

# The future of higher education

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*Commentary on responses received on the  
**Higher Education White Paper** and **Paper on  
Widening Participation***

The White Paper *The Future of Higher Education* was published in January 2003. A further document *Widening Participation in Higher Education* was published in March 2003.

Written comments were invited on issues raised in both documents.

This summary is based on 719 responses to the White Paper and 120 responses to the widening participation document. The breakdown of respondents was as follows:

|                           | <i>White Paper</i> | <i>Widening Participation</i> |
|---------------------------|--------------------|-------------------------------|
| HE Institutions           | 93                 | 54                            |
| Parents                   | 92                 |                               |
| HE/other education Bodies | 78                 | 7                             |
| National bodies           | 30                 | 26                            |
| HE Professionals          | 65                 |                               |
| Student Bodies            | 58                 | 13                            |
| Individual Students       | 56                 |                               |
| FE Institutions           | 24                 |                               |
| Employers                 | 19                 |                               |
| RDAs                      | 10                 |                               |
| Charities                 | 7                  |                               |
| Unspecified individuals   | 125                | 5                             |
| Other                     | 62                 | 15                            |

Proposals that were particularly welcomed included the formation of the Arts and Humanities Research Council, the development of Knowledge Exchanges, Centres of Excellence for Teaching, the development of foundation degrees and the abolition of up-front tuition fees.

There were also significant areas of concern. The main worries centred on two areas:

- the proposals for research, in particular changes in funding allocations and a perception that the White Paper proposed a forcible separation of universities into teaching and research institutions; and
- the question of levels of debt which might face students, and concern that this could discourage students from attending universities, particularly those from poorer backgrounds.

The Government has considered carefully the written comments. A similar range of issues was also raised in the eight regional conferences which the Department for Education and Skills ran to discuss the White Paper. This paper outlines the main points raised in written comments, and the Government's response. It is published in parallel with the Government's response to the report of the Education and Skills Select Committee on the White Paper. The Select Committee covered many of the issues raised in broader comments on the White Paper. The Government's response to the Select Committee accordingly deals in more detail with some of the questions covered here.

### **The Need for Reform**

Relatively few people commented on the rationale for the overall higher education strategy set out in the first section of the White Paper. Of those who did, most expressed broad support. There were concerns with certain sections, particularly about research funding and tuition fees.

A minority said that they were generally opposed to the White Paper.

### **Government response**

The Government's strategy remains as set out in the White Paper. Our higher education system is a great asset, both for individuals and the nation, and our universities are world-renowned. But the need for reform is clear: the challenge from other countries is growing and higher education is under pressure, and at risk of decline. The White Paper proposals are designed to face up to hard choices on funding, quality and management through a long-term strategy for investment and reform

The proposals in the White Paper aim to:

- provide universities with funding streams independent of Government;
- abolish up-front tuition fees for all students, and support those from disadvantaged backgrounds with new grants and help with fee costs;

- improve the funding of research and knowledge transfer, boost world class excellence and strengthen the work of universities in supporting regional economies;
- improve teaching and reward excellence; and
- enable more people to enter higher education, benefiting individuals and meeting the economy's need for higher level skills.

The Government has acknowledged that institutions need more funding to compete internationally on quality of teaching and research. We have addressed the decline in publicly-planned funding per full-time equivalent student. We plan a rise in publicly-planned funding averaging more than six per cent over the next three years. But it would be unrealistic to assume significant increases in state funding can continue forever. As Lord Dearing's review of higher education pointed out in 1997, since graduates benefit from higher education, they should bear some of the cost, on an income-contingent basis, although the state will still provide the bulk of funding for higher education.

## **Research Excellence - Building on our strengths**

### **Comments**

There was considerable support for collaboration between institutions, with a call for incentives to encourage institutions to work better together.

The introduction of an Arts and Humanities Research Council (AHRC) was very widely welcomed.

There were significant concerns about the allocation of research funding. There was a worry that to remove funding from 4-rated departments could be damaging for many universities which would no longer be able to sustain research in certain areas.

There were fears that money would be redistributed to a select few universities. Respondents were also against the creation of 6\* departments as they saw little benefit.

