HOUSE OF COMMONS LIBRARY

BRIEFING PAPER

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Higher education tuition fees in England

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Summary

Higher education funding and student support has been through decades of change and reform. Most of the changes in the student finance system have been made in response to various funding pressures.

Higher education tuition fees of £1,000 per year were first introduced by the Labour Government in 1998. These fees were paid upfront by students at the start of the academic year. In 2006 fees were raised to £3,000 and a new system of variable deferred fees and tuition fees loans was introduced.

From 2006 fees rose gradually by inflation until 2012 when, under the Coalition Government, tuition fees were raised to £9,000 per year following an independent review of the student finance system by Lord Browne. The student finance reforms at this time also included raising the repayment threshold to £21,000 and introducing a variable tiered rate of interest on student loans.

A report by the Institute for Fiscal Studies (IFS) in July 2017 *Higher Education funding in England: past, present and options for the future* summarised the trends in fee rises and university income:

> Each of these increases resulted in a sudden boost to university income, followed by subsequent flatlining or declines in funding. This has resulted in extremely high variation in funding per student over the past 30 years, which is unlikely to be optimal. However, it should be noted that the general trend is upwards, and that university funding per student is currently at the highest level it has ever been in the last 30 years.

OECD figures have shown that average fee levels for new students in England from 2012 were likely to be the highest for public or state-dependent private institutions in the developed world.

Since 2012 there have been further changes to student finance such as the abolition of maintenance grants and NHS bursaries which have moved student support increasingly away from non-repayable grants and towards loans.

The combined effect of these changes has been to increase student debt – the Institute for Fiscal Studies has calculated that students from the poorest backgrounds will accrue debts of £57,000 from a three-year degree.

In the 2017 General Election the Labour Party manifesto included a commitment to abolish tuition fees and to restore maintenance grants. This proposal proved popular among young voters.

There are currently three parliamentary inquiries scrutinising higher education funding and tuition fees and in October 2017 the Prime Minister announced that there would be a review of the student finance system. On 27 November 2017 there will be a debate on an E petition calling for tuition fees to be lowered to £3,000 per year.

This briefing looks at the history of tuition fee rises, discusses the rationale for the rises and their impact, gives statistics on: fee levels, fee income and funding of higher education and outlines current parliamentary debate.

1. Background: history of tuition fee rises

Higher education tuition fees have undergone decades of change and reform since fees were first introduced in the *Teaching and Higher Education Act 1998* following recommendations in the Dearing Review of higher education.

Below is an overview of the significant reforms of university tuition fees.

In 1998 annual tuition fees of £1000 were introduced by the *Teaching and Higher Education Act 1998*. These fees were paid upfront by students and fee waivers were available for low income students.

In 2006 fees rose to £3,000 per year when the *Higher Education Act 2004* abolished upfront tuition fee payments and introduced a new system of deferred variable fees and tuition fee loans. Higher education institutions (HEIs) were able to choose their level of tuition fees up to the maximum of £3,000 per year. In the first year of higher fees nearly all HEIs in England chose to charge the maximum in fees. The 2004 Act established the Office for Fair Access (OFFA) to maintain equal access to higher education for disadvantaged students. Only HEIs with an access agreement in place which had been agreed by OFFA were allowed to charge the highest level of tuition fees.

Tuition fee loans were repaid on a deferred basis by graduates when they earned over a set income threshold.

During the parliamentary stages of the *Higher Education Act 2004* the Government committed to hold a review of the operation of the new tuition fee system three years after it came into operation. This commitment was met by the **2010 Browne Review** – the Review report, *Securing a sustainable future for higher education*, recommended removing the cap on fees and introducing a more progressive interest rate on loans

Following the Browne review, on 3 November 2010[1], the Government announced a **reformed system of student funding from 2012** - these changes were broadly based on the recommendations of the Browne Review with certain changes:

- tuition fee cap remained in place but upper limit **raised to £9,000**,
- repayment threshold raised to £21,000
- variable rate of interest on loans introduced (RPI +3% while studying, RPI after graduation and under the repayment threshold, RPI when over the threshold rising to RPI +3% for incomes over £41,000)
- outstanding repayments written off after 30 years

[1] HC Deb 3 November 2010 c924

- commitment given to increase repayment threshold periodically in line with earnings

In the Ministerial Statement announcing the 2012 reforms, David Willetts the Minister for Universities and Science said that only in '**exceptional circumstances**' would HEIs charge fees at the upper limit. In the event however nearly all HEIs chose to set fees at, or near the maximum level (as they had done previously in 2006 when the fee cap was raised).

As part of the funding reforms, in the [Sending Review 2010][2], the Government announced that the **block grant payable to HEIs for tuition would be cut by 40%** to offset the changes – since then tuition for most low cost subjects at HEIs has been funded by students' fee loans.

Other changes to higher education finance since 2012:

- **2015** cap on student numbers removed
- **2016 Teaching and Excellence Framework** (TEF) introduced which would allow HEIs with high quality teaching to raise their fees
- **2016/17 abolition of maintenance grants** and increased maintenance loans
- **Higher Education and Research Act 2017** create a single register for HE providers to open up the system. Alternative providers allowed to charge £9,000 fees
- **2017/18 abolition of NHS healthcare bursaries** – healthcare students to be funding by standard student finance system of loans for fees and maintenance
- **2017/18 fees rise to £9,250** as a result of TEF

All of these reforms have aimed to make higher education funding more sustainable in an era of mass higher education and public deficit reduction. The general trend of reforms has been to shift funding away from Government grants and towards increased student loan finance.

TUITION FEE TIMELINE

1997	'Dearing Report' published
1998	£1,000 fees introduced Means tested grant for fees
2006	Variable' fees of up to £3,000 Fee grants ended for new students Fee loans introduced
2010	Browne Review reports Government responds
2012	Fee cap increased to £9,000 Various changes made to loan repayments
2016	TEF introduced
2017	Fee cap increased to £9,250 PM announces freeze to cap

2 HM Treasury, [Spending Review 2010], p 53 Box 2.3

2. Current tuition fee levels

In 2012 new entrants to HEIs in England were charged tuition fees of £9,000 per year at institutions with access agreements in place which had been approved by OFFA, or a basic level of fees of £6,000 per year at other institutions without access agreements.

Fees for part-time students at publicly funded institution were raised to an upper limit of £6,750, and £4,500 at private HEIs.

These fee limits stayed in place until 2017/18.

2.1 Fee levels post 2012

The Government's planning assumption for 2012/13 was that average fees for new students would be around £7,500 per year after fee waivers.[3] The first analysis of university plans by OFFA found that the majority of universities would have a maximum fee of £9,000 and more than one third would have an average of £9,000. They estimated that the average headline fee for new students in 2012/13 would be £8,385 or £8,123 after the fee waivers.[4] Analysis of fee levels, use of additional fee income and fee levels by institutions produced by OFFA can be viewed here.

The maximum fee cap was kept at £9,000 up to 2016/17, and average fees have increased each year. OFFA analysis of subsequent plans show the average headline fee increased to £8,499 in 2013/14 (£8,246 after waivers), £8,647 in 2014/15 (£8,425 after waivers)[5] and £8,844 in 2015/16 (£8,774 after waivers) and £8,905 in 2016/17 (£8,871 after waivers).[6] [7] The increase is due to a combination of increases in headline fee levels (for those charging below £9,000) and a reduction in fee waivers.

All but one university in England will charge £9,000 for one or more course in 2016. Just over one in three will charge £9,000 for all their courses.

139 of the 183 institutions (76%) with 2016-17 access agreements had a maximum headline (pre-waiver) fee of £9,000. The large majority of institutions with lower maximum fees were further education colleges and **only one university had maximum fees below £9,000**. 47 institutions had an average headline fee of £9,000 and hence planned to charge the maximum for all their courses. All of these were universities, therefore **36% of universities planned to charge £9,000 for all their courses**.[8]

The average fee loan awarded to post 2012/13 students (to mid-November) was £8,050 in 2012/13 and increased to £8,440 in 2016/17; somewhat below the OFFA post-waiver fee average for the same year. The total value of fee loans increased to £4.4 billion in 2013/14 and has continued to increase as more students come under the new regime.

3 *Higher education funding for 2011-12 and beyond*, BIS (December 2010)
4 *Access agreements 2012-13: Final data including initial teacher training*, OFFA
5 OFFA press release 26 July 2012, *OFFA announces decisions on 2013-14 access agreements*
6 *Access agreements for 2016-17: key statistics and analysis*, OFFA
7 *2017-18 access agreements: institutional expenditure and fee levels*, OFFA
8 ibid.

Provisional data for 2016/17 puts the amount awarded at £8.7 billion, virtually all of which was to students who started in 2012/13 or later.

