



## BRIEFING PAPER

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# The value of student maintenance support

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## Summary

### Changes in maintenance support for full-time students from 2010

Maintenance grants, maintenance loan levels and income thresholds were all frozen in England at 2009/10 levels in 2010/11 and 2011/12.

2012/13 saw full grant levels for new students from England increased by 12%, maximum loan levels by 11%; changes to income thresholds and fee loans extended to part-time students.

The full grant increased by 3.2% in 2013/14; 1% in 2014/15 and was frozen in 2015/16. Maximum loans amounts were frozen in 2013/14, increased by 1% in 2014/15 and 3.3% in 2015/16. Income thresholds were frozen in 2012/13, 2014/15 and 2015/16.

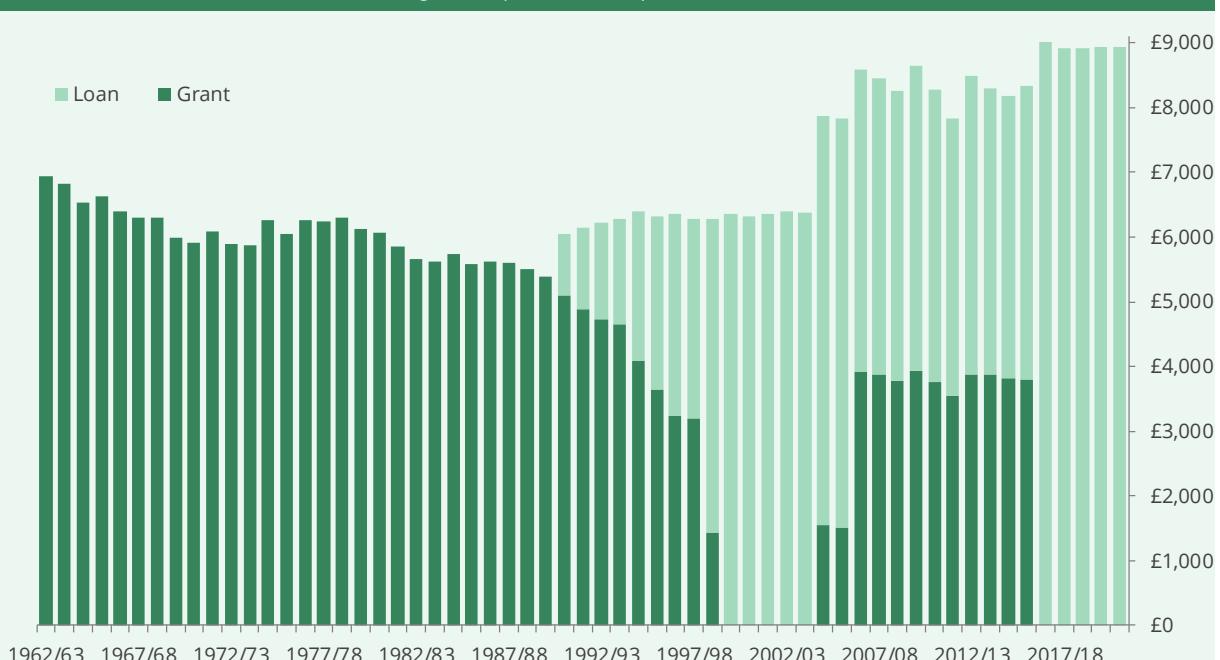
**Maintenance grants ended for new students in 2016/17.** New students received all their maintenance support as loans. The maximum value of support for students living away from home outside London was increased by around 10% to £8,200. It has since increased to £8,430 in 2017/18, £8,700 in 2018/19, £8,944 in 2019/20 and £9,203 in 2020/21.

Key trends in the real value of the maximum maintenance support package over time are:

- A gradual real reduction during the 1960s
- A partial reverse in this cut in the late 1970s before further real cuts in the 1980s
- The introduction of loans in 1990/91 which initially increased the value of the overall support package and gradually replaced grants over time.
- The total value of support remained at around £6,300 a year (September 2019 prices) during most of the 1990s and up to 2003/04.
- The reintroduction of grants in 2004/05 and the new grant in 2006/07 both resulted in jumps in the maximum value of support
- The 2012 reforms increased the size of the support package for new students. Subsequent freezes or below inflation increases in grant and/or loan rates meant real values fell in the following years.
- Loans replace grants for new students from 2016/17. Increases in the maximum loan amounts in the same year took the value to its highest level in real terms.
- Maximum loan amounts have maintained their real value since 2016/17

### MAXIMUM VALUE OF STUDENT GRANT AND MAINTENANCE LOAN

Amount available for new students from England, September 2019 prices



While the maximum value of support has increased in real terms there is still concern that it is not enough to cover student living costs, particularly due to higher accommodation costs. The income point where the maximum value is reduced has fallen over time which means parents of dependent students need to make larger contributions to bring support levels up to the maximum. Parental contributions are not made explicit in student finance material and there is also concern that this means that some students do not receive the support they need.

This paper looks at the value of the support for student maintenance over time and its impact on public expenditure. Some of these older statistics refer to England and Wales, although devolution of student finance means that figures from 2006/07 cover England only.

The data and analysis in this paper are for full-time undergraduate students.

The following Library publications give more information about changes in this sector:

- [Higher education funding in England](#)
- [Higher education student numbers](#)
- [Tuition fee statistics](#)
- [Student loans](#)
- [Abolition of maintenance grants in England from 2016/17](#)
- [Changes to higher education funding and student support from 2012/13](#)

The aim of this note is to look at trends in the level of support for maintenance, not specific eligibility criteria or additional grants/allowances for different groups of students. Details of these for students from England, Wales, Scotland and Northern Ireland can be found at:

- <https://www.gov.uk/student-finance>
- [www.studentfinancewales.co.uk](http://www.studentfinancewales.co.uk)
- [www.saas.gov.uk](http://www.saas.gov.uk)
- [www.studentfinanceni.co.uk](http://www.studentfinanceni.co.uk)

More detail on loan and grant levels, income thresholds and variations by where the student lives, studies etc. can be viewed on the Student Loans Company's [website](#).

# 1. Summary background to changes in maintenance support

The [appendix](#) to this paper gives the background in full.

## Up to the late 1990s

Between 1962 and 1990 the provision of student support remained largely unchanged. Full-time UK based students studying for a first degree received 100% grants for maintenance, means tested according to parental income. Non income-assessed student loans first became part of the student support package in 1990/91. Over the following decade they gradually replaced maintenance grants as the main form of public support. Students' eligibility for various benefits in the short vacations was removed in 1986; most students became ineligible for Income Support, Unemployment Benefit and Housing Benefit in the long summer vacation from 1990.<sup>1</sup>

## The new student support arrangements from 1998/99

The new system of student support was brought in by the Labour Government following the report of The National Committee of Inquiry into Higher Education, the Dearing Report.<sup>2</sup> In the first year new entrants received support through loans and grants. The maximum maintenance grant available was £1,000 less than that for existing students. This was compensated for by a matching increase in loan entitlement. Most new entrants were also expected to make an income-assessed contribution of up to £1,000 a year to the cost of their tuition. From 1999 new entrants and those who started in 1998 received all maintenance support as loans which were partly income-assessed.<sup>3</sup> Loans made under the new arrangements from 1998 were repayable on an income contingent basis rather than the old 'mortgage-style' system.

## Changes from 2004/05 to 2011/12

The Higher Education Grant (HEG) was introduced for new entrants in England and Wales in 2004/05. This was fully means tested and had a maximum value of £1,000 in 2004/05. HEG recipients did not have their maximum loan amount reduced

The HEG was replaced for new entrants in 2006/07 in England by a new maintenance grant. This was also means tested. The maximum value in 2006/07 was £2,700. Unlike the HEG this grant could affect the amount of

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<sup>1</sup> There is some survey evidence on the effects of the loss of benefit entitlement during this period. However, methodologies vary and the make-up of students has changed over this time, hence comparisons should be made with caution. A National Union of Students survey from 1982/83 found that 60% of all students received some social security benefit in the summer vacation and only 7% at Christmas. The average value across all students in these vacations was £113 a year (*Undergraduate income and expenditure survey 1982/83*, NUS) or £265 in 2005/06 prices.

