



## Value of student maintenance support

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### Recent changes in maintenance support

Maintenance grants, maintenance loans levels and income thresholds were all frozen in England at 2009/10 levels in 2010/11 and 2011/12. 2012/13 saw maximum grant levels for *new* students from England increased by 12%, maximum loan levels by 11%, changes to income thresholds and fee loans were extended to part-time students. Those starting in 2012 were the first to come under the new funding arrangements and were liable for tuition fees of up to £9,000 per year. The maximum grant increased by 3.2% in 2013/14, it will be 1% higher in 2014/15 and frozen in 2015/16. Maintenance loans were frozen in 2013 and the maximum will increase by 1% in 2014/15 and 3.3% in 2015/16. Income thresholds were frozen in 2012/13, 2014/15 and 2015/16.

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

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

- [Changes to higher education funding and student support from 2012/13](#)
- [HE in England from 2012: Finance and Funding](#)
- [Higher education and social class](#)
- [Tuition fee statistics](#)
- [Student loans](#)
- [Entrants to higher education](#)

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:

- [www.studentfinanceengland.co.uk](http://www.studentfinanceengland.co.uk)
- [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](#).

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## 1 Background

### 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 to 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>

### 1.1 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>2</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 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

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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.

arrangements from 1998/99 are repayable on an income contingent basis rather than the old 'mortgage-style' repayments.

## 1.2 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 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>4</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 can affect the amount of Maintenance Loan a student is eligible for. The maximum loan is reduced pound for pound up to a maximum reduction of £1,200. From 2006/07 different student support system applies in Wales. In 2006/07 98,000 (33%) new students in England received a full Maintenance Grant and a further 68,000 (23%) a partial grant.<sup>5</sup>

In summer 2007 the Government announced changes to a number of the income thresholds for **new entrants** from 2008/09. These changes are expected to mean that around one third of new students 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>6</sup>

On 29 October 2008 the Secretary of State for Innovation, Universities and Skills announced a number of changes to income thresholds to grants which were intended to reduce expenditure by £100 million a year. These changes are to apply to new students from 2009 and mean a less generous package of grants/loans for students with a household income above £25,000. 40% of new students are now expected to receive a full-grant and around 25% a partial grant. All those with a family income of £18,360 to £57,708 are said to be entitled to a more generous package of grants and loan support than in 2007-08.<sup>7 8</sup>

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

## 1.3 2012/13 and beyond

In 2012/13 the Government increased maintenance support for new students, the first increase for a few years. 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 to 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>9</sup> The maximum maintenance grant for continuing (pre-2012) students was increased by just under 3% in 2012/13. There was no increase in the maximum maintenance loan they could apply for.<sup>10</sup>

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<sup>4</sup> *Higher education Grants in England and Wales academic year 2005/06 (provisional)*, SLC

<sup>5</sup> *Student support for higher education in England academic year 2007/08 (provisional)*, SLC

<sup>6</sup> DIUS press release 5 July 2007 *Increased support for students in higher education*

<sup>7</sup> HC Deb 29 October 2008 c32-33WS

<sup>8</sup> Full details are given in this DIUS memorandum:

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

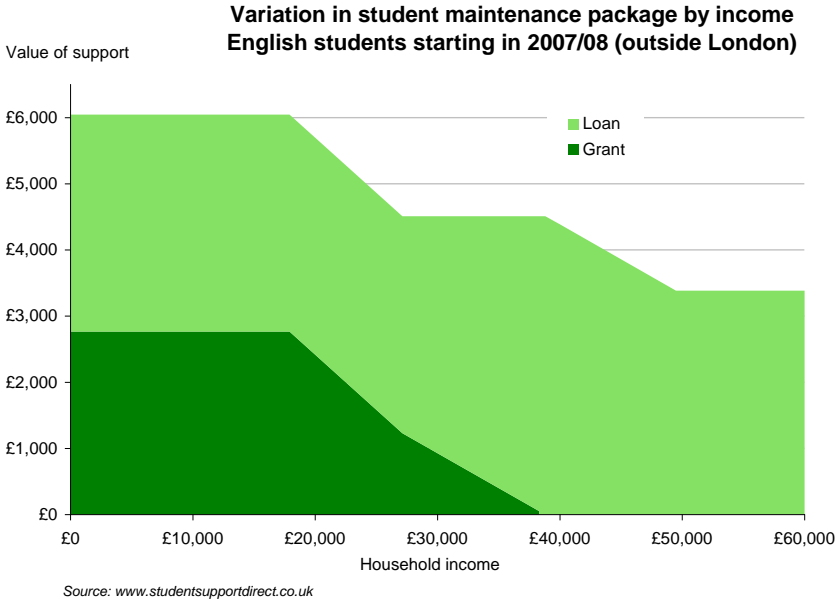
<sup>9</sup> *The Government Student and Graduate Finance Proposals*, BIS (3 November 2010)

<sup>10</sup> *Loan, grant and tuition charge rates for academic year 2012/13, memorandum*, BIS

