

# **STATES OF JERSEY**



## **HIGHER EDUCATION FUNDING PROPOSAL**

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**Lodged au Greffe on 15th February 2018  
by the Council of Ministers**

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**STATES GREFFE**

## **PROPOSITION**

**THE STATES are asked to decide whether they are of opinion –**

to agree –

- (a) the introduction of a new Higher Education Student Grant Scheme, as set out in the report accompanying this proposition;
- (b) the removal of the Higher Child Allowance from the year of tax assessment 2019;
- (c) the transitional arrangements as set out in the report accompanying this proposition.

**COUNCIL OF MINISTERS**

## REPORT

### **Executive Summary**

In his Budget speech on 28th November 2017, the Minister for Treasury and Resources announced plans to provide additional financial assistance, with effect from September 2018, for Jersey students who wish to attend higher education. The proposal was formulated in conjunction with the Minister for Education, with the support of the Council of Ministers, and considerably improves the existing means-tested grant system.

The aim is to reverse the decline in the number of students opting for university. This can be achieved by making higher education more affordable and reducing the financial pressure on families who have told us they have been struggling to meet the cost of rising fees and living expenses. Increasing the number of university students will enable Jersey to meet the increasing demand for a graduate workforce.

Under this proposed scheme, it will be simpler for families to calculate the level of financial support they might receive. It has been revised following a public consultation held between 11th December 2017 and 12th January 2018, to which 3,374 people responded.

Summary of the new Higher Education Student Grant Scheme –

- It applies to all eligible students with household incomes under £200,000 studying for a first undergraduate degree from September 2018, whether in their first or the latter years of their course.
- Tuition fees of up to £9,250 a year will be paid for every student living in a household with an annual income under £110,000. The maximum level paid will be the lesser of £9,250 or the fee for the relevant university. (£9,250 is the standard fee for an undergraduate degree in the UK.)
- Students in households with an income from £110,000 a year and up to £200,000 a year will have a percentage of tuition fees paid, based on a sliding scale.
- The maximum standard maintenance grant for living expenses will increase by £1,500 a year, bringing it to a maximum of £7,500 per student.
- An increase in the qualifying income thresholds so that more families become eligible for the maintenance grant. The maintenance grant will be available in full to all families earning under £50,000, and in part on a sliding scale to families earning up to £90,000.

The table below illustrates what a student and their family could receive –

Household income (total/gross)	States grant per year		
	Tuition fees	Maintenance	Total
£0 to £49,999.99	£9,250	£7,500	£16,750
£50,000 to £59,999.99	£9,250	£6,000	£15,250
£60,000 to £69,999.99	£9,250	£4,500	£13,750

<b>Household income (total/gross)</b>	<b>States grant per year</b>		
	<b>Tuition fees</b>	<b>Maintenance</b>	<b>Total</b>
£70,000 to £79,999.99	£9,250	£3,000	£12,250
£80,000 to £89,999.99	£9,250	£1,500	£10,750
£90,000 to £99,999.99	£9,250	£0	£9,250
£100,000 to £109,999.99	£9,250	£0	£9,250
£110,000 to £119,999.99	£8,325	£0	£8,325
£120,000 to £129,999.99	£7,400	£0	£7,400
£130,000 to £139,999.99	£6,475	£0	£6,475
£140,000 to £149,999.99	£5,550	£0	£5,550
£150,000 to £159,999.99	£4,625	£0	£4,625
£160,000 to £169,999.99	£3,700	£0	£3,700
£170,000 to £179,999.99	£2,775	£0	£2,775
£180,000 to £189,999.99	£1,850	£0	£1,850
£190,000 to £199,999.99	£925	£0	£925
£200,000 +	£0	£0	£0

Additional information –

- The extra fees for doctor, dentist and veterinary courses would be covered by an additional grant (as they are under the current scheme).
- The grant will be available for degrees in Jersey, the UK, Open University degrees, and for recognised qualifications (as per the current guidance) at universities outside the UK.
- Families that have assets of more than £500,000, excluding their main residence, (e.g. other properties, stocks, shares, bonds, goodwill of a business, tangible/moveable assets) will not be eligible for financial assistance, irrespective of their household income. This level is under review, and we will bring forward plans to reduce it within the next 12 to 24 months.
- The criteria for evidencing household income remains unchanged.
- The scheme will be reviewed every 5 years, with particular consideration being given to adjusting the household income levels and maintenance grants to take account of inflation and average wage growth.