<sup>2</sup> *Higher Education in the learning society*, National Committee of Inquiry into Higher Education 1997

<sup>3</sup> There were some exceptions including those with dependants, single parents and the disabled. Extra support was available for mature students, parents and disadvantaged young students from 2001/02.

loan a student was eligible for. The maximum loan was reduced pound for pound up to a maximum reduction of £1,200.

In summer 2007 the Government announced changes to a number of the income thresholds for **new entrants** from 2008/09. These changes were expected to mean that around one third of new students would receive a full grant (as in earlier years) and increase the proportion of students who receive a partial grant to around one third.

Changes to income thresholds for grants applied to new students from 2009. They meant a *less* generous package of grants/loans for students with a household income above £25,000.

Maintenance support was frozen at 2009/10 levels in 2010/11 and 2011/12.

### **2012/13 to 2015/16**

In 2012/13 the Government increased maintenance support for new students, the first increase since 2009/10. This was introduced alongside higher tuition fees and the reforms to higher education funding. The biggest increase was for students from lower income households. There was little major change in the following three years

### **Summer Budget 2015 announcement: New students from 2016/17**

In summer Budget 2015 the Chancellor announced that maintenance grants would be replaced in full by loans for new students in England from 2016/17. He also said that the maximum loan support (living away from home outside London) would increase to £8,200 per year (up from just over £7,400 in 2015/16)

From 2016/17 new students eligible for certain benefits who would previously have received a special support grant became eligible for an increased loan for living costs. In 2016/17 this was £9,347 or around £1,150 above the maximum for other new students.

### **Student support uptake in 2016/17 and later**

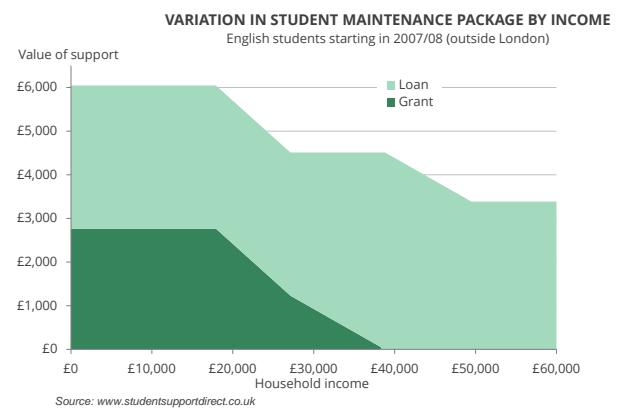
In 2015/16 550,000 full or partial maintenance grants were awarded to students from England. This fell to 350,000 in 2016/17, 190,000 in 2017/18 and 53,000 (provisionally) in 2018/19. These falls are in line with expectations as new students are no longer eligible. The value of grants awarded fell from £1.64 billion for 2015/16 to £1.05 billion in 2016/17, £0.58 billion in 2017/18 and £0.17 billion in 2018/19. The shift from grants to loans for the 2016/17 entrants increased the value of maintenance loans awarded from £4.0 billion in 2015/16 to £4.9 billion to £6.2 billion in 2018/19. The average loan amount awarded to new students in 2018/19 was £6,400 compared to £4,000 for students who started between 2012 and 2015.<sup>4</sup>

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<sup>4</sup> Student Loans Company, [Student Support for Higher Education in England 2019](#). Tables 2 and 4A

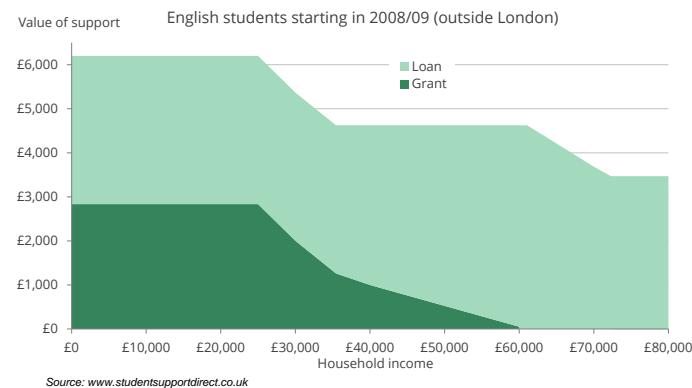
## 2. Illustrations of support levels and income thresholds

The chart opposite gives an indication of the main grant and loan levels by income for new English full-time students in 2007/08. Loan levels remain the same at all incomes over £49,490.

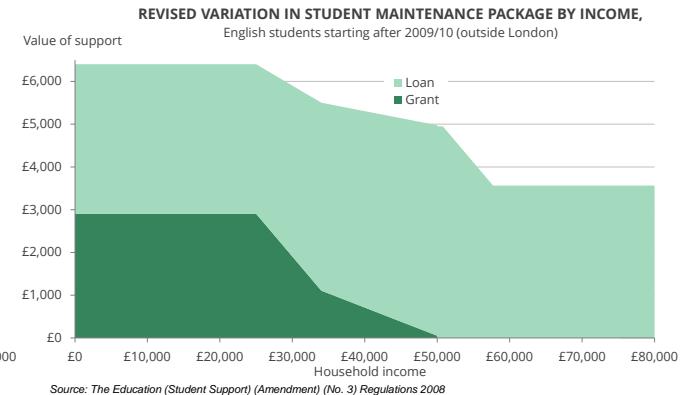
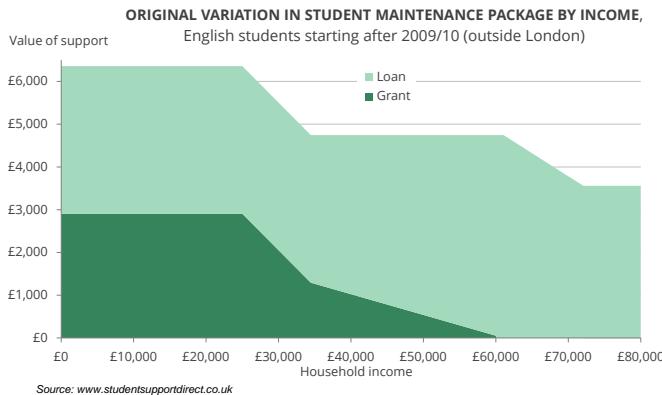


The thresholds for continuing students in 2008/09 were uprated, but remained broadly equivalent. The rates for new students extended grant and maximum loan eligibility to students from higher income households. These are illustrated below right.

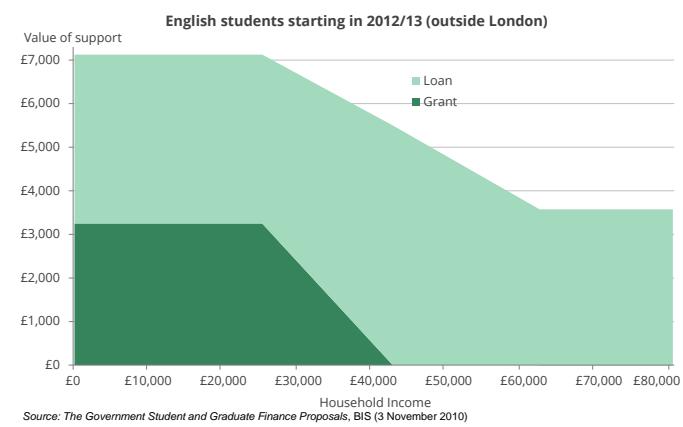
2009/10 values were originally planned to be uprated, but, as explained earlier, these plans were changed to cut costs. The original and new thresholds are illustrated below.