Many opposed what they perceived to be a proposal to separate universities into research-only and teaching-only establishments. Some respondents asserted that this could lead to a two-tier system, with the research-based universities having the best facilities, and they thought it went against the pattern of universities in Europe.

## **Government response**

### ***Collaboration***

We welcome the widespread recognition of the need to foster more and better collaborative partnerships between institutions and across disciplines. Collaboration can benefit research in a number of ways, for example sharing investment in infrastructure, removing barriers to interdisciplinary work and enabling institutions to offer good researchers better access to libraries, laboratories and research equipment. HEFCE intends to consult the HE sector soon on the approach to embedding such collaboration.

### ***Arts and Humanities research***

We welcome support for our proposals and intend to bring forward legislation to create the AHRC as soon as practicable.

### ***Research funding***

We live in a world of global competition. Other countries are investing heavily in building world-class research universities. We have to ensure that our best research departments are well funded and able to compete in an international market place.

We want a system that encourages excellence in research, teaching and knowledge transfer. A system where all missions are valued equally, and which allows institutions to concentrate on their strengths, and to deliver on them in a sustainable way.

The funding system over the last few years has distorted priorities, leading too many institutions to feel that they have to pursue research, even where this did not reflect their strengths. And even in research-intensive institutions, the evidence shows a failure to recover the full economic costs of research, with the result that there has been a long-term failure to maintain and invest in essential infrastructure.

There will never be enough public money to fund everyone to do the research they want to do. We must find the most effective way of targeting it. We need to focus public funding on high-quality research, which is at the international cutting edge. And we need to encourage and support further improvement in quality.

There is no intention of simply removing all funding from departments outside the very best, for example those rated 4. But 55 per cent of research-active staff now work in departments rated 5 or 5\*, up from 31 per cent in 1996. We need to focus the available funding on the best research and on promising and improving research, rather than funding work

because we have always funded it; and to make sure institutions are enabled to recover the full economic costs of research and maintain and renew their research infrastructure. The Office of Science and Technology (OST) is currently consulting on reforming parts of the Dual Support system in order to ensure the long-term sustainability of university research; and in particular how the additional funding to the Research Councils to recognise the indirect costs of research projects can best be distributed. HEFCE will also consult soon on its proposals for the distribution of research funding from 2004-05. Funding for departments rated 4 will be held steady in cash terms. Institutions will therefore be able to plan with some certainty, particularly in the period between now and the implementation of the next Research Assessment Exercise (RAE). Proposals for changes to the RAE (the Roberts report) have been issued for consultation by HEFCE and the other funding bodies.

We believe our proposals will enable us to achieve the right mix of selectivity and support for improvement overall. High quality research requires high-quality facilities; and we have increased funding overall. Next year 43 different institutions will get more than £5m each. In the next three years we are boosting the money for research by 30 per cent in real terms. Universities will be able to create more jobs, invest in better facilities, and pay their best researchers more.

We are also encouraging research in strategically important, emerging areas. £18m has been allocated in 2003/04 and HEFCE has made a start by designating departments rated 3a and 3b in subjects where, overall, the research base was relatively weak. These are nursing; other studies and professions allied to medicine; social work; art and design; communication, cultural and media studies; and sports-related subjects. Moreover, there is additional funding for knowledge transfer (see next section).

The changes we propose are not a signal for institutions to close 4-rated departments, or for individuals to seek work elsewhere. Institutions must, however, decide on their future strategies based on their strengths and weaknesses and on whether they wish to support research not funded by HEFCE.

### ***Research and Teaching***

We want a higher education system that delivers high quality teaching in all institutions, and excellent research and knowledge transfer where that is appropriate. We want universities and departments to concentrate on what they do best. That may mean some tough decisions. In some cases, as with successful institutions abroad, it could include a preference for teaching, knowledge transfer, a greater regional focus and other forms of reach-out, rather than research.

The Government is not seeking an artificial divide between teaching and research. We recognise and accept what the HE sector tells us: scholarship is essential to a successful university because it is required for good teaching. Lecturers need to keep up to date with their field through engagement in some form of advanced scholarly activity. But this need not necessarily be through participation in government-funded, leading-edge research.

Excellent teaching can take place where teachers are not engaged in this kind of research. Some departments and institutions already provide good teaching without publicly funded research. The effect of our policies on funding research should encourage more of this.

