



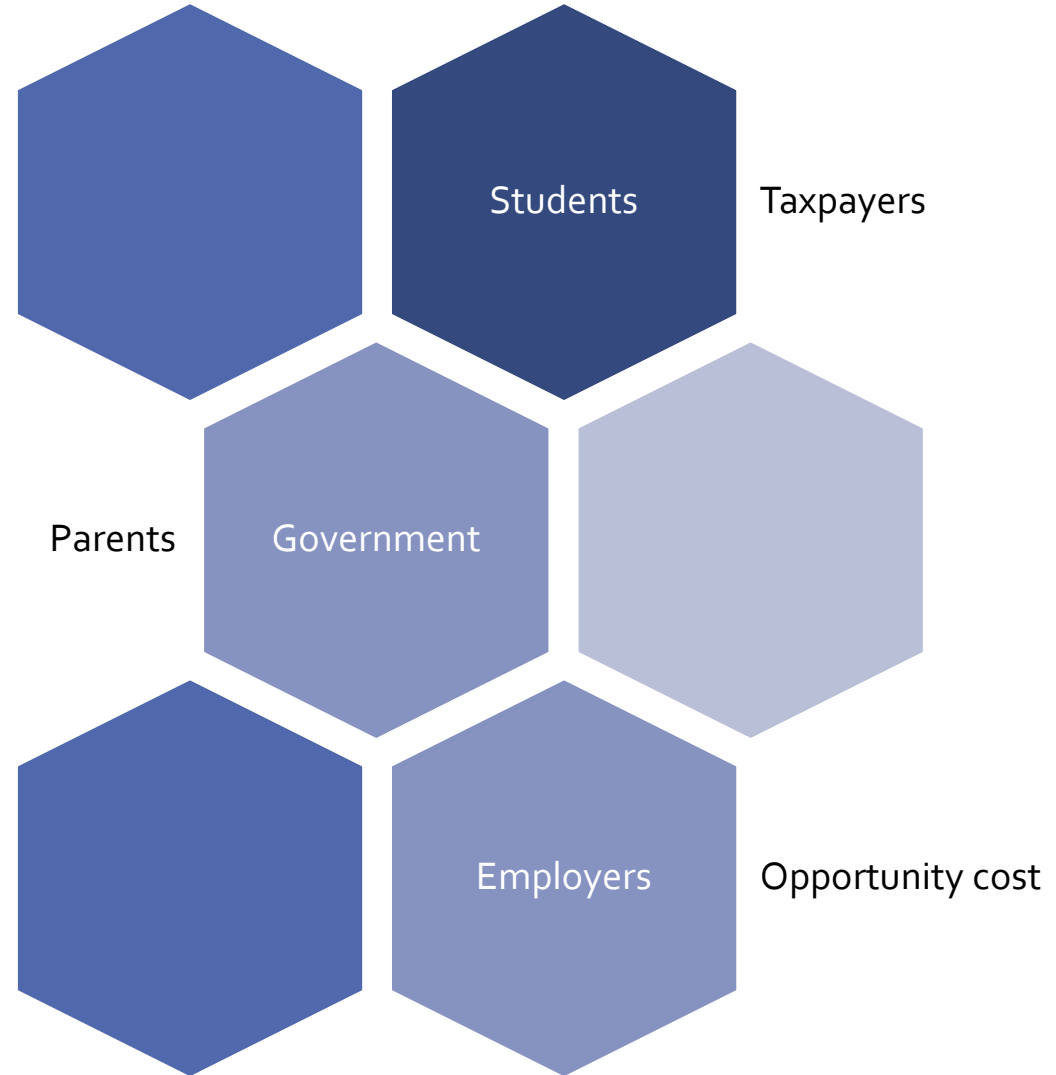
INDEPENDENT
HIGHER
EDUCATION

What does higher education cost and who should pay for it?

