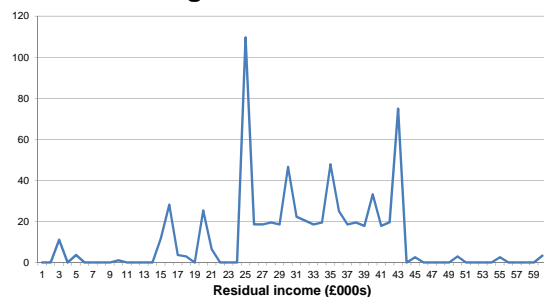
### Reprise: First- year means-tested support automatically effective from government and 27 universities (£/year)

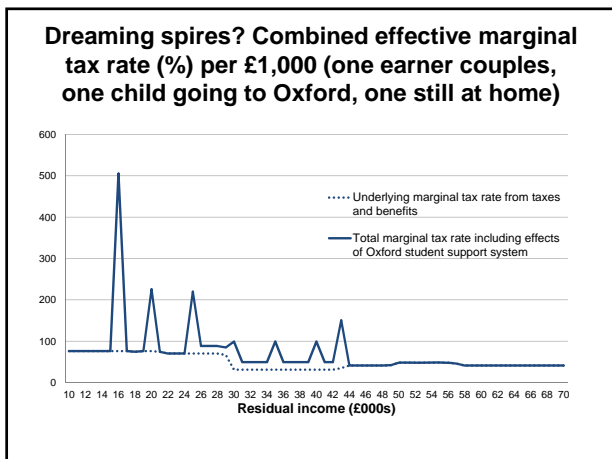
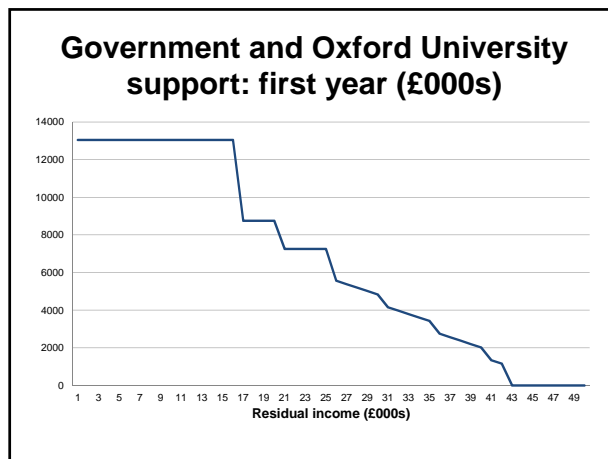
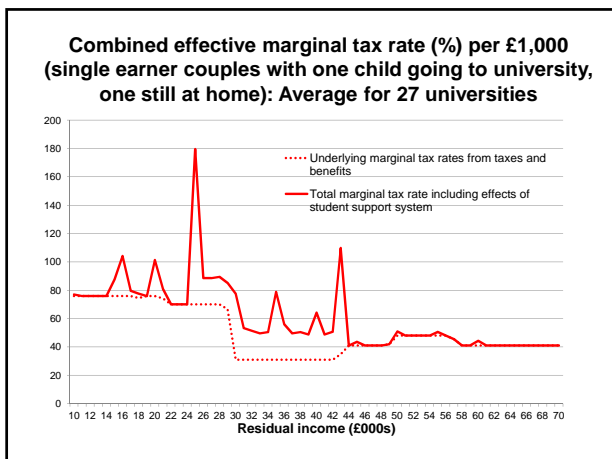


### What is the problem with cliff-edges?

- Disincentive to additional earnings (but residual income mainly retrospective)
- Incentive to misreporting close to thresholds
- Feelings of injustice just beyond cliffs (e.g. original Child Benefit proposals implied £1,058 loss for one-child family, £2,415 for three child family)

### Mean marginal support withdrawal rate (%) on residual income per £1,000, average for 27 universities





### A tale of two parents.... (children going to Oxford in October 2012-13, first year)

Gross Earnings (2010-11)	£17,000	£44,000
Income tax	- £2,104	- £7,534
National Insurance	- £1,239	- £4,210
Tax Credits	+ £5,619	+ £545
Child Benefit & Council Tax Benefit	+ £2,046	+ £1,757
Net income (2010-11)	£21,322	£34,558
<b>Net difference</b>		<b>+ £13,240</b>

Gross Earnings	£17,000	£44,000
Deduction	-£1,130	-£1,130
Residual income	£15,870	£42,870
Government grant	£3,250	Nil
Fee reduction	£5,500	Nil
Bursary	£4,300	Nil
Total support	£10,050	Nil
<b>Net difference</b>		<b>- £13,050</b>
Net gain		+ £190

- ### Conclusion: University finance
- Systems vary widely in many different ways between universities, making comparison complex.
  - High stakes differences around particular thresholds (e.g. at £16,000 Oxford>Cambridge, but at £16,500 Cambridge can be £4,000 more generous)
  - For NSP-only universities, applicants do not know if they will get one of fixed number of awards.
  - Complexity is a barrier to 'informed choice'
  - Lower income students at Russell Group have **higher** support than lower-income students at most other universities.

### **Conclusions: Social Policy**

- Localised means-tests can create chaotic picture
- Undermines aims of e.g. Universal Credit
- Lower level organisations and design choices such as cliff edges, and little attention to other interactions
- Other features will add (CTB variations, own student loan payments, EMAs in some areas etc., etc.)
- Illustrates limits to extent to which can withdraw universal provision and 'protect poor' – already had 70% MTRs in 2010-2011, so ceiling close – problem far worse with £9,000 fees than £3,500 fees.

CASE paper 160, available at:

<http://sticerd.lse.ac.uk/dps/case/cp/CASEpaper160.pdf>