The eligibility criteria will not change from the current scheme, and students will need to –

- have lived in Jersey for 5 years (or one year if they have been away but are ‘entitled’);
- have appropriate qualifications: A-levels or equivalent;
- be studying for a first undergraduate degree;
- apply through the Student Finance Department;
- repay the whole or part of the grant or allowance received if they fail or do not complete the course.

This proposal will cost an estimated £6 million per year above the £10.5 million allocated in the Education Department's higher education budget. It will be funded, in part, by the removal of the Higher Child Allowance (see below), which is expected to generate £3.5 million a year. The balance will be funded from underspends, principally in the Education budget for 2018 and 2019, which covers the remaining years of the current Medium Term Financial Plan. From 2020 it will be necessary to provide funding for the estimated additional £2.5 million required per year.

### **Removal of Higher Child Allowance**

Currently, the parents of children in higher education are entitled to a tax allowance when they have a child who is over the age of 17 and receiving full-time higher education – this allowance is known as Higher Child Allowance (“HCA”). In Jersey’s dual-calculation income tax system, ordinarily the HCA creates a £9,000 deduction in the marginal rate calculation (delivering an income tax reduction of £2,340 at 26%); and a £6,000 deduction in the standard rate calculation (delivering an income tax reduction of £1,200 at 20%). In order to help pay for the new Higher Education Student Grant Scheme, it is proposed that the HCA is no longer available from the 2019 year of assessment – the additional tax payable as a consequence of its removal being used to fund approximately £3.5 million of the additional cost of the new scheme.

### **Transitional arrangements**

Under the new Higher Education Student Grant Scheme, in 2018 some families will be entitled to both an enhanced grant from the Education Department and the HCA – on the basis that the HCA remains available for the 2018 year of assessment. To address this doubling-up of support, it is proposed that the grant provided by the Education Department for the academic year 2018/19 will be adjusted to reflect the value of the tax relief received through the availability of the HCA.

Due to the timelines for applying for higher education grants versus income tax assessing cycles, the adjustment made to the grant provided for the academic year 2018/19 will be made by reference to whether the HCA was claimed in the 2017 year of assessment. An adjustment will also be required to the grant provided for the academic year 2019/20 based by reference to whether the HCA was claimed in the 2018 year of assessment. As the HCA will no longer be available from the 2019 year of assessment, no such adjustment will be required to the grant provided for the academic year 2020/21 and subsequent years.

Additional staff will be required within the Taxes Office to calculate the necessary adjustments during these transitional years; these are provided for within the financial and manpower implications section of this Report.

Furthermore, Additional Person Allowance (“APA”) is an allowance given to unmarried taxpayers with children. Currently, one of the conditions in order to claim APA is that the taxpayer is entitled to either “normal” child allowance (given in respect of school-age children), or HCA; it is proposed that conditions relating to the eligibility for APA are altered such that the changes made to HCA (see above) do not impact on the availability of the APA. This proposed change in the qualifying conditions for the APA will require a systems change within the Taxes Office computer system, which is provided for within the financial and manpower implications section of the report.

The legislative changes to remove the HCA and alter the qualifying criteria for APA will be brought forward in the 2019 Budget.

Removing the HCA as proposed above will mean that all funding of higher education is amalgamated into one scheme, making it clearer and easier to understand.

## **Background**

The cost of university education has risen significantly over the past few years, both in terms of living expenses and also tuition fees. The most significant increase was in 2012 when UK universities raised tuition fees to an average of £9,000 a year. The majority of Jersey students choose universities in the UK, which is now the most expensive place to study in Europe. It is well documented that this increase in cost has been a major factor in the decline in the number of students attending universities.

It is estimated that the annual cost of attending university in the UK is approximately £20,000 depending on location. In addition, banks have completely withdrawn their support through the provision of student loans from September 2018.