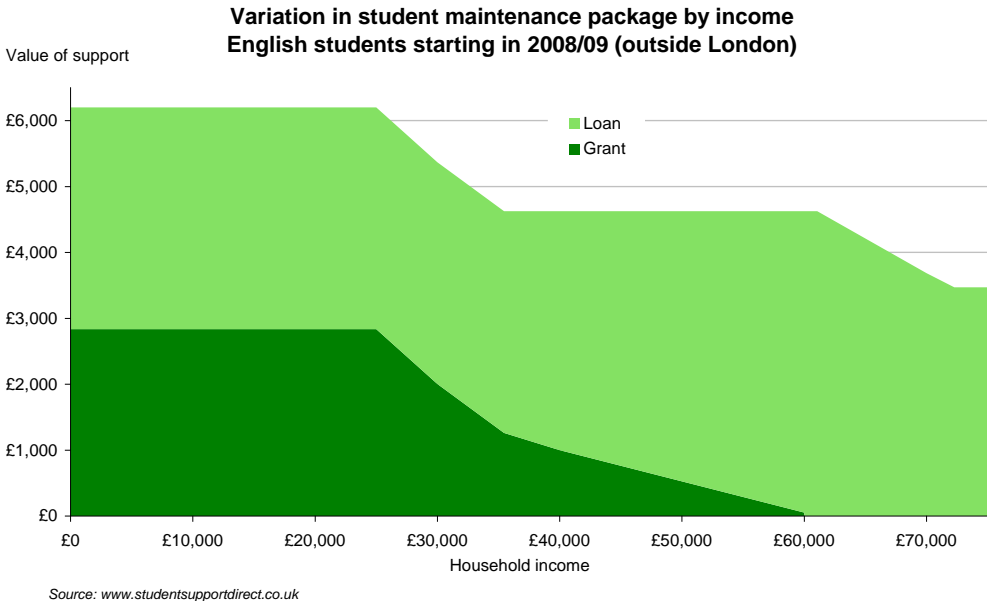
All maximum loan levels remained the same in 2013/14. The maximum maintenance grant for students who started in 2012 or later was increased by just over £100 to £3,354.<sup>11</sup> In 2014/15 the maximum grant was increased by 1% to £3,387, the maximum maintenance loan was increased by 1%.<sup>12</sup> In 2015/16 the maintenance grant will be frozen, maximum loan levels increased by 3.3% and income thresholds will be frozen.<sup>13</sup>

## 2 Illustrations of support levels and income thresholds

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

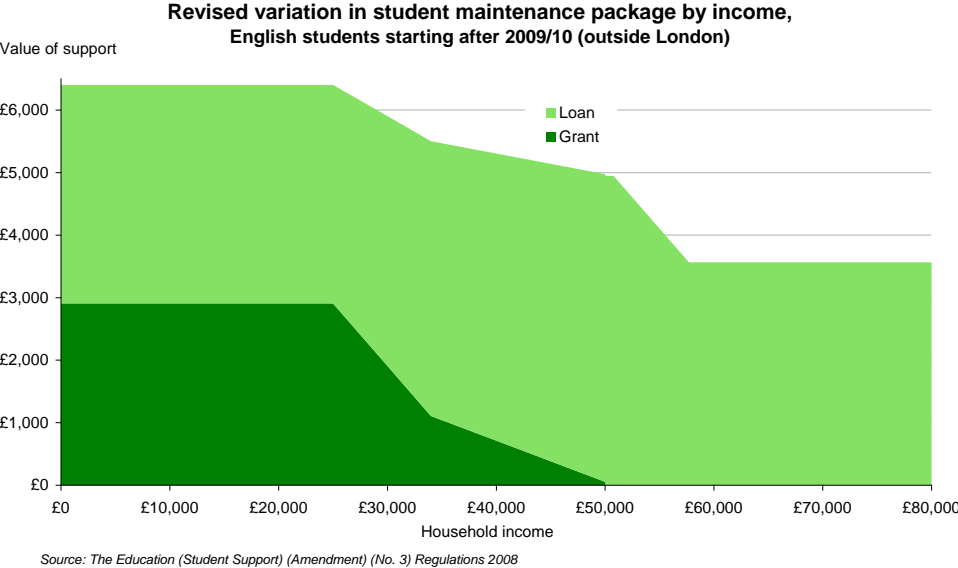
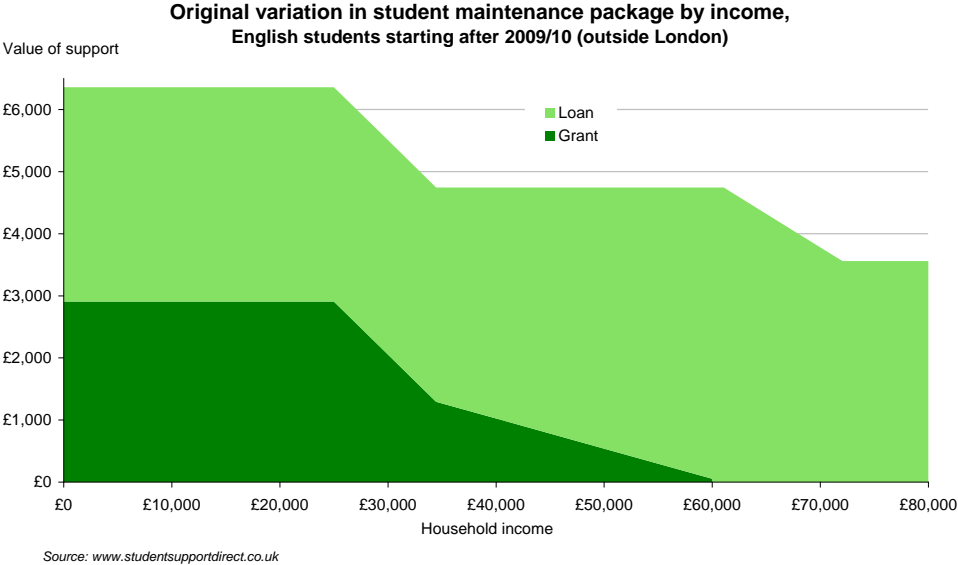