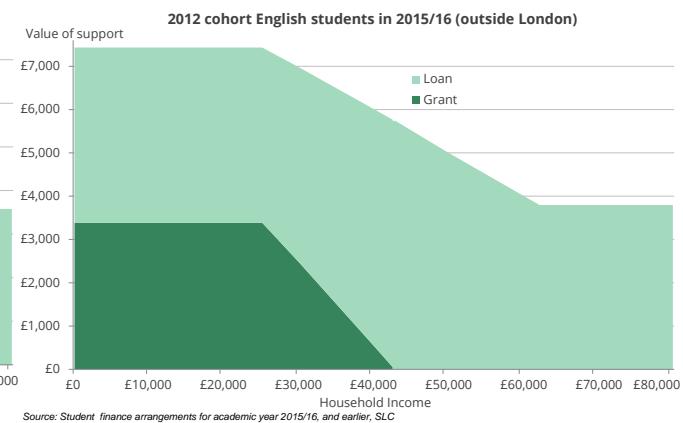
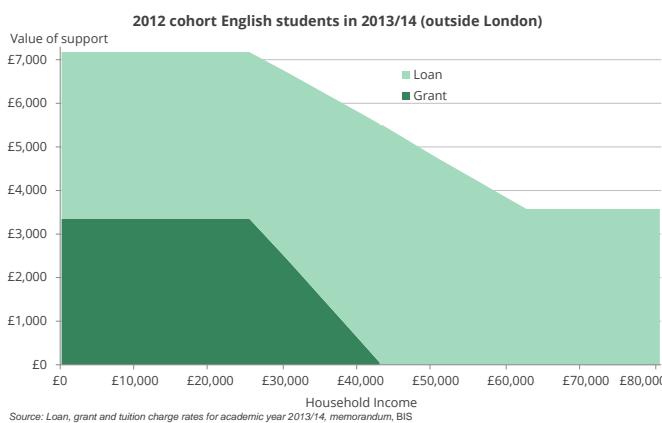
The main differences were i) a slightly faster initial taper point in grant entitlement, ii) a faster second taper rate, iii) loan rates increased to compensate for half the loss in grant entitlement for higher incomes between £25,000 and £50,000, and iv) a much faster taper rate for loan entitlement after the grant 'runs out' (a £1 cut for every extra £5 of income compared with £1 for every £9.50 of income before) up to the minimum entitlement (now reduced to 72% of the maximum rate).



These rates remained the same in 2010/11 and 2011/12. This reduced their real value. The chart opposite shows the thresholds and support values for new students from 2012/13. The loan and grant maximum values increased above their 2011/12 levels and this took maximum support back to 2009/10 levels in real terms. The profile of the support package with income was slightly simpler than the earlier system, with a single taper rate for grants.



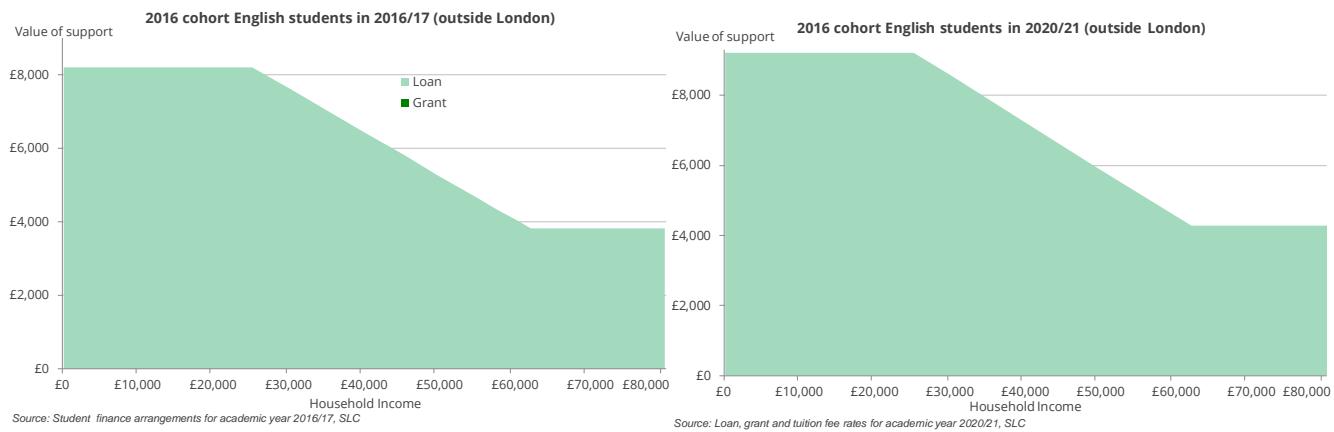
The only change for post-2012 students in 2013/14 was the increase in grant levels (below left). The 2014/15 values by income were very similar again. The Spending Round 2013 announcement that grants would be frozen in 2015/16<sup>5</sup> meant little change in that element across the entire period 2012-16. This was confirmed in the March 2014 announcement on support levels (below right).



<sup>5</sup> [Spending Round 2013](#), HM Treasury

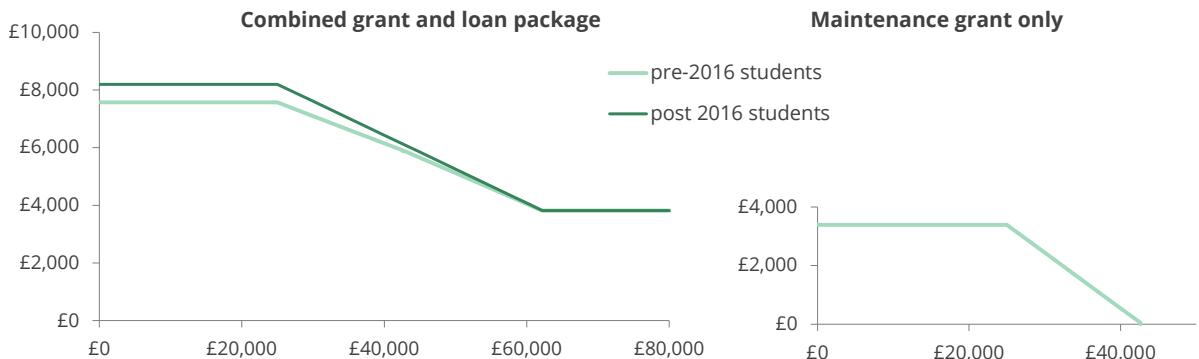
## 9 The value of student maintenance support

The impact of the Summer Budget 2015 decision to end Maintenance Grants and increase the cash value of the overall package to students from lower income households is shown in the first chart below. The second shows the latest values.



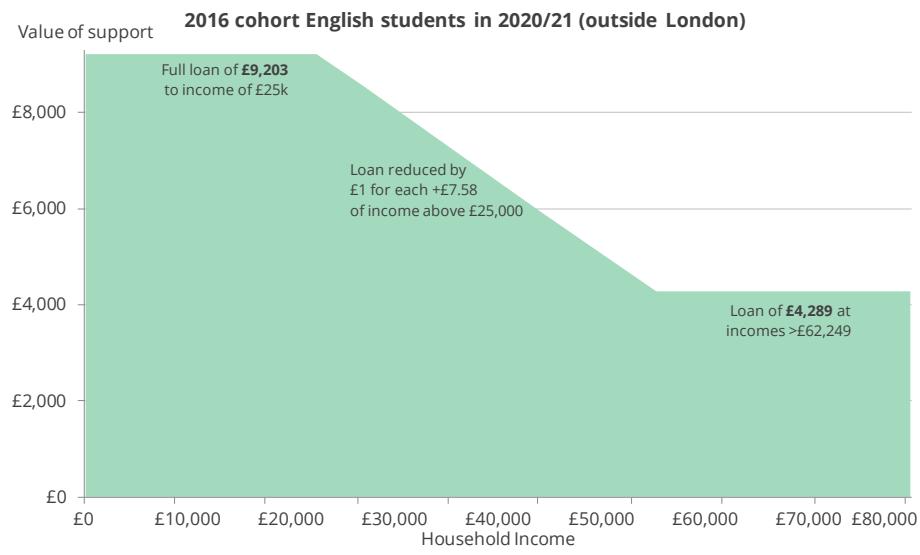
The final charts compare the support packages for 2016/17 for existing and 'new' students. New students from lower income households would receive more maintenance support than existing ones if they take out the maximum loans available. The gap was just over £600 at incomes up to £25,000, £500 at £30,000, just under £300 at £40,000, falling to zero at incomes above £62,180.