2.2 Tuition fees in 2017/18

On 21 July 2016 Jo Johnson the Minister for Universities and Science announced fees to rise to **£9,250** for the academic year 2017/18 at HEIs awarded a rating under Year One of the Teaching and Excellence Framework (TEF):

> For publicly funded providers that have achieved a TEF rating of Meets Expectations and have an access agreement with the Office for Fair Access (OFFA), the maximum tuition fee cap for full-time courses will be £9,250 in 2017-18. For publicly funded providers that have achieved a TEF rating of Meets Expectations but do not have an access agreement with OFFA, the maximum tuition fee cap for full-time courses will be £6,165 in 2017-18. For publicly funded providers that have not achieved a TEF rating of Meets Expectations, maximum tuition fee caps for full-time courses in 2017-18 will be £9,000 and £6,000, the same as in 2016-17.[9]

The fee rises were brought in under the *Higher Education (Basic Amount) (England) Regulations 2016* SI No 1205 and the *Higher Education (Higher Amount) (England) Regulations 2016.* SI No 1206 [10]

In 2017/18 121 of the 123 higher education institutions with access agreements charged the maximum headline fee of £9,250, 36 will charge this new higher cap for all courses. The average fee is expected to exceed £9,000 for the first time at £9,110 for higher education institutions or £9,090 after waivers.[11]

The Government expects that the total annual face value of tuition fee loans will increase from £2.6 billion in financial year 2011-12 to £9.0 billion in 2017-18.[12] This total has continued to increase as more institutions have charged the maximum fee, student numbers have increased (linked in part to the 2013 Autumn Statement announcement to remove the cap on student numbers) and the new higher cap in 2017/18 was introduced.[13]

Alternative providers

All the figures above include loans made to alternative[14] as well as public providers.[15] From 2012 new students at alternative providers could apply for a fee loan of up to £6,000. Alternative providers are not covered in the earlier OFFA figures which may in part explain why the average loan figures are lower. In 2012/13 the average fee loan paid to students at these providers was around £4,900. This increased to £5,350 in 2014/15. There is some lag in final (payment) data from these

9 HC Deb 21 July 2017 c 33 WS
10 Explanatory Memoranda for the regulations have been published TNA/EM/10-2015
11 Ibid.
12 Higher education funding for 2016-17, and earlier, BIS/HEFCE
13 See *HE in England from 2012: Student numbers* for more details
14 A provider of higher education courses designated for student support which does not receive funding from the Higher Education Funding Council for England or equivalent bodies or direct public funding.
15 An institution that provides higher education courses which is in direct receipt of money from HEFCE/equivalents, in receipt of direct public funding or FE colleges.

providers, but the provisional 2015/16 average paid was £4,500, this compares to an average payment of £8,200 to post-2012 students at public providers in 2015/16.[16]

EU students

Students from the rest of the EU are eligible for fee loans on the same basis as home students. In 2011/12 £104 million was paid in fee loans to EU students on full-time courses in England, 3.7% of the total. This increased to £347 million in 2015/16. The amount awarded in 2015/16 (up to mid-November) was £393 million. The proportion of the total value awarded has increased to 4.5%.[17]

2.3 Tuition fees 2018/19 onwards

The TEF was designed to allow annual inflationary fee rises for HEIs assessed as having high quality teaching. As a result of the second year of TEF awards it was expected that fees at some HEIs would rise to £9,500 in 2018/19.

Tuition fee freeze

The Prime Minister announced at the Conservative Party Conference in October 2017 that tuition fees would be frozen at £9,250. This announcement was discussed in library briefing paper, *Prime Minister's announcement on changes to student funding*, 2 October 2017.[18]

It is unclear how this freeze will impact on the TEF.

[16] SLC statistical first release 5/2016 *Student support for higher education in England 2016*

[17] SLC statistical first release 5/2016 *Student support for higher education in England 2016*

[18] CBP 8097, *Prime Minister's announcement on changes to student funding*, 2 October 2017

3. Reason behind current tuition fee levels

Tuition fee levels are loosely based on the cost of providing higher education courses. Over time fees have risen and these rises have tended to occur as a result of a combination of factors such as: economic pressures, calls by HEIs for increased funding, or Government attempts to rebalance the model of higher education funding.

3.1 Cost of provision

Higher education funding in England is allocated by the Higher Education Funding Council for England (HEFCE). To calculate each HEI's teaching allocation HEFCE uses a formula which bands subjects into four price groups: A - clinical stages of medicine, dentistry and veterinary science, B - laboratory-based subjects, C - subjects with a studio, laboratory or fieldwork element and D - all other subjects.

In 2010-11 HEFCE allocated the following teaching funding per student in each group: A £15,804, B £6,717, C £5,136, and D £3,951.[19] In 2011-12, the last year before the 2012 reforms, tuition fees were £3,375 per year. In 2011-12 HEIs would therefore have been receiving funding of around £19,100 for an A group student, £9,000 for a B group student, £8,500 for a group C student and £7,300 for a group C student.

Since 2012-13 HEFCE has stopped funding subjects in groups C[20] and D and reduced funding for subjects in groups A and B.[21] In 2012 HEFCE provided HEIs with £10,000 for group A students, £1,500 for group B, £250 for a few group C students and nothing for other students. HEIs charging the maximum fee of £9,000 in 2012 could therefore have received an increase in funding for group B, C and D students and may have received reduced funding for group A students.

3.2 Market in fees

When the fee cap was raised to £9,000 it was anticipated that this would create a market in fees. In the event this did not happen. Dr Gavan Conlon from London Economics in his evidence to the inquiry by the House of Lords Select Committee on Economic Affairs suggested that because the £9,000 fees were backed by Government loans there was 'no incentive for universities to charge anything other than £9,000'. He further said that institutions charging less could be considered to be offering 'lower quality qualifications'.[22]

19 HEFCE September 2010/24, *Guide to funding How HEFCE allocates its funds*, September 2010 para 76

20 Some subjects in group C may be funded if the sector average costs are more than £7,500 per year

21 HEFCE June 2011/20, *Teaching funding and student number controls Consultation on changes to be implemented in 2012-13*, June 2011 p4 para5

22 House of Lords Select Committee on Economic Affairs. Corrected oral evidence: The Economics of Higher, Further and Technical Education, 24 October 2017 Q 22

3.3 Funding principles and pressures

Tuition fee levels have risen in stages since they were first introduced in 1998.

The major inquiry into higher education in 1997 (the Dearing Review) looked into ways to fund a mass higher education system. The Dearing Review report[23] proposed that students as the main beneficiaries of higher education should contribute towards the cost of their education. This principle has been accepted by successive Governments as they have tried to find ways to fund a sustainable and expanding higher education system.

> "There is a strong basis for seeking an increased contribution from graduates in work towards the cost of their higher education"
>
> The Dearing Review: *The Learning Society*, 1997 p290

In the twenty years since the Dearing review fee levels have risen significantly.

In 2003 the white paper *The Future of Higher Education* outlined the challenges facing higher education funding due to a sustained period of low investment and increased participation. The paper stated that graduates 'only contributed about a quarter of the cost of their university teaching and education' and that the taxpayer paid the rest. The paper proposed that graduates should make an increased contribution.[24] The papers proposals were enacted in the *Higher Education Act 2004* which controversially raised tuition fees to £3,000 per year rising annually in line with inflation.

In 2010, the fees system was revisited by the Browne Review. This review was conducted during the period of economic austerity under the shadow of budget cuts and deficit reduction:

> Public spending constraints in the wake of the economic crisis have also sparked public debate about private contributions to higher education.
>
> […]
>
> Our system needs a sustainable funding solution for the future, even as it faces significant reductions in public investment over the next few years.[25]

Lord Browne proposed removing the cap on tuition fees and allowing HEIs discretion over fees. Prices would be regulated by charging HEIs a levy on fees that they charged over £6,000 per year- at £9,000 there would be a 50% levy on fees.

The Browne review was broadly welcomed by the Government which set out its own fee system based on the proposals. Under the government's scheme the basic fee was set at £6,000 per year, in line with Browne's recommendations, and an upper fee cap of £9,000 was introduced.