The thresholds for continuing students in 2008/09 were updated, but remained broadly equivalent. The rates for new students extended grant and maximum loan eligibility to students from higher income households. These are illustrated below.



<sup>11</sup> Loan, grant and tuition charge rates for academic year 2013/14, memorandum, BIS  
<sup>12</sup> Student finance arrangements for academic year 2014/15, SLC  
<sup>13</sup> Student finance arrangements for academic year 2015/16, SLC

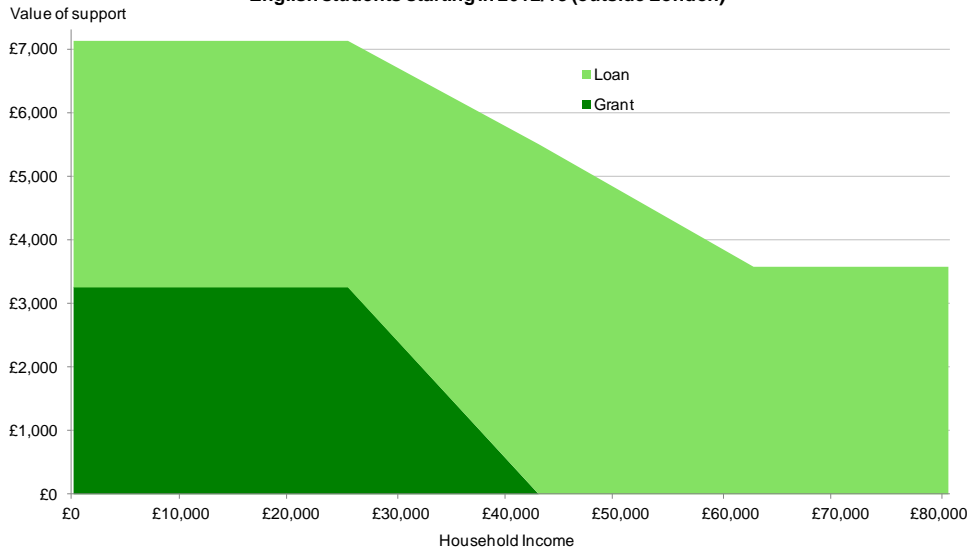
2009/10 values were originally planned to be updated, but as explained earlier, these plans were changed to cut costs. The original and new thresholds are illustrated below.



The main differences were i) a slightly faster initial taper point in grant entitlement, ii) a faster second taper rate, iii) loan rates increase 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 to £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 on the next page shows the thresholds and support values for new students from 2012/13. The 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 current system, with a single taper rate for grants.

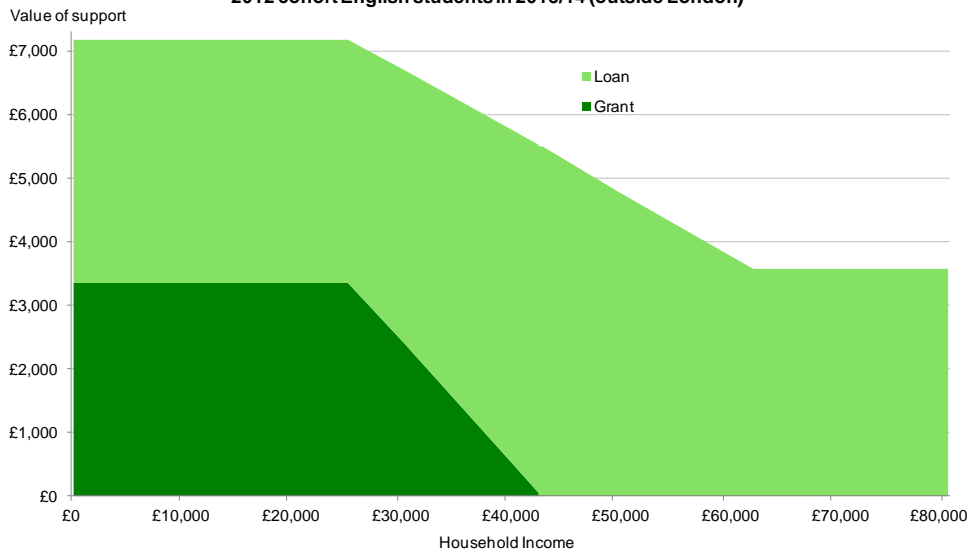
**Variation in student maintenance package by income, English students starting in 2012/13 (outside London)**



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

The only change for post-2012 students in 2013/14 is the increase in grant levels.