### COMPARISON OF PROPOSED VALUE OF SUPPORT PACKAGE BY INCOME IN 2016/17



## 2.1 2020/21 loan levels in detail

The chart opposite shows how loan levels vary with income for full-time students living away from home (outside London) in more detail. The maximum loan available starts to fall at incomes over £25,000 at a rate of £1 for every extra £7.58 of income. If the student's parents<sup>6</sup> have to make up the difference, then this is effectively a marginal deduction rate of around 13% on incomes from £25,000 to £62,249. At household incomes above this level the maximum loan is £4,289, the non-income assessed element of the loan.



When calculating household income there are allowances for parents who are also students and dependent children. In 2020/21 these are £1,130 for parents who are eligible students and £1,130 each for any other children who are dependent on the student's parent, their parent's partner or any children dependent on the student themselves or their partner.<sup>1</sup>

The level of household income above which the maintenance support package<sup>7</sup> is reduced has remained at £25,000 since 2008/09. Its real value has therefore fallen by just over 20% during this period.<sup>8</sup> In other words, the maximum support package is only available at lower (real) household income levels.

If it is assumed that the student's parents top up their loan to the maximum level then this means that over time more families on lower incomes are making some maintenance contributions. The effective marginal deduction rate has also *increased* over time which also means that assumed parental contributions are higher for any given income between the maximum and minimum levels; £25,000 and £62,249<sup>9</sup> in 2020/21.

<sup>6</sup> Or the student themselves if they are independent

<sup>7</sup> Loans plus grants in relevant years

<sup>8</sup> Adjusted using CPIH from [www.ons.gov.uk](http://www.ons.gov.uk)

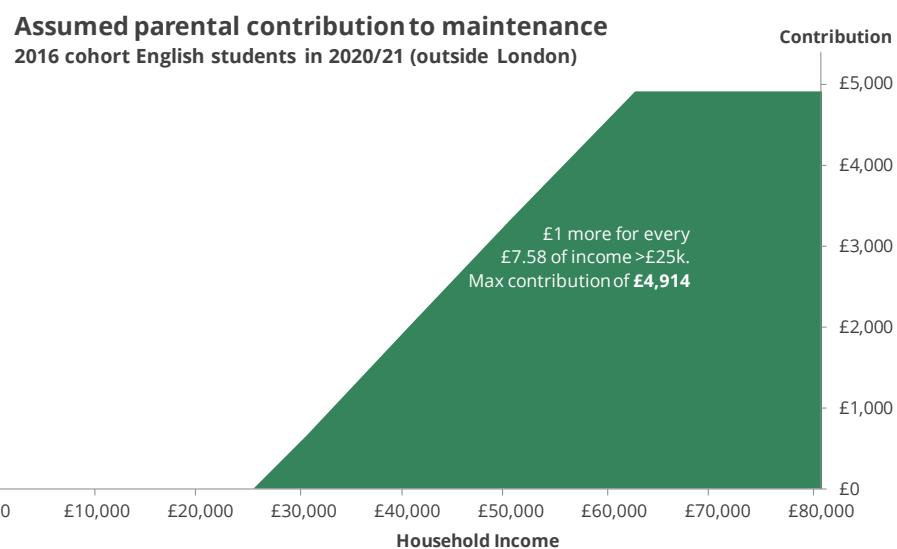
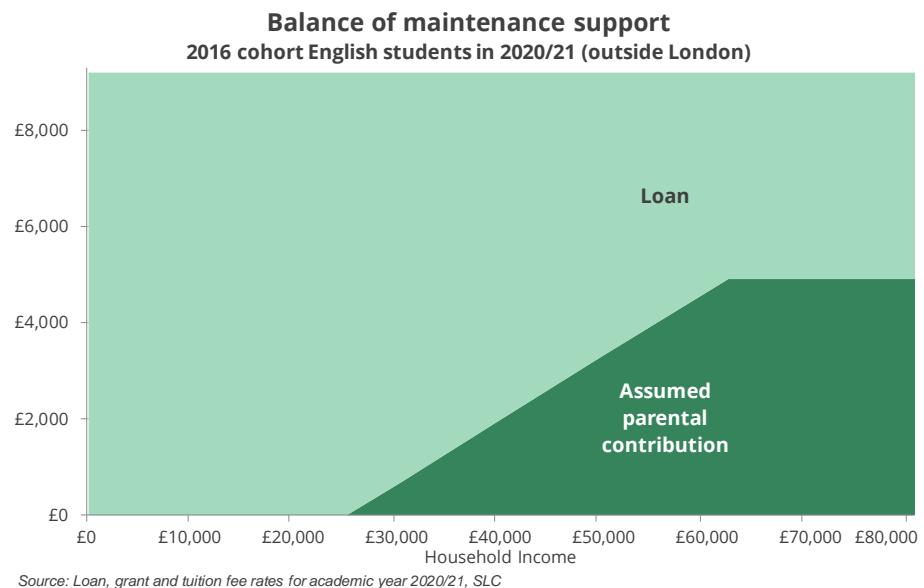
<sup>9</sup> Living away from home outside London

## 2.2 Parental contributions

**The Government does not set out any explicit level of parental contributions.** The earlier section assumes that parents top up the maintenance loans of

dependent students to the level of the maximum. This implicitly assumes that all students from all backgrounds need the same amount of support and that this is determined by the maximum loan. If this is the case, then the balance between loans and parental contributions are illustrated opposite and below.

The assumed maximum contribution is £4,914 in 2020/21 at incomes of £62,250 for students living away from home outside London. The maximum is £4,337 for incomes over £58,222 where the student is living away from home and £6,029 at incomes of £69,977 and higher where the student away from home in London.<sup>10</sup>



<sup>10</sup> [Student Finance Memorandum for the 2020/21 Academic Year, SLC](#)

### 3. Value of support package

A system of standard rates of maintenance grants replaced the earlier discretionary system in 1960. In 1960 the standard rate for students living away from home outside London was £255, or around £5,300 in current prices. The Anderson Report recommended increases in the Maintenance Grant which was raised to £320 in 1962 (£6,800 in current prices).<sup>11</sup> The appended table shows the maximum amount of grant and loan that students outside London have been able to claim since 1962.