[23] Report of *The National Committee of Inquiry into Higher Education: The Learning Society*, 1997 p290

[24] P83

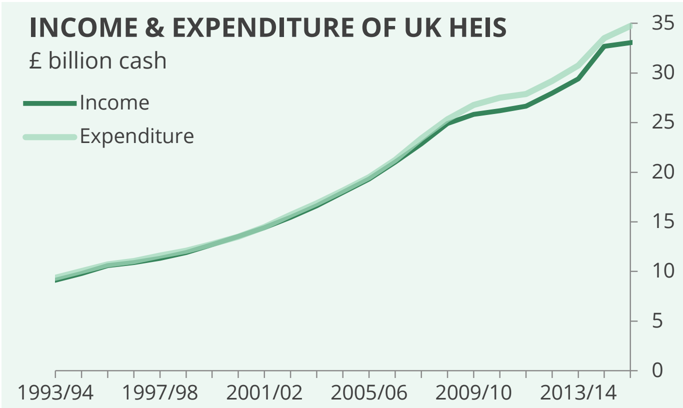
[25] P17

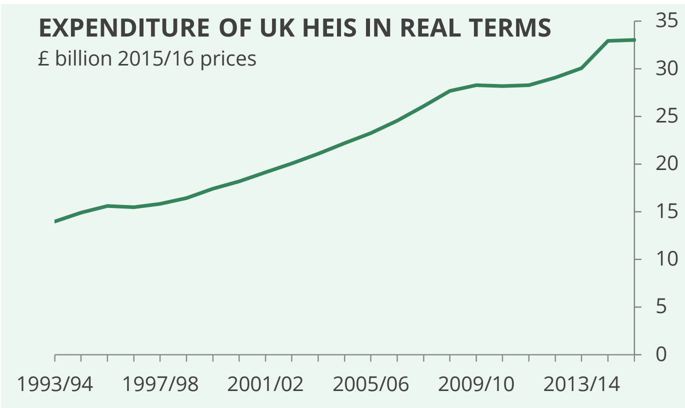
4. Fee income of higher education institutions

The shift from direct public funding to tuition fees, particularly from 2012, has led to concerns about the financial stability and viability of the sector in general. This section looks in brief at the financial health of the sector and illustrates the scale of the shift in funding. More detail is given in the briefing paper *HE Finance Statistics*.

4.1 Trends in total income and expenditure

In 2015/16 HEIs across the UK had a total income of £34.7 billion and a total expenditure of £33.0 billion. The chart opposite shows that income and expenditure have generally been very close, but income has increased at a faster rate in most recent years.





The second chart opposite is adjusted for the level of inflation across the economy as a whole. It shows that spending by HEIs in 2015/16 was double the 1993/94 level in real terms.[26] Expenditure fell in real terms in 1996/97, 2010/11 and 2011/12. The recent slowdown in expenditure growth was of a similar scale to that seen in the mid-1990s.

The increase in total expenditure for the whole period was greater than the increase in full-time equivalent student numbers. In the mid- to late-1990s real spending increased at a slower rate, but this pattern was reversed over the following decade. The gap closed somewhat over the three years to 2011/12 as student numbers continued to grow, while spending was broadly flat. Since then expenditure has increased in real terms, but student numbers have fallen slightly.[27]

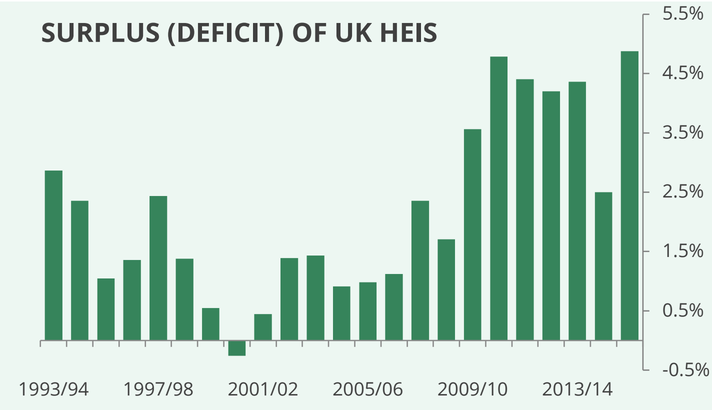
[26] Growth up to 2009/10 adjusted using the HEPPI was slower at 67%, compared to 98% when adjusted using the GDP deflator.

[27] *Students in higher education institutions*, various years, HESA

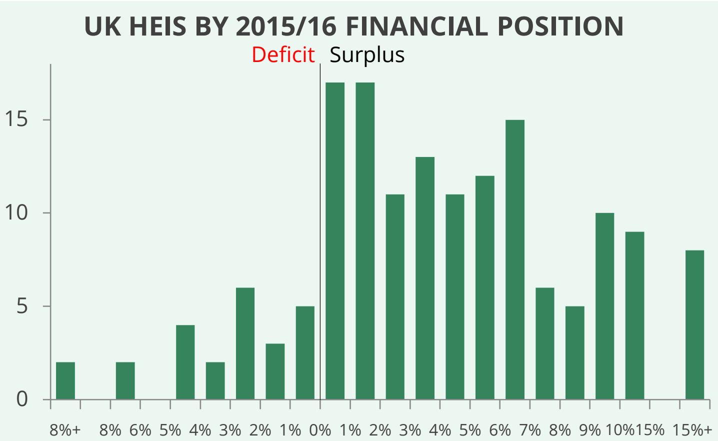
Financial 'health' of the sector

Overall the sector has been in deficit in only one year since the mid-1990s and in the majority of years income has been 1% or more above expenditure.

The 4.9% surplus in 2015/16 was the largest in the period covered here. The six largest surpluses have been in the last seven years. There is no evidence that higher fees/lower direct funding from 2012 has led to a deterioration in the financial health of the sector overall.



There was much variation across individual institutions however and even with an aggregate surplus of 4.9% there were still 24 of 163 institutions in deficit in 2015/16. The distribution is illustrated opposite. While most institutions were in the 0% to +7% range a small number had much larger surpluses/deficits.

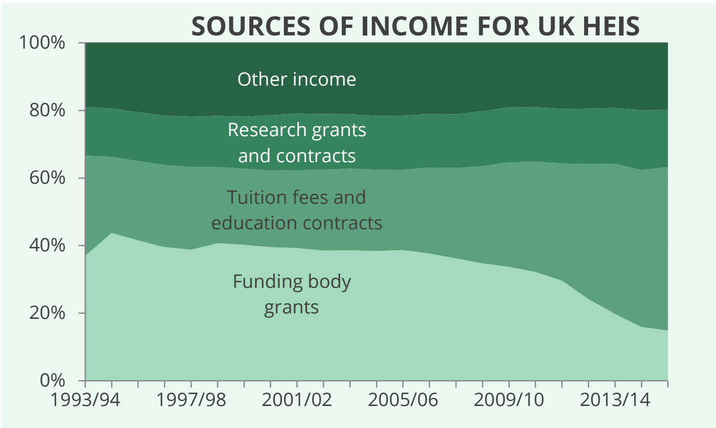


Source: *HE finance plus 2015/16*, HESA

38 institutions (24%) had a deficit[28] in one or more of the previous five years. Within this group nine had a deficit in two of the five years and six in three of the previous five years.[29]

4.2 Income breakdown

A breakdown of income by broad category is illustrated opposite. There were only very gradual changes in the make-up of the sector's income in the decade from the mid-1990s. Since then there has been a clear shift in funding from funding body grants to fees. Funding body grants[30] have gradually made up a smaller share of income over time; down from over 40% in the mid-1990s to 15% in 2015/16.[31] The share of income from tuition fees and education contracts was in the 23-24% range up to 2005/06.



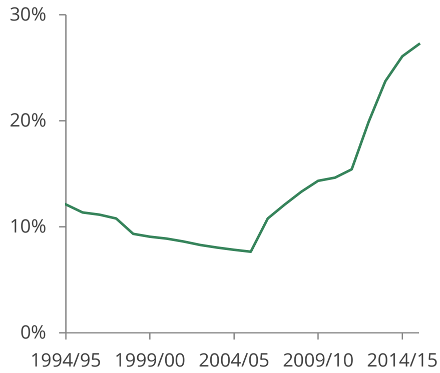
The introduction of variable fees in England and Northern Ireland in 2006/07 and Wales in 2007/08 was largely responsible for the increase

28 This indicator uses a slightly different definition of deficit based on historic cost depreciation and after taxation
29 *HE finance plus 2015/16*, and earlier HESA.
30 Funding councils or Government departments across the UK
31 The rate for English institutions was 13% compared with 12% in Wales, 34% in Northern Ireland and 32% in Scotland.