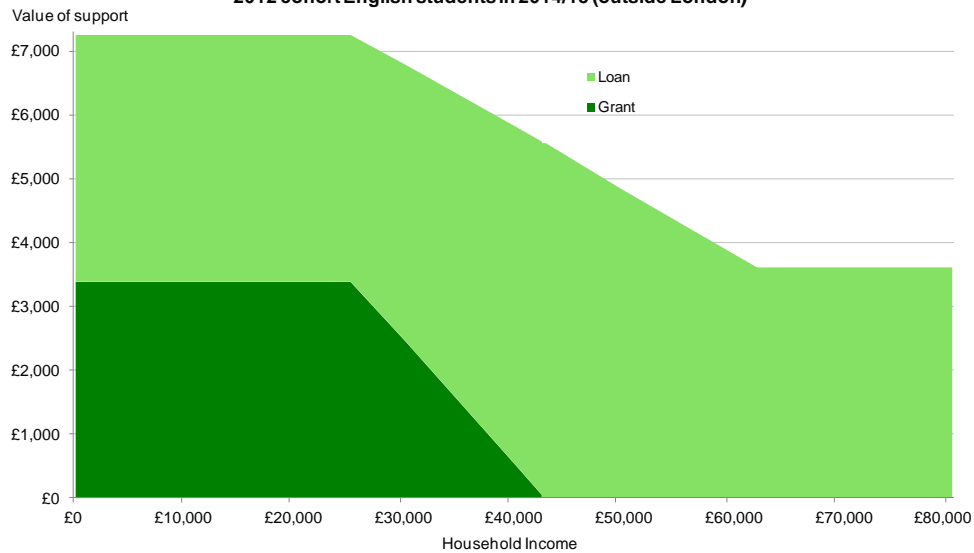
**Variation in student maintenance package by income, 2012 cohort English students in 2013/14 (outside London)**



Source: Loan, grant and tuition charge rates for academic year 2013/14, memorandum, BIS

The 2014/15 values by income are very similar again (below).

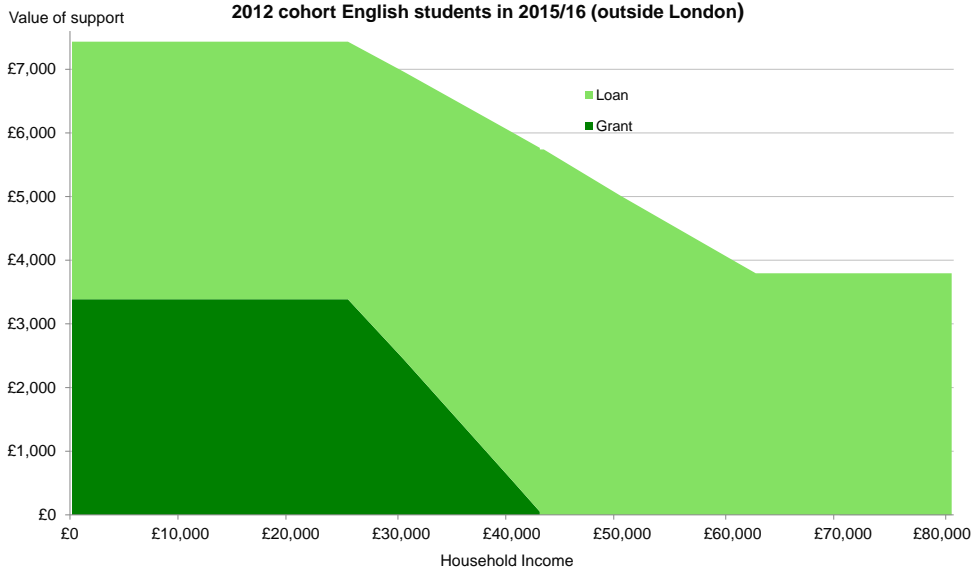
**Variation in student maintenance package by income, 2012 cohort English students in 2014/15 (outside London)**



Source: Loan, grant and tuition charge rates for academic year 2014/15, memorandum, BIS

The Spending Round 2013 announcement that grants will be frozen in 2015/16<sup>14</sup> suggests little change in that element across the entire period 2012-16. This was confirmed in the March 2014 announcement on support levels and is illustrated below.