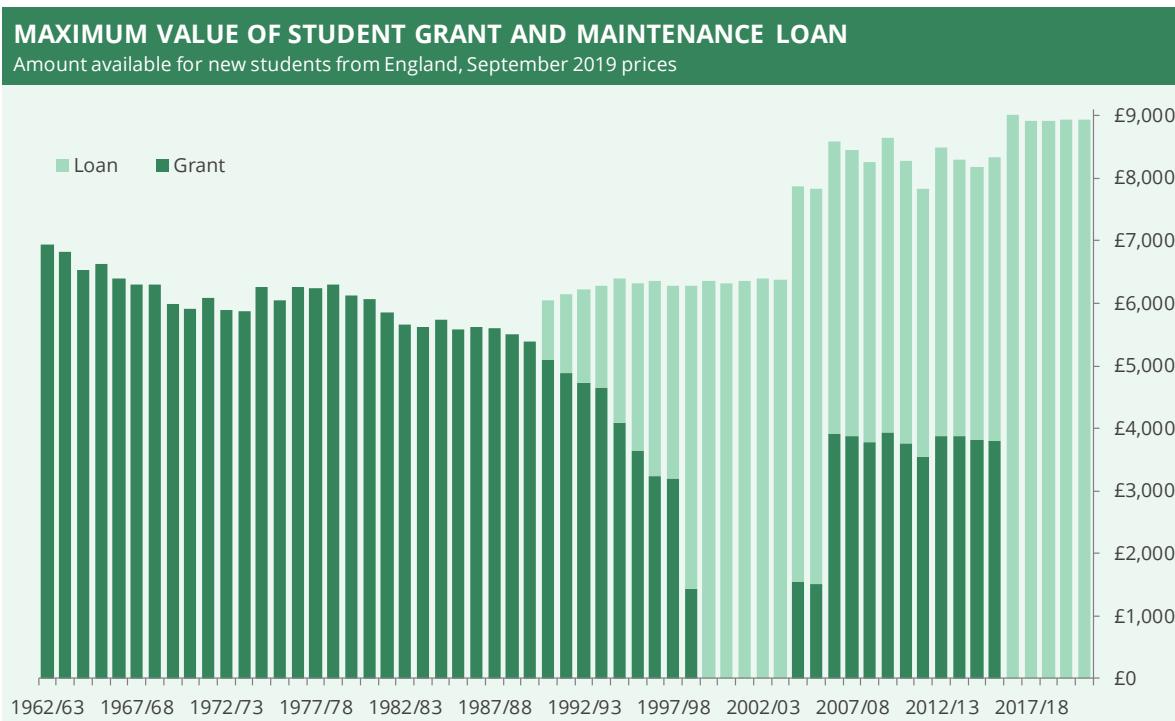
Given the number of recent changes in the support package, data from 1998/99 onwards are for new students only to simplify the table. These figures are also given in constant September 2016 prices<sup>12</sup> and are illustrated in the chart below. The key points are:

- Gradual real reductions in the value of the maintenance grant during the 1960s totalling around 15%.
- This reduction was partly reversed in the late 1970s before a series of further real cuts in the 1980s which totalled around 15% over the decade.
- The introduction of maintenance loans in 1990/91 increased the maximum value of support from around £5,250 to £5,900 in September 2018 prices.
- The maintenance grant was gradually replaced by loans in the following years.
- The total value of support remained at around £6,200 a year (September 2018 prices) during most of the 1990s and up to 2003/04.
- The reintroduction of mainstream grants with the HEG in 2004/05 saw a jump in the maximum value of support to £7,700 a year; just under 30% of new students received this.
- In 2006/07 the introduction of the new maintenance grant for new students meant that those from the poorest backgrounds studying outside London have been eligible to receive support of around £7,800 a year.
- The negative RPI inflation in the year to September 2009 meant that the 2009/10 maximum was then the highest for the whole period. As levels were frozen in cash terms in 2010/11 and 2011/12 the real value fell in these years.
- The 2012 increases for new students took these headline maximum values back to near their 2009/10 levels in real terms. Subsequent freezes or below inflation increases in grant and/or loan rates mean real values have fallen somewhat since then.
- The increase in the support package in 2016/17 took it to its highest level in real terms, substantially higher than in 1999 when grants were last abolished.
- Maximum loan amounts have maintained their real value since 2016/17

<sup>11</sup> HC Deb 1 February 1982 c33-4W

<sup>12</sup> This revalues the entire maintenance package at the inflation level from the start of the academic year.

## 13 The value of student maintenance support



The number of students who were assessed for a full, partial or nil maintenance grant in 2006/07 by local authority in England was published in a [written Parliamentary answer](#).<sup>13</sup> 2007/08 and provisional 2008/09 figures have also been produced [here](#). The number of grant recipients in total in 2013/14 by local authority was published in summer 2015 alongside [this written answer](#)<sup>14</sup>.

### 3.1 London students

Students attending institutions in London receive more support to reflect the higher costs of living in the capital. When loans were introduced there were different rates of maximum grants and loans for London students. From 1998/99 onwards, grants for new students have been the same inside and outside London and the difference in support has been in the maximum value of loans that London students can take out. In the early 1990s the maximum value of support available to London students was around 18% higher than those studying elsewhere. This differential gradually increased to 20% in 1993/94 and jumped to 23% in 1994/95. It then stayed at around this level for the next decade. The introduction of the HEG, which did not have a higher level in London, meant the differential was cut for new students to 19% in 2004/05. 2006/07 saw the new maintenance grant which, again, did not vary across the country, but the maximum value of loans in London was increased by £1,000 for new students, taking the differential to 30%.<sup>15</sup> This has been broadly maintained in the levels announced for 2007/08 to 2015/16. In 2016/17 it was increased to

<sup>13</sup> HC Deb 7 January 2008 c77-84w

<sup>14</sup> PQ 6607 [on Students: Grants] 16 July 2015

<sup>15</sup> *Student support for higher education in England, academic year 2006/07 (provisional)*, SLC/DfES, and earlier editions

£10,702,<sup>16</sup> £11,002 in 2017/18,<sup>17</sup> £11,354 in 2018/19<sup>18</sup> and £11,672 in 2019/20.<sup>19</sup>

### 3.2 Adequacy of maintenance support

The chart on the previous page shows that current levels of maintenance support are higher in real terms than at any time in the last 50 years.

However, It is important to note the changes to benefit entitlement detailed in the [appendix](#). All support is now provided through loans and not all students are eligible for the maximum loan, as shown in [section 2.2](#). In addition, students may decide not to take out the maximum maintenance loan for various reasons, including concern about debt.

The chart adjusts for inflation faced across the whole population. Costs faced by students, particularly accommodation, may not be accurately reflected by this adjustment. For instance, the average cost of purpose built accommodation increased by 31% between 2011/12 and 2018/19,<sup>20</sup> while inflation over the period was 19%. Accommodation costs will have increased by more than this in some areas and vice versa.

In February 2018 the Conservative Government launched the Augar Review of post-18 education and funding. The [Augar report](#) said that significant concerns had been expressed about the cost of student accommodation. The report stated that standards of accommodation had improved but it made comments on the cost of accommodation:

A significant theme in the call for evidence was concern about the student cost of living; indeed several surveys have found that this is often a greater cause of anxiety for students than the level of debt incurred from tuition fees. The Accommodation Costs Survey calculates that in 2018/19 weighted average rents for student accommodation absorbed 73 per cent of the maximum funding available to students in the form of grants and loans, up from 58 per cent in 2011/12, reflecting the significant recent increase in accommodation costs. (p188)

[...]

**Recommendation 7.6** The OfS should examine the cost of student accommodation more closely and work with students and providers to improve the quality and consistency of data about costs, rents, profits and quality. (p196)

The review went on to make the following recommendations about overall maintenance support:

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<sup>16</sup> [Higher education: student finance changes](#), BIS news release 9 July 2015

<sup>17</sup> [Financial Memorandum - Loan, Grant and Tuition Fee Rates for Academic Year 2017/18](#), SLC

<sup>18</sup> [Financial Memorandum - Loan, Grant and Tuition Fee Rates for Academic Year 2018/19](#), SLC

<sup>19</sup> [Financial Memorandum - Loan, Grant and Tuition Fee Rates for Academic Year 2019/20](#), SLC

<sup>20</sup> NUS/Unipol, [Accommodation Costs Survey 2018](#)

- **Recommendation 7.1** The government should **restore maintenance grants** for socio-economically disadvantaged students to at least £3,000 a year.
- **Recommendation 7.2** The expected **parental contribution should be made explicit** in all official descriptions of the student maintenance support system.
- **Recommendation 7.3 Maximum maintenance support should be set in line with the National Minimum Wage** for age 21 to 24 on the basis of 37.5 hours per week and 30 weeks per year.