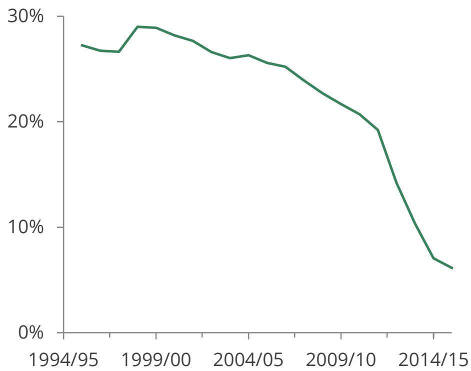
to almost 33% in 2010/11; the largest single source of income for the first time. Higher fees for new entrants in England helped push this to 48% in 2015/16.[32] Income from research grants and contracts has remained around 16-18% for the last five years.[33]

4.3 Specific income streams

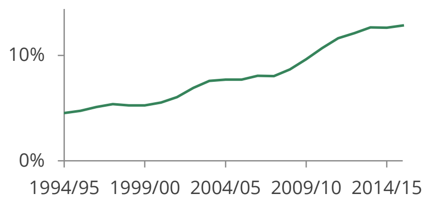
Tuition fees for home and EU full-time undergraduates – income from these regulated fees gradually fell in importance to below 8% in 2005/06 before increasing dramatically (with higher tuition fees) over the next decade. It reached 27% in 2014/15. There was no clear impact on this series of the introduction of regulated fees in 1998/99.



Funding body recurrent grants for teaching –this fell in importance from 29% of total income in the late 1990s to below 20% in 2011/12 and to 6% in 2015/16.



Tuition fees from non-EU students –income from these students has received much attention in recent years as a potential way for HEIs to make up for public sector funding cuts. It increased in importance consistently over this period and reached almost 13% in 2015/16.



32 The figure for English institutions was 52% compared to 53% in Wales, 33% in Northern Ireland and 28% in Scotland

33 'Other income' includes residences and catering, non research/teaching grants and income from public sector bodies, endowment income and interest and payment for 'other services rendered'.

5. Use of higher fee income

In 2013 Universities UK published a report, *Where student fees go*. The report stated that higher fee income was being used by HEIs to improve facilities, teaching, advice, student support, learning and social spaces. It also stated that HEIs had increased the amount that they spent on widening participation in the form of outreach activity and student support.

A Universities UK, webpage What do universities spend their money on? 16 November 2016 gives further detail on how HEIs spend their income.

5.1 Use of additional variable fee income

OFFA has published annual analysis of the use of additional fee income since 'variable' fees came in in 2006. This section summarises their analysis. More detail is given in the briefing paper *Tuition Fee Statistics*.

Pre-2012

Total additional variable fee income to English institutions was £1.9 billion in 2011/12. £387 million (20%) of this was spent on financial support for lower income students (mainly bursaries) and under-represented groups and £57 million (3%) on additional outreach. In that year 442,000 students received a bursary; this was 45% of students who were liable for higher fees. Three-quarters of bursary holders received one because they were in receipt of full state maintenance support.[34] The average bursary for new students within this group was £915 in 2011/12. The average bursary for these students fell slightly in 2011/12 as did the percentage of higher fee income spent on access measures. Spending on outreach increased by around a quarter.[35]

2012 onwards

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 new students from 2012/13 projected that access spending by higher education institutions would increase from an estimated £400 million in 2011/12 to around £630 million in 2015/16. This would be an increase of around 40% in real terms. Much of the increase in spending was expected to be in fee waivers, outreach programmes and measures to increase retention.

Institutions have shifted their Access Agreement spending away from fee waivers and other types of financial support and towards schemes to improve access, retention and outcomes

The requirement for a minimum bursary for students on a full grant was removed for new students from 2012. Expenditure on bursaries, scholarships and other cash and in-kind measures that directly benefit students was expected to fall by £52 million between 2011/12 and 2015/16, even after funding from the Government's National

34 Household income of less than £25,000 for continuing students.

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

Scholarship Programme was included.[36] This would be a fall of 23% in real terms.[37]

Analysis of later access agreements gave higher actual spending levels in the first few years of the new regime and continued planned increases in spending to the end of the latest agreements. Spending totalled £725 million in 2014-15 and is planned to be just over £780 million in 2017/18. The balance of expenditure has also shifted from that in 2012/13 and plans made at the time. There was criticism that too much access agreement expenditure was on fee waivers (which can eventually benefit the public sector as much as, or more than, the individual graduate).

The 2017/18 spending on waivers is planned to be £20 million and is expected to fall to further in the medium term. The number of institutions offering waivers fell from 131 in the 2014/15 access agreements to around 50 in the 2017/18 ones.

Overall spending on financial support of all types (including bursaries/scholarships, accommodation discounts and hardship funds) is planned to be £412 million in 2017/18 (53% of total access agreement spending). The remainder is to be spent on initiatives to improve access to higher education, retention and outcomes after undergraduate study among disadvantaged groups. It is these latter areas where spending has increased, or is planned to increase. They made up 26% of Access Agreement spending in 2012/13 and are planned to be 51% in 2017/18 and 47% in the longer term.[38]

5.2 Value for money of higher education

The results of the annual *Higher Education Policy Unit and the Higher Education Academy student experience study in 2017* showed that just 35% of respondents believed their higher education experience represented 'good' or 'very good' value for money. The number of students saying their university was 'poor' or 'very poor' value had almost doubled in five years.

On 15 September 2017 the House of Commons Education Committee launched an inquiry into Value for money in higher education. The inquiry will examine the use of graduate outcomes data, social justice and progression of disadvantaged students in higher education, and the quality of teaching across institutions.

The Chancellor of the Exchequer touched on fees and value for money of higher education in September 2017 when he evidence to the House of Lords Select Committee on Economic Affairs:

> As far as I am aware, there are no alarm bells at the moment telling me that we should review value for money from a policy perspective. There is clearly another aspect, which is value for

36 *Access agreements 2012-13: Final data including initial teacher training*, OFFA
37 Prices adjusted using September 2012 GDP deflators from HM Treasury and OBR projections of GDP deflators.
38 *2017-18 access agreements: institutional expenditure and fee levels*, (and earlier), OFFA

> money to the individual, and the situation the individual finds themselves in. There is a significant difference between a graduate who leaves university with a significant level of debt and a well-recognised degree in an area known to provide strong employment opportunities and, on the other hand, a graduate who has a similar level of debt but may not have a degree that will enhance his or her employment opportunities in the same way.
>
> We have a responsibility to look at the way the system is working in practice. It is probably fair to say that the original expectation was that there would be a bigger range of outcomes in relation to fees charged than has actually turned out to be the case.[39]

5.3 Cross subsidy of subjects

It has been suggested that under the new higher fees regime HEIs may be able to cross subsidise higher-cost subjects from the money they receive for lower-cost subjects. This point was made by Dr Andrew McGettigan in his evidence to the House of Lords Select Committee on Economic Affairs.[40]However Professor Madeleine Atkins Chief Executive of HEFCE in her evidence to the Lords Committee said that tuition fee funding for class-room based courses was not being used to subsidise other courses:

> The first point is that no vast profits are being made anywhere on UK and EU undergraduate fees. There is a sense sometimes in the media that classroom-based subjects are overpriced at £9,000 and that a considerable surplus must be being made there, which is then directed to higher-cost courses. Our analysis suggests that this is not the case. Indeed any surplus on class-room based courses is eroding fast, due to inflation and other things.
>
> […]
>
> On our analysis the high cost subjects at undergraduate level are all running at a deficit.[41]

39 House of Lords Select Committee on Economic Affairs [Corrected oral evidence: Chancellor of the Exchequer annual evidence session](), 12 September 2017 Q.4

40 House of Lords Select Committee on Economic Affairs. Corrected oral evidence: *The Economics of Higher, Further and Technical Education*, 24 October 2017 Q.24

41 House of Lords Select Committee on Economic Affairs. Corrected oral evidence: *The Economics of Higher, Further and Technical Educatio*n, 7 November 2017 Q.41

6. Balance of public funding for higher education

There are three main elements of public spending on higher education – direct funding through the Higher Education Funding Council for England (HEFCE) which covers both teaching and research, student maintenance grants and student loans. Higher fees from 2012 meant much less spending went on direct support and much more on publicly supported student loans. This mirrors the change in institution income shown earlier. Maintenance grants were abolished for new students from 2016 and, again, replaced with publicly supported loans.

This section looks in brief at the shifting balance of public funding in recent years. More background and earlier figures can be found in the briefing papers HE in England from 2012: Funding and finance and Higher education funding in England.

6.1 Direct funding via the funding council

The following table summarises funding to HEFCE and estimated fee loans from the latest funding allocations.