**Variation in student maintenance package by income, 2012 cohort English students in 2015/16 (outside London)**

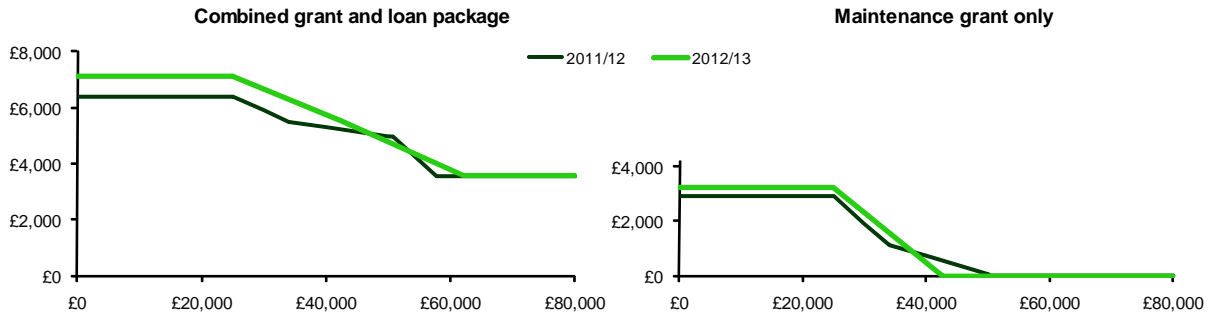


Source: Student finance arrangements for academic year 2015/16, and earlier, SLC

The next charts look at the impact of the 2012 changes to maintenance support by comparing the 2012/13 levels with earlier rates. The combined support package is higher in cash terms for all incomes up to £62,125, other than a small range around £50,000 where it is lower, and very slightly more at higher incomes. Looking at maintenance grant only the 2012/13 support is higher at all incomes to around £39,000, lower at incomes between around £39,000 and £50,000 and zero in both years thereafter.

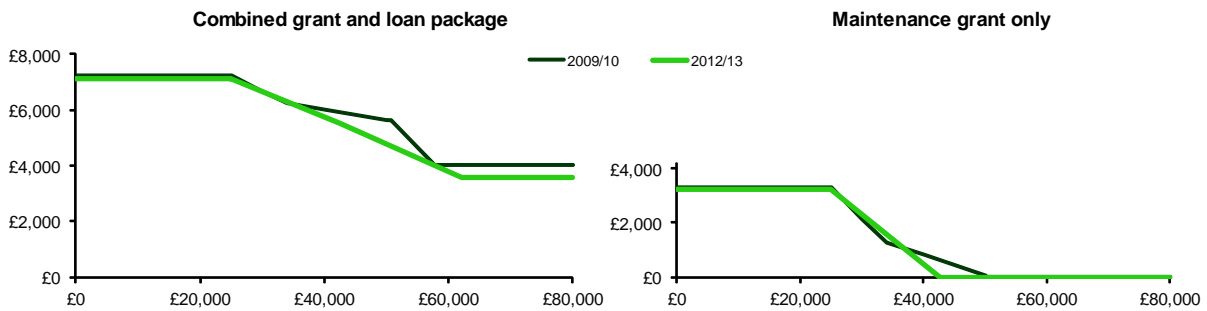
<sup>14</sup> Spending Round 2013, HM Treasury

**Comparison of changes in the value of support package by income**



As there were no increases in 2010/11 and 2011/12, the cash values in 2011/12 are those first introduced in 2009/10. The following charts make the same comparison, but against 2009/10 values uprated for inflation.

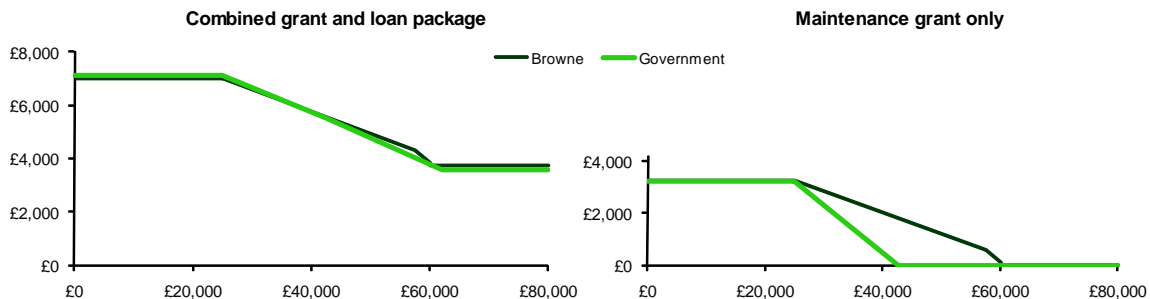
**Comparison of changes in the value of support package by income in 2012/13 prices**



This shows that while maximums are broadly the same in real terms, the real value of the total support package in 2012/13 was the same or less at most income levels above £38,000. It is important to realize that this is an artificial comparison –students were notable to pick and choose between which system they applied for. The aim is to compare the values for different cohorts of students.