Recommendation 7.3 would result in a “marginal reduction” in the amount of support available and it would be lower than the amount spent by students outside London. The authors noted that many students can and do work part-time while studying.

The latest *Student Income and Expenditure Survey*<sup>21</sup> was carried out in 2014/15 when grants were still available and the maximum support package was lower than now. The key findings for full-time students in England were:

- Average total income (including loans) was £16,950
- Average income from student support sources was £11,350 or two-thirds of total income
- Around half did some form of paid work. The average earnings for those that did was £3,300
- The average (mean) contribution from parents/other relatives was £1,800.
- Around half of students received little or no parental contribution
- Average total expenditure (including fees) was £19,900

## 4. Variable fees and bursaries

Variable fees of up to £3,000 were introduced in 2006/07 for new students attending institutions in England and Northern Ireland. Students could take out a Tuition Fee Loan to cover the cost of these fees. Take-up does not affect maintenance loan eligibility. This option was also available to cover the (fixed) fees of students who started before 2006/07.

Institutions that charge variable fees above the level of the full maintenance grant are required to provide additional non-repayable financial support, such as bursaries, to students who receive the full maintenance grant. According to Universities UK most institutions offered bursaries above the statutory minimum to students in receipt of the maximum maintenance grant. The median level was £1,000 in 2006/07 and a similar figure was estimated for 2007/08.<sup>22</sup> By 2011/12 the mean bursary for those in receipt of full state support was £915. 348,000 students received a bursary for this reason (36% of all students). Average bursaries

<sup>21</sup> DfE, [Student income and expenditure survey 2014 to 2015](#)

<sup>22</sup> Access agreement and widening participation strategic assessment 2011-12 and National Scholarship Programme 2012-13 (in-year) monitoring outcomes, OFFA/HEFCE

of £635 were paid to 95,000 students who were on partial state (grant) support and 13,500 from other under-represented groups. Most institutions also offered a reduced bursary to students who received a partial grant.<sup>23</sup> Total expenditure on such support in higher education institutions in England was £387 million in 2010/11. This support is not included in the data in the rest of the note, which is restricted to public support.

Institutions which planned to charge fees of more than £6,000 for new students from 2012/13 had to have an access agreement approved by the Office for Fair Access (OFFA). Analysis of the first set of access agreements for students starting in England from 2012 suggested that the total value of scholarships and bursaries would be reduced substantially for new students from 2012 as most of the access support would go on fee waivers.<sup>24</sup> This spending was supported in part by central government funding through the National Scholarship Programme (NSP) and institutions matched contributions to this. It was mainly focused on post-2012 students. Subsequent changes to access agreements have shifted funding away from fee waivers and spending on scholarships/bursaries has been just under £370 million in 2012/13 and 2013/14, just below 2011/12 levels.<sup>25 26</sup>

Spending Round 2013 announced that the value of the Government contribution to the NSP would be cut from £150 million in 2014-15 to £50 million in 2015-16 and it would be refocused on postgraduate students.<sup>27</sup>

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<sup>23</sup> *Variable tuition fees in England: assessing their impact on students and higher education institutions A fourth report*, and earlier editions, Universities UK; HC Deb 4 March 2008 c2442W

<sup>24</sup> *Access agreements 2012-13 final data including ITT* (July 2012), Office for Fair Access

<sup>25</sup> *Access agreement and widening participation strategic assessment 2011-12 and National Scholarship Programme 2012-13 (in-year) monitoring outcomes*, OFFA/HEFCE

<sup>26</sup> [Outcomes of access agreement monitoring for 2013-14](#), (and earlier) Offa

<sup>27</sup> [Spending Round 2013](#), HM Treasury

## 5. Appendix – Background to changes in maintenance support

### Up to the late 1990s

Between 1962 and 1990 the provision of student support remained largely unchanged. Full-time UK based students studying for a first degree received 100% grants for maintenance, means tested according to parental income. Non income-assessed student loans first became part of the student support package in 1990/91. Over the following decade they gradually replaced maintenance grants as the main form of public support. Access funds for students in particular financial difficulties were introduced at the same time. Students' eligibility for various benefits in the short vacations was removed in 1986; most students became ineligible for Income Support, Unemployment Benefit and Housing Benefit in the long summer vacation from 1990.<sup>28</sup>

### 5.1 The new student support arrangements from 1998/99

The new system of student support was brought in by the Labour Government following the report of The National Committee of Inquiry into Higher Education, the Dearing Report.<sup>29</sup> They were partially introduced for students starting in autumn 1998 (academic year 1998/99). In the first year new entrants received support through loans and grants. The maximum maintenance grant available was £1,000 less than that for existing students. This was compensated for by a matching increase in loan entitlement. Most new entrants were also expected to make an income-assessed contribution of up to £1,000 a year to the cost of their tuition. From 1999 new entrants and those who started in 1998 received **all** maintenance support as loans which were partly income-assessed.<sup>30</sup> Loans made under the new arrangements from 1998/99 are repayable on an income contingent basis rather than the old 'mortgage-style' repayments.

### 5.2 Changes from 2004/05

The Higher Education Grant (HEG) was introduced for **new entrants** in England and Wales in 2004/05. This was fully means tested and had a maximum value of £1,000 in 2004/05. HEG recipients did not have their

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<sup>28</sup> There is some survey evidence on the effects of the loss of benefit entitlement during this period. However, methodologies vary and the make-up of students has changed over this time, hence comparisons should be made with caution. A National Union of Students survey from 1982/83 found that 60% of all students received some social security benefit in the summer vacation and only 7% at Christmas. The average value across all students in these vacations was £113 a year (*Undergraduate income and expenditure survey 1982/83*, NUS) or £265 in 2005/06 prices.

<sup>29</sup> *Higher Education in the learning society*, National Committee of Inquiry into Higher Education 1997

<sup>30</sup> There were some exceptions including those with dependants, single parents and the disabled. Extra support was available for mature students, parents and disadvantaged young students from 2001/02.

maximum loan amount reduced. In 2004/05 87,000 (26%) students received the full grant and a further 20,000 (6%) a partial grant.<sup>31</sup>

The HEG was replaced for **new entrants only** in 2006/07 in England by a new maintenance grant. Again this was fully means tested, but the maximum value in 2006/07 was £2,700. Unlike the HEG the maintenance grant could affect the amount of maintenance loan a student was eligible for. The maximum loan was reduced pound for pound up to a maximum reduction of £1,200. From 2006/07 a different student support system applies in Wales. In 2006/07 98,000 new students in England (33%) received a full Maintenance Grant and a further 68,000 (23%) a partial grant.<sup>32</sup>

In summer 2007 the Government announced changes to a number of the income thresholds for **new entrants** from 2008/09. These changes were expected to mean that around one third of new students would receive a full grant (as in earlier years) and increase the proportion of students who receive a partial grant to around one third. The Government also announced student loan 'repayment holidays' of up to five years for these students.<sup>33</sup>

On 29 October 2008 the Secretary of State for Innovation, Universities and Skills announced a number of changes to income thresholds for grants which were intended to reduce expenditure by £100 million a year. These changes were to apply to new students from 2009 and meant a less generous package of grants/loans for students with a household income above £25,000. 40% of new students were then expected to receive a full grant and around 25% a partial grant. All those with a family income of £18,360 to £57,708 were said to be entitled to a more generous package of grants and loan support than in 2007-08.<sup>34 35</sup>

As mentioned at the start of this note, maintenance support was frozen at 2009/10 levels for 2010/11 and 2011/12.