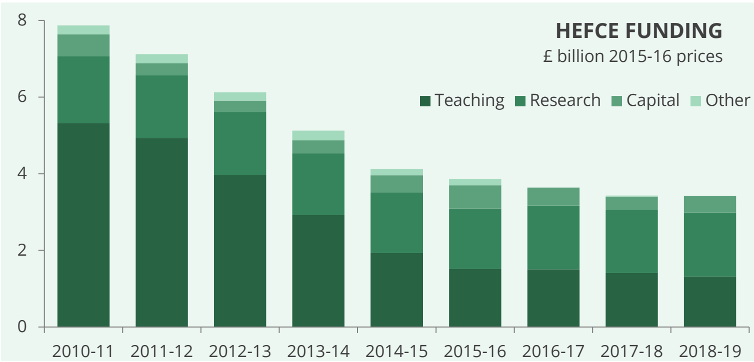
FUNDING FOR THE HE SECTOR IN ENGLAND
£ billion cash

	2011-12 Revised	2012-13 Revised	2013-14 Revised	2014-15 Revised	2015-16 Initial	2015-16 Revised	2016-17 Budget	2017-18 Budget	2018-19 Indicative
Recurrent grants									
Teaching	4.6	3.8	2.9	1.9	1.7	1.5	1.5	1.5	1.4
Research	1.5	1.6	1.6	1.6	1.6	1.6	1.7	1.7	1.8
Capital	0.3	0.3	0.3	0.4	0.6	0.6	0.5	0.4	0.5
Other	0.2	0.2	0.3	0.2	0.2	0.2	0.0	0.0	0.0
Total via HEFCE	**6.7**	**5.9**	**5.0**	**4.1**	**4.0**	**3.9**	**3.7**	**3.6**	**3.6**
Estimated regulated fee	2.6	4.2	5.6	7.0	8.1	8.0	8.6	9.0	..
HEFCE funding and fee income	**9.3**	**10.1**	**10.6**	**11.1**	**12.1**	**11.9**	**12.3**	**12.5**	**..**

Sources: Higher education funding for 2017-18, and earlier, BIS/HEFCE; Reductions to HEFCE teaching grant for 2014-15 and 2015-16 academic years, BIS

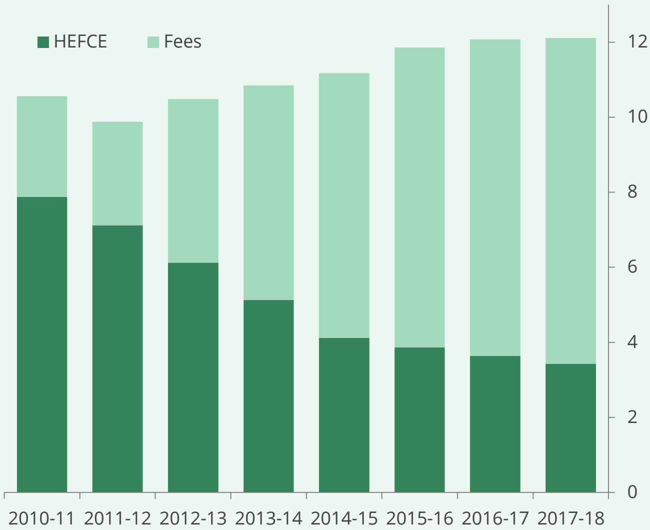
Changes to the main elements in real terms are illustrated opposite.

Total levels of funding for HEFCE fell even before the 2012 reforms came in. Cuts in funding were in the £0.8-0.9 billion range from 2011-12 to 2015-16. After this, with almost all students on the new funding regime, cuts have been much smaller.



The large increase in fee income (from home and EU students) meant that the *total* funding for institutions through both sources increased in real terms in each year to 2017-18. This, and the balance between the two sources, is shown opposite.

FUNDING FOR HIGHER EDUCATION INSTITUTIONS
£ billion 2015-16 prices



Teaching grant

The table above shows that direct recurrent funding for teaching fell by £830 million or 20% in real terms in 2012-13. This was the first year that included some students under the 2012 funding arrangements. Further cuts of around £950 million were made in 2013-14 and 2014-15 and £250 million in 2015-16.

The initial 2015-16 total was 66% below the below the 2011-12 level in real terms. The subsequent cuts (revised figures) meant it was around 69% below the 2011-12 total. In 2015-16 almost all full-time undergraduates came under the post-2012 funding arrangements. This means that later cuts in funding for teaching have been more modest. The 2018-19 indicative total was 73% below the 2011-12 figure in real terms.

Spending Review 2015 announced that the teaching grant would be cut by £120 million in cash terms by 2019-20, but within this reduced total funding for high cost subjects will be protected in real terms. The student opportunity fund, which supports institutions in their efforts to widen access, will be cut by "…up to half."[42]

6.2 Student loans

There are two types of student loans –fees and maintenance. Full-time home and EU students on qualifying courses can take out a loan to cover the tuition fees for their course. From 2012 loans were extended to new part-time students. From 2016-17 postgraduates could apply for fee loans of up to £10,000.

Maintenance loans are available to home students only. The amount someone can take out as a maintenance loan depends on their household income, where they live and where they study. From 2016/17 maintenance loans replace grants for new students. The value of student maintenance support gives more details and Student loan statistics gives more background about the system.

The Office for Budget Responsibility has forecast that the total value of new loans in England will increase from £12.0 billion in 2015-16 to £20.4 billion in 2021-22.[43] This is driven by replacing grants with loans,

42 *Department for Business, Innovation and Skills' settlement at the Spending Review 2015*, 25 November 2015
43 *Economic and fiscal outlook – November 2015*, OBR (Supplementary table 2.47)
44 Economic and fiscal outlook – March 2017, OBR (table 2.49)

but also by maintenance loans for part-time students, fee loans for Master's degrees and replacing nursing bursaries with loans.[45]

The accounting treatment of student loans means they are not included in the *deficit*, but do count in full towards the *national debt*.

Subsidy elements of loans

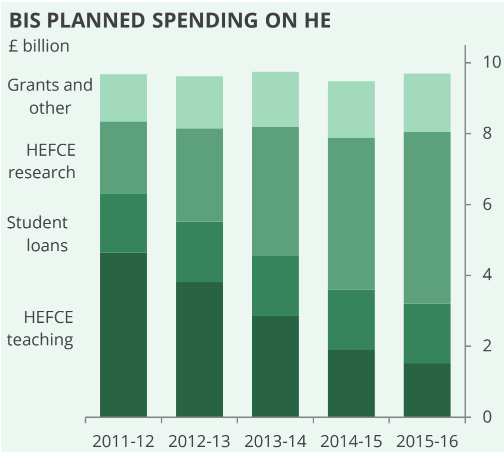
The earlier table gave estimates of the face value of fee loans to English students and EU students studying at English institutions. Only part of the face value of fee and maintenance loans paid out in any one year counts as public expenditure. This system is known as resource accounting and budgeting (RAB). The subsidy element is calculated as the face value of loans made in any one year less the discounted or present value of future repayments. This can be thought of as the amount of money lent to students that the Government does not expect to get back. It is frequently expressed as a proportion of the value of loans, the so-called RAB charge.

The Government's latest public estimate of the RAB charge is 20-25%.[46] This is substantially lower than the 'around 45%' rate quoted before the reforms to loans and loan accounting announced in Summer Budget 2015.[47]

Further details of these estimates and the reasons for the lower RAB rate estimate are given in the briefing paper Higher education funding in England.

6.3 Overall spending

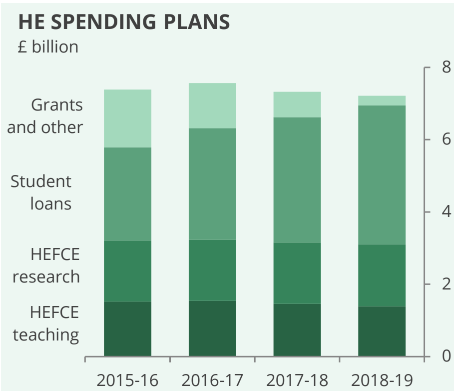
Overall spending levels (including the subsidy element of loans) up to 2015-16 are illustrated opposite and looked at in more detail in HE in England from 2012: Funding and finance.



The shift in expenditure away from direct funding in the period from 2010 to 2016 was marked. Overall spending changed little in cash terms as higher loan subsidy amounts outweighed cuts in funding for teaching.

Up to 2018-19

Estimated overall spending levels up to 2018-19 are given opposite. Again they include the subsidy element or economic cost of loans, but here they use the current RAB rate estimate of 20-25% of their face value. Cuts in maintenance grants have been projected forward and converted to financial year figures. The HEFCE funding data is that shown in the earlier table.



The main pattern over these years is the shift from (maintenance) grants to loans. The real value of total public spending falls slightly in real terms (on this basis) in 2017-18 and 2018-19. After 2018-19 we would expect no major change in the real value of these

45 ibid and *Spending Review and Autumn Statement 2015*, HM Treasury (Table 3.2)
46 PQ HL 5098 [on Mature students: Loans] 18 January 2016
47 HC Deb 20 March 2014 c706W

figures without any further policy changes, RAB charge revisions or unexpected patterns in student numbers

Note that these figures were calculated before the Prime Minister's announcements on changes to HE funding. They cannot be updated without further policy details/costings following that announcement.