The Browne Report<sup>15</sup> proposed a simplified student maintenance support system with a single flat rate of loan, increased maintenance grant with students with a household income up to £25,000 receiving the full grant and partial grants available up to incomes of £60,000. The increase in maintenance grants was to ensure that no students were worse off (‘cash in hand’) after their proposal to remove the requirement for a minimum bursary for students on a full grant. The Government’s proposals enacted some of these changes, such as the higher grant level, but not the flat-rate loan amount or the availability of a partial grant for students from higher income households. The charts below compare to two systems

**Comparison of proposed value of support package by income in 2012/13**



<sup>15</sup> *Securing a sustainable future for higher education –An independent review of higher education funding & student finance* (12 October 2010)



While the total value of the support package is virtually identical at all incomes, the Browne proposals gave more grant (and hence less loan and debt) to students from households with incomes between £25,000 and £60,000. It is unclear whether the Browne proposals were meant to represent the exact cash values when introduced, or were intended to be uprated in line with inflation.

### **3 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>16</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 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>17</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 OFFA. Analysis of access agreements for students starting in England from 2012 suggested that the total value of scholarships and bursaries would be reduced for new students from 2012 as most of the access support would go on fee waivers. It is estimated that by 2015/16, when virtually all students will come under the post-2012 funding regime, the total value of scholarships and bursaries will be around 15% below its 2011/12 value in cash terms.<sup>18</sup> This spending is supported in part by central government funding through the National Scholarship Programme (NSP) and institutions' matched contributions to this. This is mainly focussed on post-2012 students. The first analysis of spending under this element of access agreements suggested spending would be around £130 million. Around £21 million of this went on scholarships or bursaries; the largest single use was fee waivers or discounts which made up just over half the total.<sup>19</sup> The 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>20</sup>

### **4 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 £4,900 in current prices. The Anderson Report recommended increases in

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<sup>16</sup> *Access agreement and widening participation strategic assessment 2011-12 and National Scholarship Programme 2012-13 (in-year) monitoring outcomes*, OFFA/HEFCE

<sup>17</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>18</sup> *Access agreements 2012-13 final data including ITT* (July 2012), Office for Fair Access

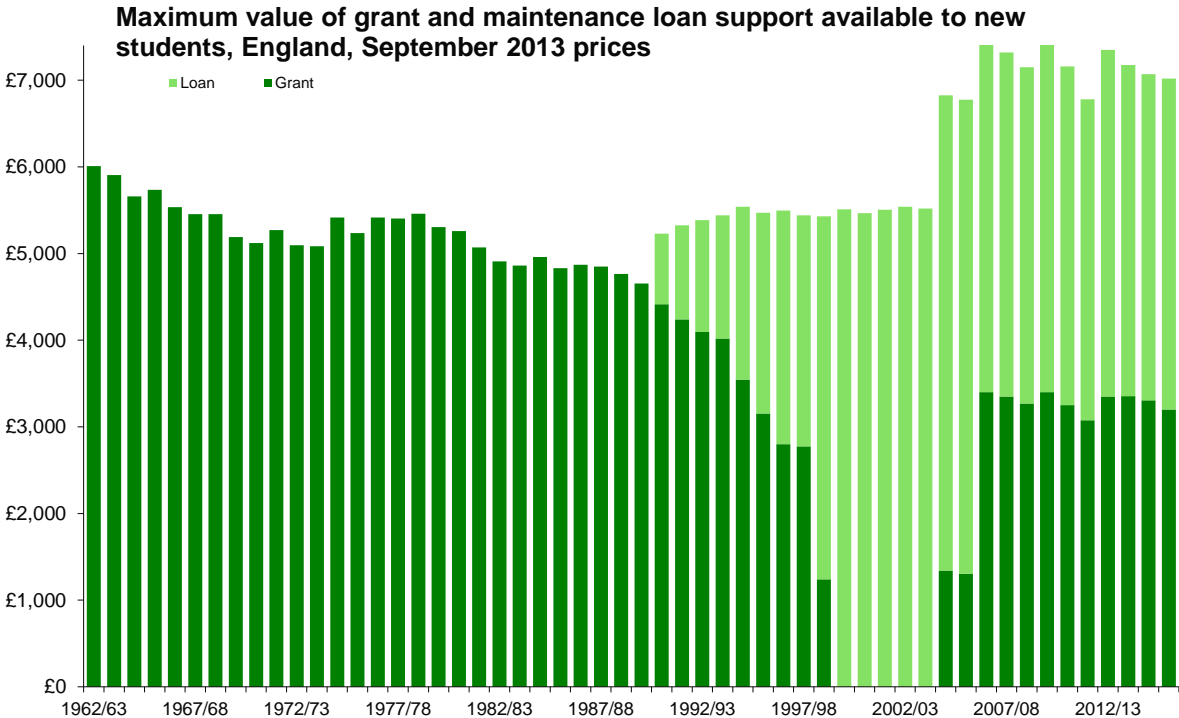
<sup>19</sup> *Access agreement and widening participation strategic assessment 2011-12 and National Scholarship Programme 2012-13 (in-year) monitoring outcomes*, OFFA/HEFCE

<sup>20</sup> *Spending Round 2013*, HM Treasury

the maintenance grant and it was raised to £320 in 1962 (£5,800 in current prices).<sup>21</sup> The appended table shows the maximum amount of grant and loan 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 2012 prices<sup>22</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%.
- Some of this reduction was reversed in the late 1970s before there were 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 to from around £4,500 to just over £5,000 in September 2012 prices.
- The maintenance grant was gradually replaced by loans in the following years.
- The total value of support remained at around £5,300 a year (September 2012 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 £6,600 a year; just under 30% of new students received this.
- Since 2006/07 the introduction of the new Maintenance Grant for new students has meant that those from the poorest backgrounds studying outside London have been eligible to receive support of around £7,000 a year.
- The negative RPI inflation in the year to September 2009 meant that the 2009/10 maximum was 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 almost their 2009/10 levels in real terms, but subsequent freezes or below inflation increase in grant and/or loan rates mean real values have fallen somewhat since then.