## **Higher Education and Business - exchanging and developing knowledge and skills**

### **Comments**

There was considerable support for the development of Knowledge Exchanges to spread good practice in interactions between higher education and business.

Some doubts were however raised over the demand from industry for such centres and their value, with a fear that they could be seen merely as a cheap source of information and advice.

Some suggested that there should be tax breaks for employers as incentives to form partnerships with universities.

## **Government response**

The Government acknowledges the considerable level of support for Knowledge Exchanges and is committed to building long-lasting, effective links between higher education institutions and business to enhance the UK economy. In addition to £16 million of funding available for Knowledge Exchanges, this commitment is being demonstrated through the increase in the size of funding for knowledge transfer activities through the Higher Education Innovation Fund (HEIF). This will therefore be a permanent third stream of funding for universities, with investment rising to £60 million in 2003-04 to £90 million by 2005-06. In addition industry benefits from tax credits for research and development.

The second round of the Higher Education Innovation Fund (HEIF2) has two broad aims. First, to build on the success achieved already in knowledge transfer, including through the skilful deployment of earlier rounds of funding. And second, to broaden the reach of knowledge transfer activities through support for less research-intensive higher education institutions.

HEFCE recently published the HEIF2 guidelines as a consultation document. Following the consultation, higher education institutions (both the research intensive and others) will be invited to apply for funding to support activities which will increase their capability to respond to the needs of business and the community where this will lead to identifiable economic benefit.

Evidence suggests that the low research intensity of businesses located in the UK contributes to weak demand from businesses for the knowledge generated within universities. It is estimated that only around 16 per cent of UK businesses use information from the higher education sector to help with innovation. Knowledge Exchanges - as exemplars of good practice already skilled in meeting business needs - will be a vehicle to increase the interactions between less research-intensive institutions and business, and other stakeholders such as regional development agencies.

In addition to this, the Lambert Review into University-Business Collaboration is focusing on how links between both sectors can be improved to benefit the UK economy. The emerging findings of the Lambert Review were published on 14 July. The interim report sets out the key issues that the review will address in its final report due in early October.

## **Teaching and Learning - Delivering excellence**

### **Comments**

The majority of those commenting on this area were in favour of better pay in order to attract and retain people to the profession. Some opposed the idea of performance-related pay as divisive.

A majority was in favour of the proposals for Centres of Excellence for Teaching. Some respondents expressed concerns that 70 centres could be insufficient, and could disadvantage institutions that were excellent teaching establishments but did not achieve the status of Centre of Excellence.

There were concerns that the title of 'university' being awarded to teaching-only institutions would risk devaluing the concept of the university and the degree and that it would affect the status within Europe of English universities, by going against the principles of European higher education and the Bologna Declaration.



## **Government response**

The Government remains convinced that the proposals set out in the higher education White Paper will make a significant contribution to improving the quality and status of teaching within higher education. Good teaching is essential to students gaining the skills they need from higher education, and getting the quality of experience they deserve. For too long, teaching has been regarded by many as a poor second to research. The Government's proposals are intended to change that. Accordingly, the main aims of the strategy remain the same:

- The best teaching and learning practice will be recognised through Centres of Excellence, and institutions will be given additional funding to develop their good practice. HEFCE is at present consulting on the detail.
- There will also be new national professional standards for teaching in HE, and all new teaching staff will receive accredited training by 2006.
- There will be a new national survey of students' views from 2004 (piloted in 2003), as well as published external examiner report summaries and an easy to use guide to higher education, to help students make the right decision for them.

### ***Pay***

Higher Education Institutions, as the employers, are responsible for the pay of their employees. The Government has invested £50 million, followed by £110 million and £170 million over the three years to 2004 to underpin the recruitment, retention and reward plans for all staff set out in HE institutions' human resource strategies. HEFCE has distributed this money to institutions in return for human resource strategies that address recruitment and retention, staff and management development, equal opportunities, and rewarding good performance.

We see human resource strategies as the main way to modernise human resource management and to put in place measures to address recruitment, retention and reward and thus deliver the high quality we expect from higher education. The Government will build on the progress achieved through this funding and is providing an extra £167 million over 2004-06. The additional funding will be consolidated in an institution's core grant once their human resource strategy has been approved and we would expect to see them targeting it towards attracting high-quality staff and rewarding significant contributions to the benefit of the institution.