7. Impact of increased fees on student debt

In July 2107 the Institute for Fiscal Studies (IFS) published a report on the impact of changes to the student support system since 2011, *Higher Education funding in England: past, present and options for the future*. The report said that the higher fees in 2012 had contributed to students now graduating with **average debts of £50,000**:

> Under the 2017 system, average debt on graduation is just over £50,000. This is more than double the average debt students would have been set to face had the system remained unchanged from 2011. The vast majority of this difference is explained by the large increase in tuition fees in 2012, which increased average debt to more than £47,000.[48]

The IFS report also states that the abolition of grants has added to the levels of student debt:

> The combination of high fees and large maintenance loans contributes to English graduates having the highest student debts in the developed world. The 2015 policy that replaced maintenance grants with loans means students from the poorest backgrounds will accrue debts of £57,000 (including interest) from a three-year degree. Their 'cash in pockets' has been protected, but now it is almost entirely in loans rather than free cash.[49]

The increased debt will lead to higher numbers of graduates having some debt written off at the end of the repayment period (30 years for 2012 graduates):

> under the current system, more than three-quarters of students can expect to have some debt written off, up from around 40% under the 2011 system.[50]

The IFS report suggests that 'increased levels of debt may have adverse consequences for future participation if lower-earning graduates are debt averse and are deterred by the high headline debt levels on graduation.'[51]

7.1 Maximum loan amounts

A student starting a three year course in England in 2017/18 could take out a maximum fee loan of £9,250 and a maintenance loan of between £3,900 and £8,400 depending on their household income. Maintenance loan levels are higher in London, up to £11,000 for those with a household income of below £25,000. Assuming a student took out the maximum loan then the combined value of fee and maintenance loan debt could be between £44,000 and £59,000 when

48 IFS Briefing Note BN211, *Higher Education funding in England: past, present and options for the future*, July 2017 p17
49 *Ibid* p2
50 *Ibid* p19
51 Ibid p33

the borrower first becomes liable for repayments[52] or as much as £68,000 in London.[53] [54]

The briefing paper The value of student maintenance support gives more details on how loan amounts vary with income and changes to maintenance loans and grants over time

Debt on graduation

There was a large jump in the average amount owed by those who first became liable to repay from 2010 onwards. These cohorts were the first to mainly consist of students who had taken out fee loans for variable fees. The average amount owed by the 2009 cohort (when first liable to repay) was £11,800, £14,700 for the 2010 cohort, £16,200 for the 2011 cohort, rising to a provisional figure of £24,500 for the 2016 cohort.

The first large cohort of borrowers who took out loans under the post-2012 system was the 2016 cohort, but the average is lower than might be expected as it includes borrowers under the pre-2012 arrangements and part-time students. The provisional figure for the 2017 cohort was £32,200.[55]

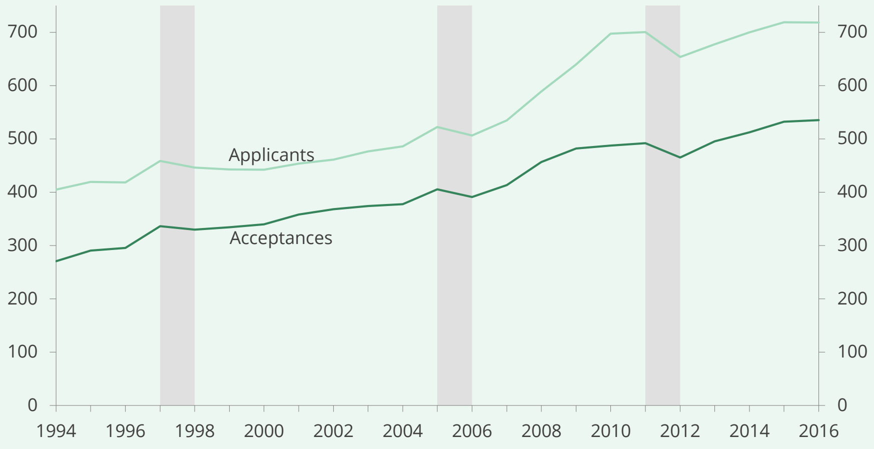
52 The April after completing their course
53 Includes RPI-linked increases in loan maxima.
54 Financial Memorandum - Loan, Grant and Tuition Fee Rates for Academic Year 2017/18, SLC
55 SLC statistical first release *1/2017 Student loans for higher education in England - financial year 2016-17*

8. Impact of fee rises on student applications

The note Entrants to higher education looks at this subject in more detail, a brief summary only is included here. The chart below shows applicants from home students to full-time courses across the UK. The three major falls in this period were in 1998 when tuition fees were introduced, 2006 when variable fees were introduced and 2012 when the cap was lifted to £9,000.

CLEAR DROP IN STUDENTS WHEN FEES INTRODUCED & INCREASED

Home applicants and acceptances via UCAS, thousands



8.1 1998 and 2006

Before the first two falls highlighted here there was a clear increase in applicants and acceptances in the year prior to fees being introduced or increased. This was largely due to increases in the number of mature students who were able to bring forward the start of higher education and hence avoid fees. There was no evidence of this before the 2012 drop.

Neither of the first two falls changed the overall upward trends, they were dips linked to changes in fees. Applicant numbers recovered more quickly after the introduction of variable fees in 2006.

These figures provide no evidence that variable fees caused a major ongoing decline or downward shift in overall numbers of applicants or entrants to higher education in England. Similarly there is no evidence that those from 'lower' socio-economic groups or (deprived) areas with historically low levels of participation have been adversely affected by tuition fees. The proportion of students from these groups has increased over this period. A report from the funding council concluded that there have been substantial and sustained increases in participation among young people from disadvantaged[56] areas in England. More of the

[56] Whether disadvantage is defined in terms of education, occupation or income.

increase in participation since the mid-2000s has been from disadvantaged areas than from advantaged areas.[57]

8.2 2012 and later

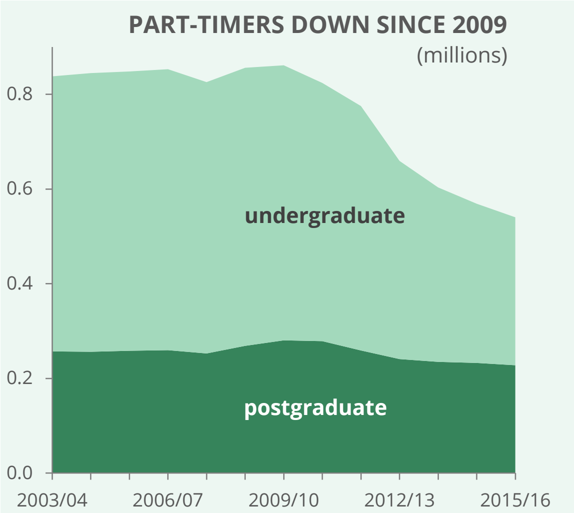
Applicant numbers fell in 2012 with larger falls among those who faced fees of up to £9,000. The total was 7.6% down; accepted applicants were down by 5.5%. Applicant numbers bounced back somewhat in 2013. A record 496,000 were *accepted* and new records were set for acceptances in each of the three following years. *Applicant* numbers rose again in 2014, but did not beat their 2011 peak until 2015.

Home/EU applicant numbers were below their 2011 peak until 2016. Acceptances have reached new records as have entry rates among 18 year olds, including those from disadvantaged backgrounds

Entry *rates* among 18 year olds from England increased from 29.2% in 2013 to 32.5% in 2016, setting new records in each yea. The increase among those from the most disadvantaged areas was even greater, up from 15.1% in 2011 and 2012 to 19.5% in 2016. There was also an increase to a new high in the entry rate for 18 year olds formerly eligible for free school meals in each year from 2011 to 2016.[58]

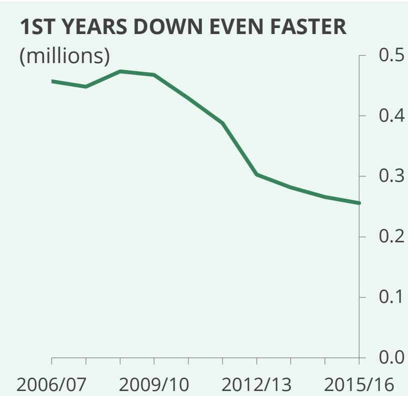
8.3 Part-time student numbers

While these 'headline' student numbers have generally increased since 2012 there are ongoing concerns about student numbers outside this group where trends have not been so positive. This includes part-time undergraduates, particularly those not studying first degrees, who also became liable to pay higher fees from 2012.