### 5.3 2012/13 to 2015/16

In 2012/13 the Government increased maintenance support for new students, the first increase since 2009/10. This was introduced alongside higher tuition fees and the reforms to higher education funding. In 2012/13 the maintenance grant for new students was increased by around 12% to £3,250. Compared with the earlier support package the grant was more generous in cash terms at all household income levels up to around £39,000. The total cash value of the support package was also more generous at all income levels other than a small range around £50,000 per year. The biggest increase was for students from lower income households.<sup>36</sup> The maximum maintenance grant for continuing (pre-2012)

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<sup>31</sup> Higher education Grants in England and Wales academic year 2005/06 (provisional), Student Loans Company (SLC)

<sup>32</sup> Student support for higher education in England academic year 2007/08 (provisional), SLC

<sup>33</sup> DIUS press release 5 July 2007 *Increased support for students in higher education*

<sup>34</sup> HC Deb 29 October 2008 c32-33WS

<sup>35</sup> Full details are given in this DIUS memorandum:

<http://www.parliament.uk/deposits/depositedpapers/2008/DEP2008-2869.doc>

<sup>36</sup> The Government Student and Graduate Finance Proposals, BIS (3 November 2010)

students was increased by just under 3% in 2012/13. There was no increase in the maximum maintenance loan they could apply for.<sup>37</sup>

All maximum loan levels remained the same in 2013/14. The maximum maintenance grant for students who started in 2012 or later was increased by just over £100 to £3,354.<sup>38</sup> In 2014/15 the maximum grant was increased by 1% to £3,387. The maximum Maintenance Loan was increased by 1%.<sup>39</sup> In 2015/16 the maintenance grant was frozen, maximum loan levels increased by 3.3% and income thresholds were frozen.<sup>40</sup>

## 5.4 Summer Budget 2015 announcement: New students from 2016/17

In summer Budget 2015 the Chancellor announced that maintenance grants would be replaced in full by loans for new students in England from 2016/17. He also said that the maximum loan support (living away from home outside London) would increase to £8,200 per year.<sup>41</sup> The 2015/16 maximum (grant plus loan) is just over £7,400. The Budget stated:<sup>42</sup>

There is evidence that students are more concerned about the level of support they receive while studying than the long-term repayment of their income contingent loans.

[...]

But the expansion of higher education relies on funding being put onto a sustainable footing. The government must therefore ask graduates to meet more of the cost of their degrees once they are earning. From the 2016-17 academic year, **maintenance grants will be replaced with maintenance loans for new students from England**, paid back only when their earnings exceed £21,000 a year, saving £2.5 billion by 2020-21 ...

In 2015 there were provisionally 399,000 students in receipt of a full maintenance or special support grant and just over 136,000 who received a partial one. The total value was just under £1.6 billion.<sup>43</sup>

The Chancellor also announced a consultation on freezing the loan repayment thresholds for five years.

From 2016/17 new students eligible for certain benefits who would previously have received a special support grant became eligible for an increased loan for living costs. In 2016/17 this was £9,347 or around £1,150 above the maximum for other new students. The analysis in the rest of this paper does not look at support for these students.

In 2015/16 41% of post-2012 students received a full grant, 14% a partial one and 45% no grant

<sup>37</sup> *Loan, grant and tuition charge rates for academic year 2012/13, memorandum*, BIS

<sup>38</sup> *Loan, grant and tuition charge rates for academic year 2013/14, memorandum*, BIS

<sup>39</sup> *Student finance arrangements for academic year 2014/15*, SLC

<sup>40</sup> *Student finance arrangements for academic year 2015/16*, SLC

<sup>41</sup> *Summer Budget 2015*, HMT

<sup>42</sup> ibid. paras 1.264 to 1.265

<sup>43</sup> *Student Support for Higher Education in England: academic year 2015/16 (Provisional)*, SLC

## Potential impacts on students

### Loan amounts and repayments

As grants are income assessed and loans are partly income assessed, so the biggest impact of this change will be on students from the lowest income households. They will see their *total* maintenance support increase by the greatest amount, almost £800, compared with 2015/16 starters. Their maximum *loan* eligibility over a three year course could be around £12,000 higher. Their debt on graduation could be around £13,500 higher (with interest) if they take up their full loan entitlement. Those who would have been on a partial grant will see smaller changes, while students from the highest income households will only see their loan increase in line with inflation.<sup>44</sup>

The individual *financial* impact of the shift from grants to loans depends on how much the student earns as a graduate. If they are among the majority who are currently not expected to repay their loan in full then there is no financial impact. They still will not repay after grants are abolished; loan repayments remain unchanged. If they would have repaid their (smaller) loans under the current system then higher loans mean greater loan repayments, but not until much later in life (the date at which they would repay in full under the current system).

The Institute for Fiscal Studies has estimated that students from the poorest 30% of households will repay an average of around £3,000 more (2016 prices) because of the switch from grants to loans. They also point out that the cost of this will fall on graduates from these lower income families who go on to become higher earners. Overall they expected that around 35% of those previously entitled to a full grant will see their loan repayments increase.<sup>45</sup>

Government analysis, published as part of its response to the consultation on freezing repayment thresholds,<sup>46</sup> estimated that graduates would repay almost £700 more (discounted) on average due to this policy. It looked at repayments by earnings decile of graduates rather than household income of students. The highest additional repayments were in the top three earnings deciles. Those in the lowest deciles would repay little or no more simply because they are not expected to earn enough to make any additional repayments. Overall the impact of the change in repayment threshold combined with the shift from grants to loans had a more even impact across the graduate earnings distribution than freezing the threshold alone.

The analysis does state that "...we can expect new students from poorer families to graduate with the highest levels of debt". But adds that only those who go on to earn above average (for graduates) will actually repay more.<sup>47</sup>

Freezing the repayment threshold increases repayments by the largest absolute amount among middle earners and by the largest proportionate amount among the lowest earning graduates

Government analysis accepts that ending grants will mean that, unlike now, students from poorer families will have the highest debts

<sup>44</sup> [Higher education: student finance changes](#), BIS new release 9 July 2015

<sup>45</sup> [Analysis of the higher education funding reforms announced in Summer Budget 2015](#), IFS

<sup>46</sup> [Freezing the student loan repayment threshold. Equality Analysis](#), BIS (November 2015)

<sup>47</sup> ibid. p66

The proposed freezing of the repayment threshold, if implemented, increases graduate loan repayments and hence the likelihood that graduates will repay in full. It has a proportionately larger impact on repayments by graduates with lower lifetime earnings. As there is some link between lower household income and lower graduate earnings<sup>48</sup> this change is also likely to have a greater impact on students from poorer backgrounds.

In general, freezing the repayment threshold is likely to have a greater financial impact on those from poorer households (increase lifetime repayments) than the shift in maintenance support to loans for this group. Neither change is expected to have much impact on the repayments of graduates from the richest households.

The combined impact of ending grants and freezing thresholds is complex and will vary considerably *within* the group of students from lower income households as well as *between* this group and those from more affluent backgrounds.

### Participation in higher education

Whether the abolition of grants and higher maintenance support will affect the decisions of potential students from low income households is open to question. The (much larger) increase in loans for higher fees from 2012 did not stop the existing trend for higher participation among disadvantaged groups. However, this does not automatically mean that further substantial increases in loan/debt levels will have no impact on participation.