### ***Centres of Excellence***

The Government has considered carefully the views expressed on Centres of Excellence, and agrees that the scheme should be made more flexible, to

provide better opportunities for excellent teaching and learning to be recognised through Centre status. The revised proposal is that there should be a range of funding available for individual Centres (from £200K to a maximum of £500K; plus capital between £800K and £2m) and that centres can be a single subject-based department, or cut across subject, departmental, faculty or institutional boundaries. These changes should ensure that a wider range of excellent practice is recognised and rewarded.

### ***University title***

The Government strongly believes that teaching is a core mission of a university and therefore that it should be possible for university title to be awarded to those institutions that achieve high quality teaching but may not have the power to award research degrees.

We shall consult on our detailed proposals for changing the criteria for degree awarding powers and university title. These will demonstrate that high standards will be maintained, with the quality criteria for the power to award degrees remaining rigorous.

We have carefully considered the European dimension, which is important in a global higher education market. Our proposals are consistent with the key principles of the Bologna agreement, which provides for mutual recognition of higher education institutions and awards across Europe. We are committed with our European partners to the development of the two main cycles of undergraduate and graduate studies, the use of credit and other measures to promote the mobility of students, and the achievement of comparable quality assurance approaches.

### **Expanding Higher Education to Meet our Needs**

Opinion was mixed on the Government's aim to expand the rate of participation in higher education to 50 per cent. Some people were concerned that such a target could devalue the worth of gaining any qualification. Others however were in favour, and welcomed proposals to encourage all young people to consider higher education more carefully.

Views were similarly mixed on foundation degrees. Many welcomed the emphasis on them and considered that expanding foundation degrees was the most appropriate route to growth in higher education.

Others had concerns that foundation degrees might not be accepted by employers or might be viewed as substandard. There were also concerns about the status of existing qualifications such as HNCs and HNDs. Some respondents believed that these should continue, being already well recognised and highly regarded qualifications.

## Government response

### *Expansion*

The Government welcomes support for its aim of expanding participation in higher education. Ministers remain committed to increasing participation, particularly from families that have not benefited from higher education in the past. We believe this is essential both for the economy and society.

- Our commitment is based on research that shows that the economy will increasingly need people with higher-level skills in the future. The nature of jobs is changing. Our economy is becoming ever more knowledge-based and we are increasingly making our living through selling high-value services, rather than physical goods. These trends demand a more highly-skilled workforce.
- Demand for graduates is very strong, and research shows that 80 per cent of the 1.7 million new jobs which are expected to be created over the decade will be in higher-level occupations - the ones most likely to be filled by those who have been through higher education.
- We do not think this necessarily means they will all need traditional 3-year honours degrees. Much of the increase will be in associate professional and high-level technician jobs, and expansion primarily through shorter, work-focused foundation degrees will focus on these needs.
- Demand for higher education is high and growing - improvements in schools and our efforts to raise aspirations are resulting in more young people than ever having the qualifications and the desire to participate in higher education. Regional agencies are also demanding more expansion so that they can meet the skills needs of their local and regional economies.
- Aiming to expand towards 50 per cent from the current level of approaching 44 per cent is by no means unreasonable: participation rates in England are lower, according to OECD comparisons, than in many other developed countries, including Australia, Finland, the Netherlands, New Zealand, Norway and Sweden.

### *Foundation degrees*

As we expand we must make sure that the courses and patterns of study on offer match the needs of our economy, and the demands of students themselves. We will not pursue expansion for its own sake, or simply by offering more of what has always been offered before.

- Expansion to date has been primarily in traditional, full-time, three-year honours degrees. With a wider range of people seeking some form of higher education, we will need a wider range of provision to meet their needs and those of their future employers.
- Almost half of the new higher-level jobs expected in the next decade will be at the associate professional and higher technician level. The current skills gap is most acute at a level that is served well by work-focused provision leading to HE qualifications traditionally termed 'sub-degree', such as the HND.
- The National Skills Task Force reported that jobs at the associate professional and higher technician level will experience the greatest growth in the coming years, increasing by 780,000 up to 2010. The recent report 'Skills in England' (Policy Research Institute, 2001) revealed 29,000 unfilled vacancies at the associate professional / technical level.
- That is why we want to see most of our future expansion coming from work-focused, intermediate level, foundation degrees (FDs); from more flexible provision using credit transfer and e-learning; and from more support for those doing part-time degrees.
- Foundation degrees will be developed with employers to provide work-related, flexible higher education that will increase competitiveness through skills and extend opportunities to a broad range of people.