<sup>21</sup> HC Deb 1 February 1982 c33-4W

<sup>22</sup> This revalues the entire maintenance package at the inflation level from the start of the academic year.

The number of students who were assessed for a full, partial or nil Maintenance Grant in 2006/07 by LEA in England we published in a [written Parliamentary answer](#).<sup>23</sup> 2007/08 and provisional 2008/09 figures have also been produced at:

[www.parliament.uk/deposits/depositedpapers/2009/DEP2009-0908.xls](http://www.parliament.uk/deposits/depositedpapers/2009/DEP2009-0908.xls)

#### 4.1 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 or 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 was around 18% higher than 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 mean 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 were increased by £1,000 for new students; taking the differential to 30%.<sup>24</sup> This has been broadly maintained in the levels announced for 2007/08 to 2015/16. The maximum total for students studying away from home in London will be around £9,700 in 2014/15.<sup>25</sup>

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<sup>23</sup> HC Deb 7 January 2008 c77-84w

<sup>24</sup> *Student support for higher education in England, academic year 2006/07 (provisional)*, SLC/DfES, and earlier editions

<sup>25</sup> *Student finance arrangements for academic year 2015/16, and earlier*, SLC

## 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 2013 prices <sup>(b)</sup>	Maximum support Sep 2013 prices <sup>(b)</sup>
1960/61	255	-	255		
1961/62	280	-	280		
1962/63	320	..	320	6,010	6,010
1963/64	320	..	320	5,905	5,905
1964/65	320	..	320	5,660	5,660
1965/66	340	..	340	5,735	5,735
1966/67	340	..	340	5,535	5,535
1967/68	340	..	340	5,455	5,455
1968/69	360	..	360	5,455	5,455
1969/70	360	..	360	5,190	5,190
1970/71	380	..	380	5,120	5,120
1971/72	430	..	430	5,270	5,270
1972/73	445	..	445	5,095	5,095
1973/74	485	..	485	5,085	5,085
1974/75	605	..	605	5,415	5,415
1975/76	740	..	740	5,235	5,235
1976/77	875	..	875	5,415	5,415
1977/78	1,010	..	1,010	5,405	5,405
1978/79	1,100	..	1,100	5,460	5,460
1979/80	1,245	(1,287)	1,245	5,305	5,305
1980/81	1,430	(1,478)	1,430	5,260	5,260
1981/82	1,535	(1,587)	1,535	5,070	5,070
1982/83	1,595	(1,649)	1,595	4,910	4,910
1983/84	1,660	(1,716)	1,660	4,860	4,860
1984/85	1,775	-	1,775	4,960	4,960
1985/86	1,830	-	1,830	4,830	4,830
1986/87	1,901	-	1,901	4,870	4,870
1987/88	1,972	-	1,972	4,850	4,850
1988/89	2,050	-	2,050	4,765	4,765
1989/90	2,155	-	2,155	4,655	4,655
1990/91	2,265	420	2,685	4,415	5,230
1991/92	2,265	580	2,845	4,240	5,325
1992/93	2,265	715	2,980	4,095	5,385
1993/94	2,265	800	3,065	4,020	5,440
1994/95	2,040	1,150	3,190	3,545	5,540
1995/96	1,885	1,385	3,270	3,155	5,470
1996/97	1,710	1,645	3,355	2,800	5,495
1997/98	1,755	1,685	3,440	2,775	5,440
<b>New students only</b>					
1998/99	810	2,735	3,545	1,240	5,430
1999/00	-	3,635	3,635	-	5,510
2000/01	-	3,725	3,725	-	5,465
2001/02	-	3,815	3,815	-	5,505
2002/03	-	3,905	3,905	-	5,540
2003/04	-	4,000	4,000	-	5,520
2004/05	1,000	4,095	5,095	1,340	6,825
2005/06	1,000	4,195	5,195	1,305	6,775
<b>New students in England Only</b>					
2006/07	2,700	4,405	5,905	3,400	7,435
2007/08	2,765	4,510	6,045	3,350	7,320
2008/09	2,835	4,625	6,200	3,270	7,150
2009/10	2,906	4,950	6,405	3,400	7,495
2010/11	2,906	4,950	6,405	3,250	7,160
2011/12	2,906	4,950	6,405	3,075	6,780
2012/13	3,250	5,500	7,125	3,350	7,350
2013/14	3,354	5,500	7,177	3,355	7,175
2014/15	3,387	5,555	7,249	3,305	7,070
2015/16	3,387	5,740	7,434	3,200	7,020