Higher education funding has been a matter of ongoing debate, and various solutions to the funding problem have been considered. In May 2016 the Education Department published a summary report that explored the problem and offered 5 options –

### **1. Student loan:**

Further investigations were conducted into the feasibility of a Jersey student loan similar to the UK scheme. A UK-style and scale loan scheme was ruled out because of the financial implications of the debt burden both for students/parents and for the States of Jersey.

### **2. Parents' savings scheme:**

A scheme could be explored to help parents to save a regular amount over a long period to make university more affordable. This is less useful for lower-income families that have relatively little disposable income, but could still be an option, and is being explored by the Treasury with local banks.

### **3. Redistribution of current States funding:**

The Education Department could explore how to allocate the existing budget differently. However, this would be likely to move the financial burden to different sets of parents. As a partial solution, an additional £2 million funding was added to the higher education budget during the Medium Term Financial Plan debate in 2016.

### **4. Expansion of Campus Jersey:**

Provision of high-quality, on-Island degrees is an important and popular alternative to UK university courses, and there is scope to extend the existing provision at Highlands College and other institutions. On-Island degrees have achieved strong results and high post-course employment rates. Some have lower tuition fees than UK universities, and students' living expenses are generally not as high.

## **5. Closer links with European universities:**

Work has been undertaken to establish international links to make it easier for Jersey students to access institutions in France and other countries where the fees are significantly lower.

In March 2017, the Education and Home Affairs Scrutiny Panel produced a report that highlighted the following points, which have been addressed in the new proposal –

- Many Jersey families are unable to meet the cost of higher education.  
*The new proposal pays tuition fees for the majority of students and increases the maintenance level and qualifying thresholds.*
- Jersey needs a talent pool of graduates upon which businesses can draw.  
*The new proposal will both increase the number of students attending university and ensure that the majority of undergraduates are registered with Student Finance and, therefore, kept informed of all employment opportunities, holiday internships, registered bursaries and additional training available. The ideal would be for all students to register so that we can inform them of opportunities and we will be working towards this.*
- The Higher Child Allowance is poorly targeted.  
*The new proposal removes this tax allowance from the 2019 year of assessment and utilises the monies for the new scheme, putting all higher education benefits in one place and increasing transparency and targeting of this funding.*
- The current scheme is complicated.  
*The new proposal will simplify some aspects of the current scheme, but the range of family circumstances and university options means that a one-size-fits-all system will always be difficult to achieve.*
- Campus Jersey is not in itself the answer, as choice will always be too limited.  
*The new proposal recognises this by increasing accessibility to all universities. A new Higher Education Strategy will look to continue the work started by Campus Jersey to ensure that opportunities continue to exist to study on-Island, and to address specific skills shortages.*
- Majority of students and families want some form of loan scheme.  
*The work undertaken in reaching this final proposal determined that a loan scheme was feasible; however, it had a number of drawbacks. In addition, the logistics of establishing a loan scheme meant that it was unlikely that it would be available until September 2019 at the earliest. The consultation sessions have indicated that most people would be happy with the proposal.*

In formulating this proposal, the project team and Ministerial Sub-Committee originally considered 10 options, which ranged from maintaining the *status quo* to a full loan system. These were costed, and advantages and disadvantages were considered. The list was reduced to 4 options, which were subject to more detailed analysis and then presented at a Council of Ministers workshop.

The workshop established that an improved grant scheme for tuition fees and maintenance grants was the preferred option, accepting that funding would need to be identified in order to progress.

### **Impact on families**

This proposal means that students who aspire to go to university will have access to more financial support from the States of Jersey. Also, the financial burden on lower-to middle-income families has been reduced. This provides more certainty for families and should enable them to plan more easily.

The funding is based on the standard cost of a UK degree for a home student. If a student wishes to study at a university that charges more expensive tuition fees, they must fund the additional cost themselves. The only exception is for medical, dentistry and veterinary clinical years 4 and 5, and maintenance for clinical and nursing degrees.

Further modelling work undertaken on the original proposal indicated that for some families, the financial impact of the withdrawal of the HCA would not be fully compensated through increases in the enhanced grant from the Education Department. To address these concerns, it is now proposed that an additional £1,000 of maintenance grant is paid to families with a household income not exceeding £50,000 per annum, and the Additional Personal Allowance is maintained despite the removal of the HCA.