Foundation Degrees are already proving popular. In their first year 4229 students studied FDs, exceeding our target of 4000 new starters. This year there are 12,417 students studying FDs, an increase of 200 per cent from the first year. The latest figures from the Universities and Colleges Admission Service (UCAS) show that there has been an increase of around 120 per cent in the number of people applying to study full-time foundation degree courses in Autumn 2003. These increases are across a wide range of subjects and demonstrate the increasing popularity of courses at this level.

We are finding enthusiasm from both major public and private sector employers for foundation degrees (KLM, the Teacher Training Agency, the NHS) Employers are beginning to see the advantages of being able to be involved in developing courses that meet their present and future business needs.

However, they are in their early stages and there is still a lot to be learnt. That is why we have created a Taskforce with a mixture of public and private sector employer input to advise on the way forward. We will set out our detailed plans for foundation degrees in a prospectus in the autumn.

## Fair Access

*This section deals with the comments on the White Paper proposals on access, and the more detailed proposals for the Office of Fair Access (OFFA) set out in the April document, 'Widening Participation in HE'.*

In responding to the White Paper, concerns included:

- that there could be a danger in linking access arrangements with the ability to increase tuition fees
- some doubt about the likely independence of OFFA
- a risk of additional bureaucracy

There was a fairly widespread view that entry to university must be based purely on merit; nothing else should be a factor, and regulation of admissions could lead to positive discrimination, putting the 'middle classes' at a disadvantage

On the other hand, many respondents favoured the idea of access agreements and some form of regulation of access activity

In response to the later document on widening participation:

- there was widespread agreement with the analysis that prior attainment is the main driver for widening participation, and also the emphasis on the importance of raising aspirations
- among those who said they were either firmly for or against the creation of the Office for Fair Access, opinion was almost evenly divided
- some people commented that the proposals were an improvement on those set out earlier in the White Paper
- some people commented that debt was a deterrent for students, and other factors such as cultural attitudes and beliefs were important, but the plans for OFFA did not address these issues
- on admissions, many supported the idea of using other indicators than A levels for someone's suitability to enter higher education and many supported a post-qualifications admissions system
- on the operation of OFFA, there was a significant desire to see it operate with transparency and for greater clarity about OFFA's detailed role, and its relationship with HEFCE and for more detail on specific issues such as bursaries for students
- there was also a desire to see bureaucracy kept to a minimum

## **Government response**

We have reflected carefully on the responses about the importance of widening participation and the role of the Office for Fair Access. Our April 2003 document on Widening Participation developed the proposals in the original higher education White Paper. Comments on that document and the views of the Education and Skills Select Committee have helped us further.

There is strong evidence that entrance to higher education is closely linked to attainment in earlier stages of education. We agree that raising aspirations is key to widening participation. That is the purpose of our Aimhigher initiative. The latest available data shows that applications from Aimhigher areas to universities are up 2.6 per cent on last year compared to 0.3 per cent elsewhere. We have expanded the geographical coverage of the initiative and made available additional funding. In addition, we have announced a new initiative for students to work with young people in schools and colleges to raise aspirations and break down misconceptions.

Nevertheless, we believe that universities and colleges themselves have an important role to play in encouraging more people from disadvantaged backgrounds to enter higher education. In allowing universities the freedom to charge higher fees, we will be allowing them to increase their income. We think it right that some of that increased income is spent on giving better financial support and encouragement to those students and potential students whose need is greatest.

That is why we intend that any institution that wants to charge higher fees should first draw up an access agreement, setting out its plans for outreach to schools and colleges, the level of bursaries or other financial support that it will offer to students from disadvantaged backgrounds, and its own milestones for improving access, against which it will be monitoring its progress.

