RUSSELL GROUP

How will the proposals from the post-18 review impact on students and the economy?

What is being proposed?

On 30 May 2019, the Government published a report from its post-18 review panel, led by Dr Philip Augar, which presents detailed proposals to reform higher and further education funding.

While the report proposes important and overdue support for further education and a welcome boost for lifelong learning, its recommendations for universities raise serious concerns. Some of the recommendations are to be welcomed, notably the reintroduction of maintenance grants for disadvantaged students and removing the real rate of interest charged on loans during study. However, students will ultimately suffer if university funding is reduced as the result of a fee cut.

In addition, proposed changes to the terms of student loan repayment do not benefit the majority of students. In fact, extending the length of loan repayments (from 30 to 40 years) would be a regressive step, increasing the burden on women and low and middle earners who will be forced to continue paying for longer. The panel's focus on what they call "high value" subjects also risks penalising important disciplines such as languages, social sciences, humanities and arts as well as valuable sectors such as the creative industries.

Key recommendations in the post-18 report for universities include:

- Freezing tuition fees for a further three years, and then...
- Cutting headline tuition fees from £9,250 to £7,500 with the Government replacing the lost income in full through additional teaching grant funding
- Rebalancing funding towards high-cost and high-value subjects (although no definition of "value" is given)
- Reforming student loan repayment conditions so the burden of lifetime repayments for many students increases, especially for women and those on low and middle incomes after graduation
- Reintroducing means-test maintenance grants and reducing the interest applied to loans during study.

How does this impact on students and universities?

If a fee cut is not fully compensated, this could have a devastating impact on universities.

With tuition fees frozen and then cut substantially there will be a major impact on the teaching, equipment and services such as careers support which students depend on. Quality of teaching and the overall educational experience will suffer unless any reduction in undergraduate tuition fees is fully compensated. If fees are cut to £7,500 the Government will need to invest at least £1.8bn in English universities based on 2018/19 student numbers.

This funding will need to grow as demand for university places increases. There will be a 23% increase in the total number of 18-year olds by 2030, so per student funding needs to keep pace with demand in order to ensure future generations can achieve their aspirations for higher education study. This will ensure the flow of skilled graduates into the economy as the Industrial Strategy projects 1.25m more will be needed by 2024.

The proposed reforms to the student finance system will mean graduates on an average income will pay more than they do now for their degrees while the very highest earners will pay less.

Whilst the reintroduction of means-tested maintenance grants and the reduction of interest rates during study is helpful, other changes to loan repayment terms are regressive overall. By lengthening the repayment period to 40 years and lowering the salary threshold so graduates pay more each month, analysis by London Economics shows the panel's recommendations penalise women and lower and middle earners who will pay more towards the cost of their degree than under current arrangements, while the very highest earners will pay less.

Redistributing funding between different degree subjects could make it difficult for universities to continue offering a full range of academic disciplines.

Science and engineering subjects already cost more to teach than the current fee and grant income universities receive: for example, an independent KPMG analysis found there was an average deficit of £650 per student per year for engineering courses in 2016/17. With rising inflation and cost pressures, this deficit is likely to be substantially higher for the current academic year. The panel recognises that these subjects, which are at the heart of the Industrial Strategy, will require significant top up from Government if fees are reduced.

However, over half of students currently choose arts, humanities and social sciences degrees and these subjects are highly valued by business and public sector employers. KPMG's analysis found classroom-based subjects such as English, law and languages, which are widely valued by employers, cost an average of £8,800 to teach - £1,300 more than the proposed £7,500 fee, meaning universities will be forced to operate these courses with a substantial deficit under the Augar proposals. Without sufficient top up, universities will struggle to offer these courses.

Russell Group asks for Parliament

As the Government considers these recommendations, we ask Parliament to press for three principles to be upheld to protect the UK's world-class higher education sector and ensure that it can continue to serve the wider, national good:

- **Sustainable funding**: students, businesses and universities should be provided with a cast-iron guarantee that, in the event of a fee cut, teaching grants will cover the funding shortfall in full and meet future demand for higher education places, as recommended by the Augar report.

- **Fairness for students:** the overall impact of any reforms to the student finance system must be fair and transparent. The Government should proceed only with a package of reforms which enhances rather than undermines the progressive nature of student finance and which does not place a disproportionate burden on women and lower and middle earners.

- **Supporting a range of disciplines and industries:** many disciplines, such as in the STEM fields, already face significant shortfalls and so a commitment to ensure they are properly resourced with additional grant funding would be very welcome. In the event of a fee cut, we urge the Government to avoid deprioritising other disciplines which are also vitally important to our economy, culture and society – such as languages, economics, history, English and arts.

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