The Government analysis of the impacts of freezing repayment thresholds acknowledges that the higher debt levels among students from poorer families "...may create an additional risk to participation." This is said to be offset where individuals understand that only the higher paid will repay more, so while there is a risk that participation will fall it is said to be low.<sup>49</sup>

In their analysis of the Summer Budget 2015 higher education reforms the IFS pointed out that the post-2012 changes in student numbers happened after reforms that increased grants for poorer students and were expected to reduce the (discounted) value of loan repayments from lower earning graduates. They said:<sup>50</sup>

#### The effect on participation?

- Whether these reforms lead to a reduction in participation, especially amongst students from the poorest backgrounds, will depend on how debt averse students are and how credit constrained they are, as well as on how responsive participation decisions are to expected increases in the long-run cost of higher education.
- Full-time participation rates amongst students from poor backgrounds did not fall following the major changes to higher education finance introduced in 2012, but the changes introduced in 2012 differ significantly from those due to be introduced in 2016–17. In 2012, grants went up for the poorest students (by 10%) and the

<sup>48</sup> See for instance [Economic and Fiscal Outlook July 2015](#), OBR

<sup>49</sup> [Freezing the student loan repayment threshold. Equality Analysis](#), BIS (November 2015)

<sup>50</sup> [Analysis of the higher education funding reforms announced in Summer Budget 2015](#), IFS

net present value of loan repayments went down for those in the bottom 30% of lifetime earnings (in which those from the poorest families are likely to be over-represented).

- Under the 2016–17 system, grants have been abolished and the net present value of repayments is likely to increase substantially for those from the poorest backgrounds. We would expect both of those changes to have negative effects on participation for the poorest students, all else equal. However, up-front support at university will also rise for this group (because maintenance loans have increased by more than the reduction in grants) and this may have an offsetting effect if these individuals are not very forward looking and/or they are very credit constrained and/or they expect to have low lifetime income.
- If, in addition, the income threshold is frozen and fees are increased for some students, then both debt and total repayments are likely to rise. We might therefore expect the potential negative effects on participation to be stronger if all of the proposed reforms are introduced. Of course, only time will tell what the overall impact will be for students from the poorest backgrounds, but there are reasons to believe that the effects may not be as benign as they appeared to be following the 2012 reforms.

The [Sutton Trust](#) has raised concern over the Government's use of evidence<sup>51</sup> which they describe as "...somewhat misleading" and point to their own research on the subject:

The Budget Report refers to a Universities UK (UUK) survey of current home undergraduates in support of this claim. There are two relevant questions. The first asks, "how concerned are you about meeting the costs of living during your course?", with 21% of respondents saying that they are unconcerned, and 79% that they are concerned. The second asks, "how concerned are you about your ability to repay your student loan after your course?", with 37% saying that they are unconcerned, and 63% that they are concerned. While the Budget Report is literally accurate, it is somewhat misleading. Though more students are concerned about meeting the costs of living during their course than their ability to repay their loans afterwards, nearly two thirds of students are still concerned about their repayments. This echoes a recent Sutton Trust/ComRes survey of 16-18 year-olds, which showed that the majority of young people (58%) are either fairly concerned or very concerned about repaying student loans after they finish studying.

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<sup>51</sup> The claim in the Budget "There is evidence that students are more concerned about the level of support they receive while studying than the long-term repayment of their income contingent loans."

## 23 The value of student maintenance support

MAXIMUM VALUE OF STANDARD MAINTENANCE GRANT AND LOAN						
	England & Wales: £ per annum					
	Maximum maintenance grant for a full year student outside London living away from home <sup>(a)</sup>	Maximum loan for a full year student outside London living away from home	Maximum support available (grant and loan)	Grant at Sep 2019 prices <sup>(b)</sup>	Maximum support Sep 2019 prices <sup>(b)</sup>	
1960/61	255	-	255			
1961/62	280	-	280			
1962/63	320	..	320	6,940	6,940	
1963/64	320	..	320	6,820	6,820	
1964/65	320	..	320	6,535	6,535	
1965/66	340	..	340	6,625	6,625	
1966/67	340	..	340	6,395	6,395	
1967/68	340	..	340	6,300	6,300	
1968/69	360	..	360	6,300	6,300	
1969/70	360	..	360	5,995	5,995	
1970/71	380	..	380	5,915	5,915	
1971/72	430	..	430	6,090	6,090	
1972/73	445	..	445	5,890	5,890	
1973/74	485	..	485	5,875	5,875	
1974/75	605	..	605	6,255	6,255	
1975/76	740	..	740	6,045	6,045	
1976/77	875	..	875	6,255	6,255	
1977/78	1,010	..	1,010	6,245	6,245	
1978/79	1,100	..	1,100	6,310	6,310	
1979/80	1,245	(1,287)	1,245	6,130	6,130	
1980/81	1,430	(1,478)	1,430	6,075	6,075	
1981/82	1,535	(1,587)	1,535	5,855	5,855	
1982/83	1,595	(1,649)	1,595	5,670	5,670	
1983/84	1,660	(1,716)	1,660	5,615	5,615	
1984/85	1,775		1,775	5,730	5,730	
1985/86	1,830		1,830	5,580	5,580	
1986/87	1,901		1,901	5,625	5,625	
1987/88	1,972		1,972	5,605	5,605	
1988/89	2,050		2,050	5,505	5,505	
1989/90	2,155		2,155	5,380	5,380	
1990/91	2,265		420	5,100	6,045	
1991/92	2,265		580	4,895	6,150	
1992/93	2,265		715	4,730	6,220	
1993/94	2,265		800	4,645	6,285	
1994/95	2,040		1,150	4,095	6,400	
1995/96	1,885		1,385	3,640	6,320	
1996/97	1,710		1,645	3,235	6,350	
1997/98	1,755		1,685	3,205	6,285	
<b>New students only</b>						
1998/99	810	2,735	3,545	1,435	6,275	
1999/00	-	3,635	3,635	-	6,365	
2000/01	-	3,725	3,725	-	6,315	
2001/02	-	3,815	3,815	-	6,360	
2002/03	-	3,905	3,905	-	6,400	
2003/04	-	4,000	4,000	-	6,380	
2004/05	1,000	4,095	5,095	1,545	7,880	
2005/06	1,000	4,195	5,195	1,505	7,830	
<b>New students in England Only</b>						
2006/07	2,700	4,405	5,905	3,925	8,585	
2007/08	2,765	4,510	6,045	3,870	8,455	
2008/09	2,835	4,625	6,200	3,775	8,260	
2009/10	2,906	4,950	6,405	3,930	8,655	
2010/11	2,906	4,950	6,405	3,755	8,275	
2011/12	2,906	4,950	6,405	3,555	7,835	
2012/13	3,250	5,500	7,125	3,875	8,490	
2013/14	3,354	5,500	7,177	3,875	8,290	
2014/15	3,387	5,555	7,249	3,825	8,190	
2015/16	3,387	5,740	7,434	3,795	8,335	
2016/17	-	8,200	8,200	-	9,010	
2017/18	-	8,430	8,430	-	8,915	
2018/19	-	8,700	8,700	-	8,910	
2019/20	-	8,944	8,944	-	8,945	
2020/21	-	9,203	9,203	-	8,945	

.. Not available

- Nil

Notes: Some figures rounded to the nearest £

Entitlement to income support and Housing Benefit was withdrawn from most students in 1990/91

(a) figure in parentheses shows adjustment for travel costs. Up to, and including 1983/84, students claimed and were individually reimbursed full travelling expenses; from 1984/85 a flat rate amount was incorporated within the main grant.

(b) Adjusted using start of academic year (September) RPI data to 2016/17, OBR projections thereafter

Sources: HC Deb 1 February 1982 c33-4W,

DFE Statistical Bulletin 2/2/93, DFE

DFE statistical first release 37/1999, DFE

Student support for higher education in England, academic year 2006/07 (provisional), SLC/DFES, and earlier editions

Loan, grant and fee rates for academic year 2009/10, Memorandum: Support available under the student support regulation, DIUS

The Education (Student Support) (Amendment) (No. 3) Regulations 2008, SI 2939/2008

HC Deb 1 July 2009 cc17-18WS

The Education (Student Support) Regulations 2009 (Amendment) Regulations 2010

The Government Student and Graduate Finance Proposals, BIS (3 November 2010)

Financial Memorandum - Loan, Grant and Tuition Fee Rates for Academic Year 2019/20, and earlier, SLC

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