There is a clear distinction between the roles of HEFCE and of OFFA. HEFCE, as its name implies, acts primarily as a funding body, championing higher education. HEFCE will retain its responsibilities for distributing funds for widening participation, including support for outreach activity by HEIs and for retention. The function we will be asking OFFA to perform is regulatory. OFFA will have the final say on whether an HEI's access agreement should be approved, so that it can gain the financial benefit of charging higher fees for at least a five year period. This will be a narrow responsibility, but a highly sensitive one. We do not think that HEFCE should be asked to take on the dual role of funder and regulator in this area; the potential conflicts in such a role may not have been fully appreciated.



OFFA will operate transparently and independently. It will scrutinise how much of the extra money which institutions raise from higher tuition fees will go on bursaries and outreach activity, and the results will be recorded in a publicly available access agreement. Guidance will be issued in good time so that HEIs know OFFA's expectations.

We are very conscious of the need to avoid creating new bureaucracy, or requiring institutions to provide the same information twice, to HEFCE and OFFA. We have already said that access agreements will subsume the current strategies on widening participation which universities already provide to HEFCE. We intend OFFA to be a very small organisation, which will work closely with HEFCE, using common data and services. We are discussing with the HEI Better Regulation Review Group, chaired by Professor David VandeLinde, Vice Chancellor of Warwick, how this can best be achieved. During the autumn we will be discussing further with HE institutions. HEIs need the chance to influence how OFFA will work in practice.

We entirely agree that admission to higher education should be on the basis of merit, regardless of background. The issue of fair admissions processes is being taken forward by a taskforce under Professor Steven Schwartz. He has been asked to identify options for assessing the merit of applicants and their achievement and potential for different types of courses. He will report in May 2004 following wide consultation.

On the question of post-qualification admissions, the White Paper said that the Department would explore the way forward with those who had an interest. This work is still underway and is due to report shortly.

## **Freedoms and Funding**

### **Comments**

This section of the White Paper attracted the most comments. There was a welcome for:

- proposals to abolish up front fees.
- the reintroduction of grants for the 'poorer students', but with a measure of support for increasing both the level of the proposed grant (beyond £1000) and the income level for eligibility (beyond £10,000)
- proposals to increase the use of endowments as a source of income, although some suggested that this would need a major cultural change in our society towards charitable giving

- the increase in the amount that students had to earn before their loans needed to be paid back, although some suggested that £15,000 (as against £10,000 now) was still too low

On the other hand, there were significant concerns:

- that funding for higher education should come from general taxation, to reflect the benefit that society generally gets from people going to university
- scepticism about the Government's observation that the average graduate earns 50 per cent more than a non-graduate, and the belief that the differential in earnings would fall as participation rose
- that the introduction of variable fees could lead to the creation of a two-tier HE sector
- that debt, or aversion to debt, could be a deterrent to potential students, particularly those from poorer backgrounds, and could contribute to the continuation of the social class gap in participation
- a view from some that it was unfair to assess parental income, at odds with the plans to shift the 'financial burden' to be placed on the student rather than the parents

## **Government response**

The Government welcomes support for the proposals to abolish up-front tuition fees, to introduce grants, and to make changes to make it easier for graduates to repay their loans.

### ***The Graduate Contribution***

We have to free up universities and provide extra funding through independent sources of income, so that they can compete internationally on quality of teaching and research. But we believe that it is unrealistic to assume significant increases in state funding can continue forever: and the record shows that higher education does not always do well, when competing for state funding against schools and hospitals. That is the principal reason why we believe general increases in taxation or a graduate tax are not the way forward. Higher education institutions would not have a dedicated income stream under their own control. With our proposals they will.

The National Committee of enquiry under Lord Dearing recognised in 1997 that it is fair for graduates - who benefit from higher education - to bear some of the cost themselves. The data we have is clear cut: on average



those who have been through Higher Education earn more than those who have not and by 50 per cent; and that figure has changed little over time as the participation rate in HE has increased.

The National Committee under Lord Dearing recognised in 1997 that it is fair for graduates - who benefit from higher education - to bear some of the cost themselves. The data we have is clear cut: on average those who have been through Higher Education earn more than those who have not and by 50 per cent; and that figure has changed little over time as the participation rate in HE has increased.