### **Advantages of the proposal:**

- The majority of Jersey students receive some financial assistance, which is significantly increased from the current position.
- Students do not automatically finish university with a large debt.
- Deadweight loss is reduced by capping the income level above which support is provided compared to the original proposal.

### **Disadvantages of the proposal:**

- Additional cost to the States of Jersey of £2.5 million per year.

### **Risks of the proposal**

The most significant risk to this proposal is the unpredictability of costs in the future because of rising tuition fees and variation in numbers of students and degree courses. While the UK government has fixed the standard fee at £9,250 for the 2018–19 academic year, there is no indication of fee levels after that. Fluctuations in the number of students will also have an impact on the budget requirements. However, the Education Department is confident that the numbers modelled are at the upper end of the range.

### **Implications for the States of Jersey**

This proposal will cost the States of Jersey an estimated £2.5 million a year after the removal of the HCA. It will provide valuable data on students, because the majority will have to register with the Student Finance team in future. This will provide a much fuller

picture of the higher education destinations of Jersey's student population, and will mean that they are easier to contact for employment and training opportunities, potentially increasing the likelihood of them returning to the Island.

### **Consultation summary**

A public consultation was held between 11th December 2017 and 12th January 2018 on the original proposal with the following objectives –

1. Inform: To explain the proposal announced by the Minister for Treasury and Resources in his Budget speech.
2. Mandate: To gauge the level of public support for the plan to proceed.
3. Comment: To give Islanders an opportunity to submit their views and feedback to Ministers.

A total of 3,374 responses were received to an online survey. Consultation drop-in events were held at the Jersey Library on 18th and 19th December 2017, and 5th and 6th January 2018. Just over 88% of respondents were supportive of the scheme, and over 90% of respondents who identified themselves as students said that they were more likely to go to university.

A total of 120 members of the Public spoke to Education and Treasury staff at the Library drop-in sessions, and were mostly –

- current and prospective students and their families seeking more information on how the proposal would relate to their particular circumstances: not surprisingly, they were generally very supportive of the proposal;
- recently graduated students and their parents who were disappointed that they had incurred significant debt and financial hardship which would not be alleviated in the proposal;
- pensioners and their families who have told us they are struggling financially and would prefer investment in increased provision for the elderly or health care services.

Whilst the majority of the combined feedback was positive, concerns were raised about the generosity of the level of financial assistance proposed, and that it would be available to all families. Many respondents felt it was not appropriate for the States to give grants to families with incomes of more than £150,000. Many respondents, whether in favour or opposed to the proposal, queried what the source of the funding would be in future.

### **Revisions to proposal as a result of the consultation**

The proposal was revised in light of the feedback received from the public consultation. The main concerns raised regarding the new scheme and how they could be addressed are –

<b>Concern</b>	<b>Solution</b>
Household income threshold of £150,000 is too high	Reduce the level at which full tuition fees are paid to £110,000, with a cap at £200,000.
‘Cliff Edge’ reduction to tuition fees	Taper the reduction of tuition fees between £110,000 and £200,000.
Small number of low-income families could be worse off	Increase maintenance allowance to £7,500 and maintain the Additional Personal Allowance – despite the removal of the HCA.
Overall costs will remain a financial constraint for some households	Increase maintenance allowance from £6,500 to £7,500.
Overall scheme is expensive and no sustainable source of funding	Ongoing cost of the scheme from the MTFP3 reduced from estimated £4 million to £2.5 million.

The **Appendix** to this Report provides a comparison of the original scheme which was consulted upon, and this revised scheme.

### **Collective responsibility under Standing Order 21(3A)**

The Council of Ministers has a single policy position on this proposition, and as such, all Ministers, and the Assistant Ministers to the Chief Minister, are bound by the principle of collective responsibility to support the proposition, as outlined in the Code of Conduct and Practice for Ministers and Assistant Ministers ([R.11/2015](#) refers).