In 2003/04 there were 840,000 part-time students at universities across the UK including postgraduates and overseas students. They made up 38% of the total student population. By 2015/16 their number had fallen to 540,000 or 24% of the student population.

The chart opposite shows that the drop in part-time undergraduates was particularly large. Their numbers fell from a peak of almost 590,000 in 2008/09 to just over 310,000 in 2015/16; a fall of 47%**.** In contrast full-time undergraduate numbers increased by more than 200,000 over the same period.

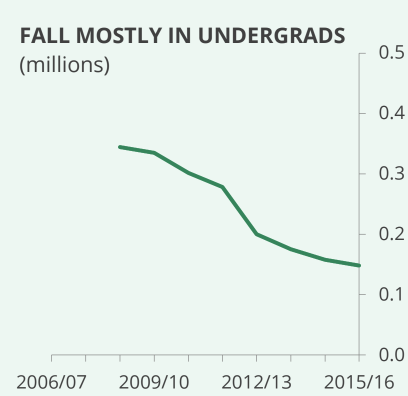


Changes in part-time undergraduate *entrants* at all levels are given opposite. The number fell from more than 470,000 in 2008/09 to just below 260,000 in 2015/16; a fall of 46%. Again this was driven by the decline in undergraduate study where the fall in entrants since 2008/09 was 57% (chart below/opposite).

As the large majority of part-time students are from the UK the decline in home part-timers has been just as large as the overall drop. There were just over 320,000 home part-time undergraduate entrants in 2008/09 and fewer than 140,000 in 2015/16; a fall of 57%.

57 *Trends in young participation in higher education: core results for England*, HEFCE issues paper 2010/03
58 2016 End of Cycle Report, UCAS

While the rate of decline in part-time study has slowed somewhat, there is no evidence from this data that it has stopped or is about to be reversed.



Causes of the drop in part-time students

This decline cannot be attributed to a single factor. A range of policy changes and social and economic factors have created a 'perfect storm'[59] which has led to the sharp downturn in student numbers.

HEFCE has suggested that the 2012 funding reforms were one of a range of causes for this decline. Not just higher fees but possible confusion around the operation of loans, reluctance among mature students to take out loans and the fact that loans are not available for courses with an intensity of less than 25%.[60]

HEFCE said in 2014 that the overall decline in part-time entrants may "…have a detrimental impact on widening access overall". This is because part-time higher education tends to have a higher share of students with characteristics linked to lower levels of participation - more mature students and those from 'non-traditional backgrounds' including disadvantaged, students with low prior qualifications or caring responsibilities.

The briefing paper Part-time undergraduate students in England gives further background and analysis of this issue.

59 "Number of part-time students plummets after 'perfect storm', *The Guardian*, 16 October 2013

60 Higher education in England: Impact of the 2012 reforms (March 2013); Higher education in England 2014 Analysis of latest shifts and trends (April 2014); Pressure from all sides: Economic and policy influences on part-time higher education (April 2014)

9. Lowering or abolishing tuition fees

Since 2012 there has been considerable debate about the level of university tuition fees and many commentators have suggest that tuition fees should be lowered or even abolished.

Tuition fees became an area of debate in the 2015 General Election when the Labour Party included in their manifesto a pledge to abolish university tuition fees:

> Labour will reintroduce maintenance grants for university students, and we will abolish university tuition fees.[61]

In July 2017 Lord Adonis who was Education Minister and head of policy in the Labour Government when tuition fees were raised in 2006 made statements in which he criticised the current level of tuition fees and suggested that fees should be abolished.[62]

In September 2017 it was suggested in various articles that the Chancellor of the Exchequer might reduce fees to £7,500 in the Budget.[63]

However it has been suggested that just abolishing fees will not solve many of the current issues with the student funding system.

The president of the NUS, Shakira Martin, said in her evidence to the House of Lords Economic Affairs Committee that simply abolishing fees would not help students:

> I want to be clear: just scrapping tuition fees will not solve the problem. It is about maintenance support. Scotland is a prime example. It has no tuition fees, and students are still struggling. It is important to reinstate maintenance grants. I believe we should have an urgent review of the funding system across the whole of tertiary education, with students at the centre, as part of the discussion, able to bounce ideas off one another.[64]

A report by a think tank UK2020, *Defusing the debt time bomb*, October 2017 also said the abolishing fees would not solve funding problems:

> Scrapping fees has an attractive simplicity, but this is superficial. The cost would go far beyond the immediate £12.7bn hit to the government's annual deficit10 from going back to using direct taxpayer spending to fund universities.
>
> The policy would throw away the advantages and potential of a properly functioning fee system and ignores why it was first introduced. Student choice would once again be curtailed and the

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61 Labour Party Manifesto 2017, For the many not the few p43
62 "I put up tuition fees. It's now clear they have to be scrapped", *The Guardian*, 7 July 2017
63 "Chancellor Philip Hammond set to slash university tuition fees by £5,000", *The Times*, 17 September 2017
64 House of Lords Select Committee on Economic Affairs, The Economics of Higher, Further and Technical Education Corrected oral evidence 17 October 2017, Q18

opportunities for those from the lowest- income families would shrink.[65]

9.1 Potential consequences of fee reductions

Reducing or abolishing fees would have consequences for student numbers and university funding.

It has been suggested that lowering fees may result in a cap being put back on student numbers. The cap on numbers of students was removed in 2015. The UK202 report stated that "reintroducing restrictions on numbers could rein in spending"[66] and this might be necessary due to the loss in university income from fees.

9.2 Cost of abolishing or reducing fees

With current student numbers each £1,000 cut in fees would see around £1 billion shifted from loans to direct funding

Any cut in tuition fee levels would clearly have a direct and immediate impact on universities. If it is assumed that this loss of income is replaced £-for-£ by direct funding from the public sector then the cost is faced by the public sector. This paper does not look at whether this cost would be met by increased borrowing, cuts in other areas of spending, higher existing taxes, new taxes (such as a graduate tax) or a combination of these. It only provides some calculations based on a set of simplifying assumptions about costs and student numbers

The current level of tuition fee income from regulated fees is around £9 billion.[67] Abolishing fees entirely would mean that this income would need to be replaced entirely (under the £-for-£ assumption) by direct public funding. This implicitly assumes that student numbers do not change. This is unrealistic with the current policy on student numbers, where no cap applies, but helps to simplify the calculations. An alternative way of thinking about this is to say free tuition means you have to cap student numbers at current levels

Under these assumptions each £1,000 cut in fees would mean around £1 billion in fee income would need to be replaced by direct funding.

What is the impact on the public finances?

The shift from fee income to direct funding on a £-for-£ basis would effectively move the funding stream from publicly supported tuition fee loans to grant funding in a reversal of the trends shown in section 6. The cash (needed to 'compensate') universities would still come from the public sector, but just without the prospect of some of it being repaid to the state at a later date.

Under current accounting rules student loans do not count towards the deficit. This means that all additional direct funding would increase the deficit by the same amount.[68] However, public sector debt would not be affected in the short to medium term because the state would need the same amount of cash to pay to universities and the national debt is

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65 UK2020, *Defusing the debt time bomb*, October 2017 p12
66 *ibid*
67 English students and EU students at English universities
68 Before any other changes to spending or taxes are included

based on cash flows. In the longer term the debt would also increase with lower fees because of the loss of repayments linked to fee loans.

The Government estimates that the value of loan repayments is 75-80% of the face value of loans in discounted terms. This can be used to estimate the economic or longer term costs of abolishing or cutting fees. This is 20-25%[69] of their face value,[70] so, under the assumptions set out earlier, this is £200-250 million per year for each £1,000 cut in fees.

Why might these costs vary?

Costs would clearly be lower if a cap was reintroduced at a level below current numbers. Equally costs would be higher if there was no cap and student numbers increased in response to lower/no fees. It could also be argues that the £-for-£ compensation for universities may not have to apply. Universities that charge fees of over £6,000 have to have a set of actions agreed to improve access from disadvantaged groups (financial support, outreach etc.). It might be argued that scrapping fees, or reducing them below a certain level, means they need to spend less on access and hence do not need to be compensated in full for the loss of fee income. The fee levels at which this might apply and any possible cut in access spending are very much open to question.

The lowest earning graduates would not benefit from lower fees. Their loan repayments would stay the same.

Impact of students/graduates

Lower fees would mean smaller loans so lower loan repayments in the future. This benefit would be felt after (smaller) loans are repaid in full so would generally go to graduates later on in their careers, depending on the size of the fee cut. The exception is lower paid graduates, those who still were unable to repay their debt in full, who would not benefit.

If a cap had to be imposed to limit the costs of such a system then potential students who missed out on a place would also pay a cost of sorts. Similarly if no cap were imposed and lower/no fees meant an increase in students then these 'new' students would benefit.