### ***Variable fees***

Ministers recognise the degree of concern about proposals to allow universities to charge variable fees. But we have a very diverse higher education system, with a huge array of courses for different subjects. No two universities are alike. We need to allow for the funding to be similarly diverse, to reflect this already multi-tiered system, rather than pretending that all higher education providers are the same.

Allowing variable fees creates a more responsive higher education system - institutions can price their courses to reflect demand and the relative value of their courses. If we raised the fee in a uniform way, some institutions might find that there was insufficient demand for their courses. Variable fees will encourage universities to look at quality and students will in future have access to better information on quality, for example through the proposed national student survey.

In making their decisions on the level of fees, we expect HEIs to consider the differing characteristics of the courses and subjects they offer; for example, there will be variations in earnings premia, attractiveness, in cost and in numbers of students. Universities will also want to consider the effect on demand for courses when setting their variable fees. We expect these considerations to lead to variations in levels of fee charged across HEIs - so we do not expect all HEIs to charge £3,000.

### ***Student Debt***

But while we accept that universities need extra funding, and that graduates should make a contribution, we must not deter students by asking them to make too high a contribution to the cost of their course. We believe we have struck the right balance here.

Many of the responses said that prospective students could be put off by the fear of debt. But a student loan is quite unlike any other form of debt. It recognises that the student - who will not normally be earning and therefore will not normally have a lot of money - can defer the cost until

they are earning and, as a graduate, can afford to pay. And abolishing up front fees means that parents will no longer have to contribute towards the cost of their children's tuition fees.

The repayment terms for a student loan are more generous than those on offer for commercial loans, credit card debt or mortgages. Graduates will only start to repay once their salary is over £15,000, and then will contribute 9 per cent of their income above that level. For example, a graduate earning £18,000 would pay back £5.20 a week: that is around one tenth of what they will pay in income tax, and is much less than the £14.70 a week which would be paid under the present system. And unlike commercial loans, if the graduate's salary falls below £15,000, repayments will stop: there is no need to renegotiate the payment schedule; and no debt collection agency will pursue the graduate if repayments stop. The repayment system is also fair: a graduate will only pay back what they owe; and it is progressive - the amount of a graduate's income that goes in repayments rises as their income does.

### ***Support for Students from Low Income Families***

As well as removing the potential barrier of upfront fees, we intend to put in place a package of measures which should make higher education affordable for all:

- We will, from 2004, introduce a new additional grant of up to £1000 for students from families on low incomes, in addition to existing financial support for living costs. The full grant will be available to students from families with income up to £15,200.
- The introduction of the new grant offers low-income students greater choice in managing their finances. The additional grant allows them to take out smaller loans, and to avoid overdrafts or credit card debts.
- We will also continue to pay the first £1100 worth of fees for students with family incomes of up to £20,000.

### ***Support for Part Timers***

We are also improving the financial support that is available to students on part-time courses and targeting it at those most in need. From the 2004/05 academic year, those studying half time (ie the equivalent of at least 50 per cent of a full-time course) and who are on low incomes will get a grant to assist with their fees and help with course costs also in the form of a grant.

As a result of the extra money we are ploughing in to support part-time students, we estimate that over 70,000 students will now get help with their fees, compared to around 25,000 who currently get their fees paid by their institution. The income threshold at which students qualify for support is

also being raised from the current £13,000 part-time loans threshold to £14,600. Entitlement will be via a means test involving an income taper, which means that students with incomes up to £21,487 will qualify for partial support.

Student parents on low incomes who are studying half time will also qualify for help with childcare costs administered by institutions through the Access to Learning Fund (ALF). In addition, for the first time, students on less than half-time courses will also be able to get help with their fees and course costs from the ALF.

### ***Endowments***

In the longer term, if higher education institutions are to secure their independence and security, they will need to consider ways of improving their income from a range of sources. The Endowment Task Force under Professor Eric Thomas will be making proposals on how universities can increase their overall sources of funding. Over time employers, individuals and former students could all be potential sources of endowment funding.

### ***Parental contribution***

The White Paper indicates the Government's desire to move towards independence at 18 and notes that the introduction of fee deferral, scrapping the need for parents to pay an upfront fee, is an important step in that direction. But, as the requirement on better-off families to make a contribution to students' maintenance support remains, the Government accepts that there is further to go along this road. Further changes to parental means testing will be considered in the next spending review.

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