### **Financial and manpower implications**

The proposal will require 2 additional staff to implement, with an ongoing cost of £100,000, together with upfront investment in changes to the tax system. The table below shows the additional estimated cost of the proposal over the next 4 years. The costs for 2018 are significantly reduced, as there is only a one-term impact.

<b>Estimated total cost of the proposed scheme by financial year</b>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Estimated number of students	1,550	1,600	1,650	1,660
Total cost plus HCA withdrawal	£9,779,700	£11,582,500	£16,111,425	£16,548,200
Current budget plus HCA withdrawal	£9,975,400	£10,500,000	£14,315,000	£14,744,400

<b>Estimated total cost of the proposed scheme by financial year</b>				
Additional Resources Required	£200,000	£100,000	£100,000	£100,000
Net funding surplus or (Requirement)	(£4,300)	(£1,182,000)	(£1,896,400)	(£1,903,800)

Assumptions used in above table –

- Student numbers will rise dramatically in year 1 and more modestly in years 2 and 3.
- Assume a small increase thereafter for general population growth.
- Course fees have not been inflated past £10,000.
- Parental income bandings are stable.
- Mixture of courses and locations is stable.

### **Next steps**

The States are requested to approve the introduction of the new Higher Education Student Grant Scheme as set out in this report.

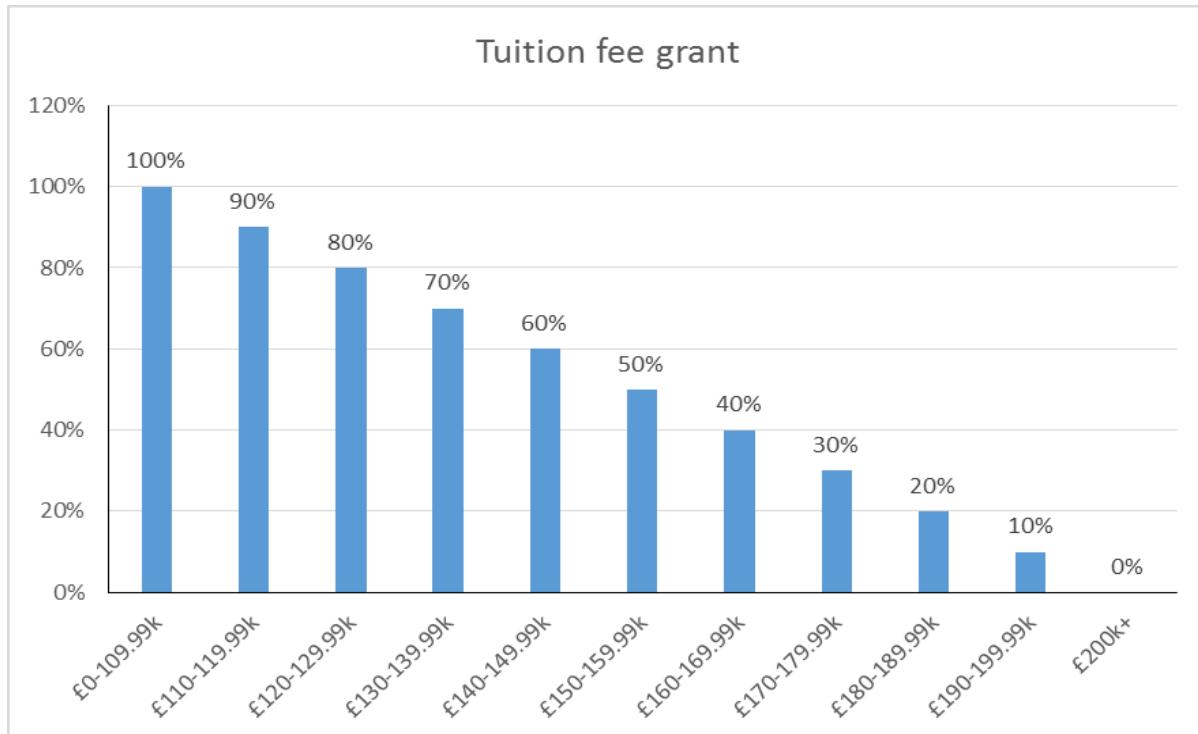
Once approved, the Orders, systems and procedures will need to be changed ready for implementation from September 2018 for all students.