Some potential students could miss out on a place if numbers had to be controlled to limit costs of lower fees

69 PQ HL 5098 [on Mature students: Loans] 18 January 2016
70 Current (discounted) value of the amount not repaid, or the RAB rate

10. Higher education tuition fees across the UK regions

Higher education is a devolved matter and each region has created its own student fees and finance arrangements so very different systems exist across the UK.

Each region of the UK has chosen to subsidise their own students who study at home (except Welsh students who are supported to study anywhere in the UK). English students studying in these regions therefore pay higher fees than local students in that area.

10.1 Fees for Scottish domiciled students in Scotland

Information on student funding in Scotland is available on the Students' Awards Agency for Scotland (SAAS) website. Tuition fees for full-time Scottish students on a standard undergraduate course, at a Scottish HEI, in 2017/18 are £1820 per year. Students may apply to the SAAS to have these fees paid for them by the Scottish Government, so Scottish students studying in Scotland **do not pay tuition fees**.

The free fees policy in Scotland has been discussed by many commentators most noticeably by academic Lucy Blackman Hunter who has suggested that free fees benefit middle-class students the most[71] It has also been suggested that the free fees policy is unsustainable and has led to the underfunding of Scottish universities and rising debt among poorer students.[72], The Scottish Government is currently conducting a review of student funding - Independant Review of Financial Support for Students in Scotland.

10.2 Fees for Welsh domiciled students in Wales

Student finance in Wales is administered by Student Finance Wales. In 2017/18 students who are domiciled in Wales receive a package of fee support which includes:

- Tuition Fee Loan to cover the first **£4,046** of tuition fees
- Fee Grant of up to £4,954 to cover the difference in fees up to £9,000 per year.

10.3 Fees in Northern Irish domiciled students in Northern Ireland

Student funding in NI is administered by Student Finance NI. In 2017/18 full-time undergraduate tuition fees for Northern Irish students studying

71 "Free tuition in Scotland benefits wealthiest students the most – study" *The Guardian* 29 April 2014
72 "Can Scotland carry on with its free-tuition policy?", *Times Higher Education*,15 December 2016

in Northern Ireland are **£4,030 per year** – students who chose to study elsewhere in the UK are liable for fees of up to £9,250 per year.

11. International fee comparisons

The latest OECD comparisons of tuition fees look at the situation in 2015/16. The complexity of tuition fee liability in many countries (variations by subject, type of course, type of institution, students' circumstances and state support to meet fees) means that direct comparisons are not straightforward.

Average fees in England were the highest of any 'public' system in the OECD

Students were generally liable to pay tuition fees at public/Government supported higher education institutions in the majority of OECD countries. The headline average undergraduate tuition fee in England at $11,950 was the highest of any OECD or 'partner' country (for public or government-dependent private institutions). It was only below the average levied at independent private institutions in the US ($21,200). Average fees for independent institutions in Australia were the next highest behind England at $10,200, followed by Japan and Korea in the $8,200 to $8,400 range.[73]

The OECD figures confirm the assessment on page 9 of Changes to higher education funding and student support from 2012/13[74] that **average fee levels for new students in England from 2012 were likely to be the highest for public or state-dependent private institutions in the developed world**. England was likely to rank second highest for the average across all types of universities with the US as the highest average across all types of universities.

Other assessments of differences in tuition fee levels and the overall affordability of higher education across the developed world were produced around the time the 2012 changed were announced by the Higher Education Strategy Associates in their Global Higher Education Rankings 2010, Higher Education Information System, Germany's Social and Economic Conditions of Student Life in Europe and research carried out by BIS: Review of Student Support Arrangements in Other Countries

73 *Education at a Glance 2017, OECD.* Table B5.1
74 http://www.parliament.uk/briefing-papers/SN05753

12. Parliamentary debate on tuition fees

The issue of higher education tuition fees has been much debated in parliament.

The tuition fee increase for 2017/18 was brought in under *The Higher Education (Basic Amount) (England) Regulations 2016* SI 1205 and the *Higher Education (Higher Amount) (England) Regulations 2016* SI 1206. These regulations were laid on 15 December 2016. In January 2017 the opposition tabled two Early day Motions[75] calling for these regulations to be annulled.

On 13 September 2017 the Opposition were granted a debate on the regulations - The Higher Education (England) Regulations. The Opposition won the vote on the motion that the regulations should be revoked. This vote however has no binding effect.

On 19 July 2017 there was an emergency debate on Tuition Fees which considered the increase in tuition fees implemented by the regulations.

On 27 November 2017 there will be a debate in response to an E-petition calling for tuition fees to be lowered to £3,000.

12.1 Parliamentary inquiries

There are currently three parliamentary inquiries scrutinising aspects of the higher education system including tuition fees.

House of Lords Select Committee on Economic Affairs

The House of Lords Committee on Economic Affairs is conducting an inquiry – the Economics of higher, further and technical education. The inquiry will investigate how post-school education is funded and whether it is focused sufficiently on the skills which the British economy requires.

On 12 September 2017 the Chancellor of the Exchequer gave evidence to the Committee in which he said that the Government were looking into student funding:

> Let me try to explain some of the logic behind that. First of all, let me recognise that the whole issue of the value-for-money proposition to students in higher education is clearly of concern. We have heard that message, and we are looking carefully at the overall proposition that students face, which is not just about the financing of higher education but about the value proposition presented to students.
>
> The interest rate charged on a student loan is not like the interest rate charged on a commercial loan from a bank. This is a loan, the repayment of which is income-contingent. We know at the outset, by design, that a significant proportion of loans will not be repaid. When we know that the loan will not be repaid, the

[75] EDMs 850 and 851

> interest added to it is, in a sense, notional. It will not be repaid if the borrower turns out to be a low-income graduate.
>
> By design, the system has an element of transfer, a redistribution from higher-income graduates to lower-income graduates. That was how the system was always intended to operate. As I said at the beginning, I recognise that questions have been raised about the overall proposition, and we are looking carefully at how it works to make sure that the way it operates is justifiable

House of Commons Education Committee

On 15 September 2017 the Education Committee launched an inquiry Value for money in higher education.

House of Commons Treasury Committee

The Treasury Committee launched an inquiry Student Loans on 14 October 2017. The Committee will scrutinise recent changes to the student loan system, including the repayment threshold, interest rates, tuition fees, and the impact on university finances.

Dr Andrew McGettigan a specialist in higher education funding told the committee that in his opinion the 2012 higher fee system cost the Government as much as the previous system where universities were provided with block grant funding:

> **Chair:** The IFS also claims that as a result of the change in the threshold the per student taxpayer contribution is higher than it would have been if we had never switched away from having £3,000 fees. Again, I wondered if you agreed with that judgment.
>
> **Dr McGettigan**: We are in that ballpark, but it is a difficult question. I looked at the BIS financial accounts for the 2011-12 financial year before I came here. In that year they were putting out £6.4 billion in grants, split between grants to institutions and grants to students. There was another £1.5-1.6 billion set aside for non-repayment impairment on the student loans. That would give you a figure of £8 billion resource being put into undergraduate tuition back in 2011‑12. My reading of the recent IFS note is that it is saying £7.9 billion.
>
> Obviously there is inflation, but one thing that has changed since 2011‑12 is precisely the thing that Dr Carasso has said. Projections of graduate earnings have changed quite markedly since that time. The cost of the loans that were issued in 2011‑12 is now likely to be much higher than was thought back then. These kinds of comparisons are difficult to make because of the changing nature of those projections.
>
> In answer to your question, yes, we are in that area. We have a scheme that looks as if it is pretty much the same long-run economic cost. This goes back to my point to the previous question. On that scheme the institutions received direct grants, which meant their fees could be subsidised down to £3,000. Now we have a scheme with much higher fees but which appears to cost the same. That is very difficult for people to interpret. There is a lack of transparency there. Most people would say, "If you are going to put the subsidy into the system, do it upfront so the fees are lower, because that is what is most visible to people". Q 4

Dr Carasso another higher education funding specialist told the committee that fees might be too high and that possibly employers should contribute towards costs as they also benefit from the higher education system:

> **Dr Carasso**: I would like to reiterate the point that, if it is too complex to understand, it is a problem. We need to be clear, as the people making the policies, what we are doing, how we are doing it and why we are doing it.
>
> The point that Andrew just mentioned in passing is that fees may be too high. Why do we not have an employer contribution coming in here? Why are we taking so much from the students? We talk about a system in which those who benefit should be making a contribution. Employers benefit from a skilled and educated workforce, and that has slipped away from national debate over a number of years in the changes that have been made to funding. We are now looking at the apprenticeship levy, and I would like to see that being asked as a question. Q 89

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