

## Enhancing post-18 education and funding

### Overview

1. The UK's higher education system is one of the country's greatest assets and is central to our global influence, culture and economic prosperity. Time spent at university opens-up lifelong opportunities for students, who will play a key part in our future workforce. Through cutting edge research and innovation, often in collaboration with a wide range of partners, universities help drive the technological, medical and social innovation needed to meet the big challenges our societies face.
2. **Universities are at the heart of our knowledge economy and it is critical that the UK has an effective funding system that delivers for them, for students and for taxpayers alike.**
3. The current system has benefitted students and taxpayers in important ways, however public concerns over the nature of student debt and the benefits of going to university have brought elements of the system into question. These concerns will need to be addressed by the Government's post-18 education and funding review.
4. In the following series of Russell Group briefing notes, we consider policy options in four areas which may help address perceived unfairness in the system:
  - How to improve communications with prospective students, their parents and advisers
  - Whether maintenance grants could be reintroduced to help the most disadvantaged students
  - Whether interest rates on Student Loan Company (SLC) loans might be modified
  - How to support graduates in priority, public sector occupations.

### Background

5. After years of underfunding by Government, the tuition fee system is starting to provide a **sustainable funding base** for most universities.<sup>1</sup> It has allowed many to invest in improving the teaching they provide, with better facilities and a rich learning experience, offering students opportunities from undertaking hands-on research to international placements and collaborative work with local communities and business. Rising inflation and delivery costs are, however, eroding the real terms value of fees, which are capped.<sup>2</sup>
6. The current system has **enabled record numbers of students to enter higher education** including many more young people from lower socio-economic backgrounds.<sup>3</sup> This advance for social mobility was not possible under the previous system of teaching grants which required a restrictive cap on student numbers. The absence of a cap allows as many qualified students who wish to enter higher education to do so. However, there have been sharp declines in the number of part-time and mature students in recent years which has raised important questions about how to reverse these trends and better support flexible and life-long learning.

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<sup>1</sup> Before fees were introduced, universities were historically underfunded with the unit of resource per student declining over time: growth in student numbers between 1989-90 and 1997-98 resulted in a significant decline of 30% in the unit of resource and the financial crisis in 2008 led to another reduction in funding, including for capital.

<sup>2</sup> The real terms value of the undergraduate tuition fee at its capped level will be 8% less for academic year 2018/19 compared to 2011/12. This is despite the £250 increase to the cap from 2017/18. Overall, this represents a reduction of £740 per student at a time when costs are rising year-on-year.

<sup>3</sup> UCAS figures indicate disadvantaged 18-year-olds (POLAR2 quintile 1) were 60% more likely to enter higher education in 2014 than they were in 2006 before higher fees were introduced.

7. The current system is broadly affordable as it has been designed to ensure that higher education is **free at the point of use**. Anyone studying an undergraduate degree for the first time pays no upfront cost for tuition, nor for their wider university experience, and all are able to access at least some maintenance support<sup>4</sup> - with additional help from individual universities through bursaries and fee-waivers targeted at students from disadvantaged backgrounds<sup>5</sup>.
8. It is also broadly **progressive, with higher earners on average paying more over the course of their lifetimes**. The majority of graduates will not repay their SLC loan in full and this is specifically designed into the system: ensuring individuals on lower incomes ultimately pay less towards their degree. Loan repayments do not begin until a graduate is earning £25k and are always proportionate to earnings. The Government expects around 45% of student loans to be written off with higher earners expected to repay in full, and lower and medium earners repaying significantly less.
9. However, **despite the benefits of the present system, public confidence in it appears to be low**. This is largely due to how the system is understood and communicated, but is also reflective of other concerns, including the cost of living while at university and worries over levels of graduate 'debt'. The latter despite SLC loans being very different to commercial loans in the way that the balance is written off after 30 years, regardless of how much has been repaid or is outstanding.
10. These issues have prompted the Government to undertake its current review into post-18 education and funding. The review will also look at **further education as the other key arm of post-18 education, which remains underfunded**. This wider consideration of the whole post-18 system is welcome. A rich and diverse mix of qualifications and providers, combining technical education as well as academic training, is essential to the country's long term economic health. The debate around funding should not be seen as funding either universities, or colleges, but rather a chance to look across the system and ensure we are ambitious for both. There is, for example, an opportunity to consider how the apprenticeship levy might be broadened out and used by colleges in delivering a wide range of valuable courses, and to help ensure that they also have a sustainable funding base for the future.

## Recommendations

11. Through the post-18 education and funding review, the Government should:
  - (a) **Seek to preserve and, where possible, enhance the best features of the current system for funding higher education** -
    - It is right the cost of university is split between graduates and taxpayers and this should continue. Employers also have a role to play in some areas. Where the balance is struck between public versus private contributions to the costs of higher education is a political decision, but one that should be grounded in evidence
    - Within this, the system must continue to be affordable for all students and graduates regardless of their background, involving no upfront costs and repayments which are reasonable and in line with earnings
    - The fee regime should continue to be progressive, with higher earners contributing more towards the costs of their education.
  - (b) **Consider reforms that go furthest in building public confidence**, such as those we explore in our four policy briefing notes.
  - (c) **Ensure that reforms deliver sufficiently predictable and sustainable funding levels** to enable the UK's universities to continue delivering education, research and innovation at the highest levels of quality – strengthening the sector and its ability to deliver for students and the economy.
  - (d) **Support a vibrant and diverse landscape for post-18 education**. This should recognise that the strength of the system overall lies in its diversity and the freedom of institutions to pursue different paths and priorities.

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<sup>4</sup> Currently full-time students studying outside London and living away from home can access a minimum of just over £4,000 in annual maintenance support from the SLC, and up to £8,700 for those from the lowest income households. Maintenance loans for part-time students are being introduced from the academic year 2018/19.

<sup>5</sup> The recently published Student Expenditure Survey found that applicants were generally comfortable getting a loan to cover their study costs. DfE, *Influence of finance on decision-making*, March 2018.