.. Not available

- Nil

Notes: Some figures rounded to the nearest £5

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 2013/14, OBR projections thereafter

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

DFE Statistical Bulletin 22/93, DFEE

DFEE statistical first release 37/1999, DFEE

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

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)

Loan, grant and tuition charge rates for academic year 2013/14, memorandum, BIS

Student finance arrangements for academic year 2015/16, and earlier, SLC

## 5 Annex -Public expenditure to 2008/09

### 1.1 The balance between grants and loans

The switch from grants to loans and the partial return to grants has clear implications for public spending. Under resource accounting the only the subsidised interest rate and loan default/cancellation counts as public expenditure. The costs are shared between the public sector and individual graduates. Currently the resource cost is calculated as 21% (of the cash value) for maintenance loans and 33% for tuition fee loans.<sup>26</sup> This figure has varied due to changes in the forecast model used by the (then) DfES and reductions in the Treasury discount rate. This has had the effect of reducing the resource cost as income from repayments is given a higher value. The discount rate was reduced from 6.0% to 3.5% in 2003 and to 2.2% from 2005-06. This complicates comparisons of expenditure over time, as does the expansion of higher education during this period.

In 1990-91 the sum of maintenance awards and maintenance loans expenditure was around £1.5 billion in current prices. Virtually all of this was expenditure on grants. Total expenditure continued to increase in real terms to the mid 1990s as the expansion in student numbers outweighed any savings from introducing loans. By 1997-98 it had started to fall but was still at around £1.7 billion in today's prices. Just over one-quarter of this expenditure was on loans. The new student support arrangements from 1998 shifted the balance of expenditure and cut the real cost further. In 2001-02 maintenance spending was £0.9 billion (England only); 83% of which was loans. The re-introduction of grant meant that by 2006-07 expenditure on grants was the highest for seven years. Total expenditure at just over £1.1 billion was higher than the 2001-02 figure, but the gap was reduced due to the cut in the discount rate used to work out the resource cost of loans. There has been a major shift back in the balance of expenditure (due to higher grants and the lower cost of loans following the cut in the discount rate) with loans accounting for 56% of this total.<sup>27</sup> Provisional data for academic year 2008/09 implies total public spending of £1.6-1.7 billion; one third of which was the cost of loans.<sup>28</sup>

### 1.2 Shifts in costs between public and private

An alternative way of looking at the impact of changes in the way support is delivered is to look at shifts in the costs from the public sector to private individuals (students/graduates, their families etc). The focus here is on the main shifts resulting from loans and maintenance grants, not income thresholds and assessed parental contributions. All the figures given are annual estimates in 2009-10 prices:<sup>29</sup>

The gradual shift to loans between 1990 and 1997 resulted in an estimated shift in costs of £0.7-0.8 billion a year by the end of this period. As grants were means tested this mainly fell on students from lower income households, although it is important to note that it is generally better paid *graduates* who would repay loans. Students from the most well off households would actually have benefited to a small degree as previously they would not have got a grant, but post 1990 became eligible for subsidised loans.

The 1998/99 changes for new students accelerated this earlier trend. The shift in costs in the final year before grants were reintroduced was around £1.5 billion (public to private)

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<sup>26</sup> HC Deb 19 October 2006 c1369w

<sup>27</sup> DfES annual report 2007; DfES Statistical Bulletin 07/01 *Education and Training Expenditure since 1995-96; Student support for higher education in England, academic year 2006/07 (provisional)*, SLC/DfES, and earlier editions

<sup>28</sup> *Student support for higher education in England, academic year 2009/10 (provisional)*, SLC

<sup>29</sup> DIUS Departmental report 2009; HM Treasury GDP deflators; Student support for higher education in England, academic year 2009/010 (provisional), and earlier editions SLC; Education and training expenditure since 1995-96, and earlier, DfES Annual grant letters from the Secretary of State to HEFCE, various years

compared to a system broadly comparable to the pre-loans system or around £2.2 billion if all support was provided by grants. The impact by different household incomes followed the same pattern, but was magnified in a 100% loans system. If this system were still in place today, with current student numbers and maintenance levels the overall annual shift from public to private would be around £2.5 billion per year compared to the pre-loans system. The big increase compared to the earlier is largely the result of the increase in the real value of support available per student.

The reintroduction of maintenance grants has shifted costs back to the public sector. The value of this for the current year is just under £1 billion compared to a 100% loan system. This benefit is concentrated on the less well off students.

Making a precise comparison across all the changes outlined above is extremely difficult as student numbers and the maximum value of support have changed so much over the past two decades. If the current system switched loans to grants overnight then public sector costs would rise by £2.2-2.3 billion per year. This is clearly an over estimate of the net shift from public to private costs as many more students from better off backgrounds are eligible for loans now than were eligible for grants before loans were introduced. A very approximate attempt at a like-for-like comparison gives a figure in the region of £1.5 billion. But different assumptions about the value of support, grant eligibility and student numbers would give very different estimates. More importantly, highly focussed estimates of this kind can detract from broader questions about how many graduates the country needs and how the share the costs of supporting them.