## APPENDIX

### COMPARISONS OF ORIGINAL AND REVISED PROPOSALS

**Table 1: General points**

<b>Original proposal</b>	<b>Revised proposal</b>
Payment of tuition fees up to £9,250 for every student living in a household with income under £150,000.	Payment of tuition fees up to £9,250 for every student living in a household with income under £110,000.
Payment of 50% of tuition fees (£4,625) for those in households over £150,000.	Payment of tuition fees tapered from £110,000 to £200,000. The taper reduces the tuition fee grant by 10% for every additional £10,000 of household income up to £200,000, after which no tuition fee grant is paid (see diagram below).
Increase in maintenance grant up to maximum of £6,500.	Increase in maintenance grant up to maximum of £7,500.
More families are eligible for maintenance grant, a full grant is available to those living in households under £50,000, and in part on a sliding scale to £95,000.	More families are eligible for maintenance grant, a full grant is available to those living in households with income under £50,000, and in part on a sliding scale to £90,000.



**Table 2: Financial comparison**

Household income (total/gross)	Current grant scheme	States' grant per year Original proposal			States' grant per year Revised proposal		
		Tuition fees	Maintenance	Total	Tuition fees	Maintenance	Total
£0 to £49,999.99	£13,750 to £10,510	£9,250	£6,500	<b>£15,750</b>	£9,250	£7,500	<b>£16,750</b>
£50,000 to £59,999.99	£10,510 to £8,485	£9,250	£5,500	<b>£14,750</b>	£9,250	£6,000	<b>£15,250</b>
£60,000 to £69,999.99	£8,485 to £6,460	£9,250	£5,000	<b>£14,250</b>	£9,250	£4,500	<b>£13,750</b>
£70,000 to £79,999.99	£6,460 to £4,435	£9,250	£4,000	<b>£13,250</b>	£9,250	£3,000	<b>£12,250</b>
£80,000 to £89,999.99	£4,435 to £2,410	£9,250	£3,000	<b>£12,250</b>	£9,250	£1,500	<b>£10,750</b>
£90,000 to £99,999.99	£2,410 to £1,398	£9,250	£2,000	<b>£11,250</b>	£9,250	£0	<b>£9,250</b>
£100,000 to £109,999.99	£1,398 to £0	£9,250	£0	<b>£9,250</b>	£9,250	£0	<b>£9,250</b>
£110,000 to £119,999.99	£0	£9,250	£0	<b>£9,250</b>	£8,325	£0	<b>£8,325</b>
£120,000 to £129,999.99	£0	£9,250	£0	<b>£9,250</b>	£7,400	£0	<b>£7,400</b>
£130,000 to £139,999.99	£0	£9,250	£0	<b>£9,250</b>	£6,475	£0	<b>£6,475</b>
£140,000 to £149,999.99	£0	£9,250	£0	<b>£9,250</b>	£5,550	£0	<b>£5,550</b>
£150,000 to £159,999.99	£0	£4,625	£0	<b>£4,625</b>	£4,625	£0	<b>£4,625</b>
£160,000 to £169,999.99	£0	£4,625	£0	<b>£4,625</b>	£3,700	£0	<b>£3,700</b>
£170,000 to £179,999.99	£0	£4,625	£0	<b>£4,625</b>	£2,775	£0	<b>£2,775</b>
£180,000 to £189,999.99	£0	£4,625	£0	<b>£4,625</b>	£1,850	£0	<b>£1,850</b>
£190,000 to £199,999.99	£0	£4,625	£0	<b>£4,625</b>	£925	£0	<b>£925</b>
£200,000 +	£0	£4,625	£0	<b>£4,625</b>	£0	£0	<b>£0</b>

Removal of the HCA would reduce the final amount received by a family by up to £2,340 a year for a marginal rate taxpayer, and by up to £1,200 a year for a standard rate taxpayer.

The chart below shows a comparison of the support currently paid, inclusive of tax relief (left-hand column/green), and what families might receive under the revised proposal (right-hand column/yellow).

This chart is for illustrative purposes only. Exact amounts received will depend on the details of each student's/family's circumstances.