Joy Elliott-Bowman, Director of Policy and Development
Monday 14 February 2022



The Question

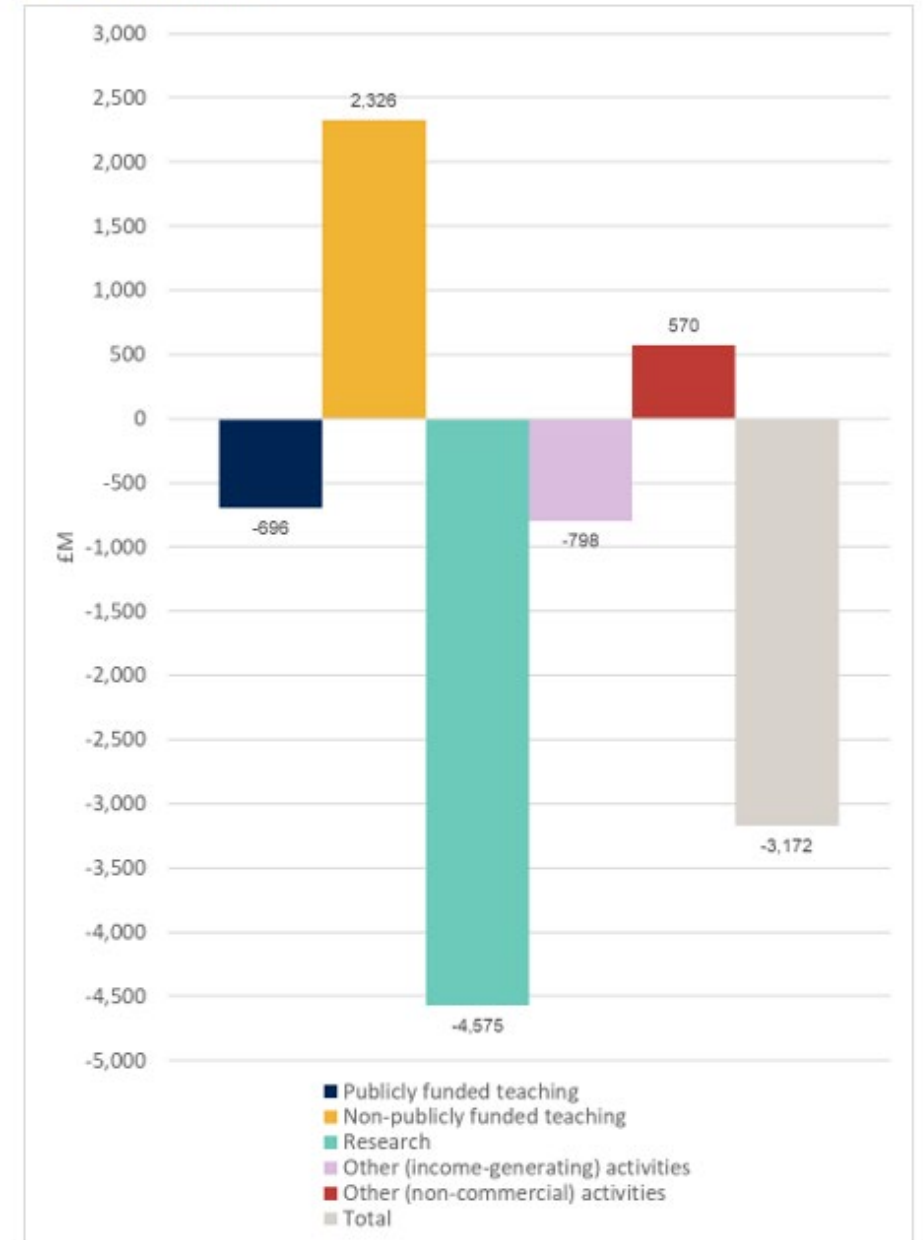




Cost

- Transparent approach to costing (TRAC):
<https://www.officeforstudents.org.uk/data-and-analysis/trac-data/>

Figure 2: TRAC full economic cost surplus/deficit by activity, 2019-20 (UK higher education institutions)

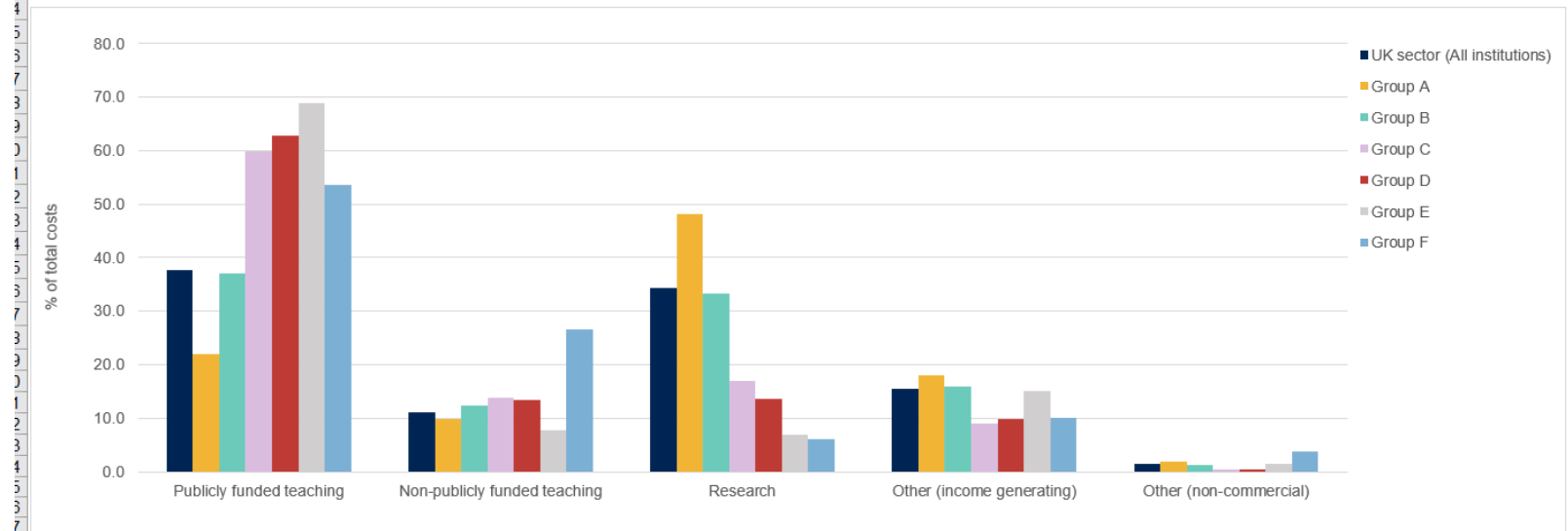




The smaller
the HE
provider...

1
2 **Figure 1: TRAC full economic costs on main activities as a % of total costs by TRAC peer group**

3 The chart below shows the average cost allocation to activities for each peer group.





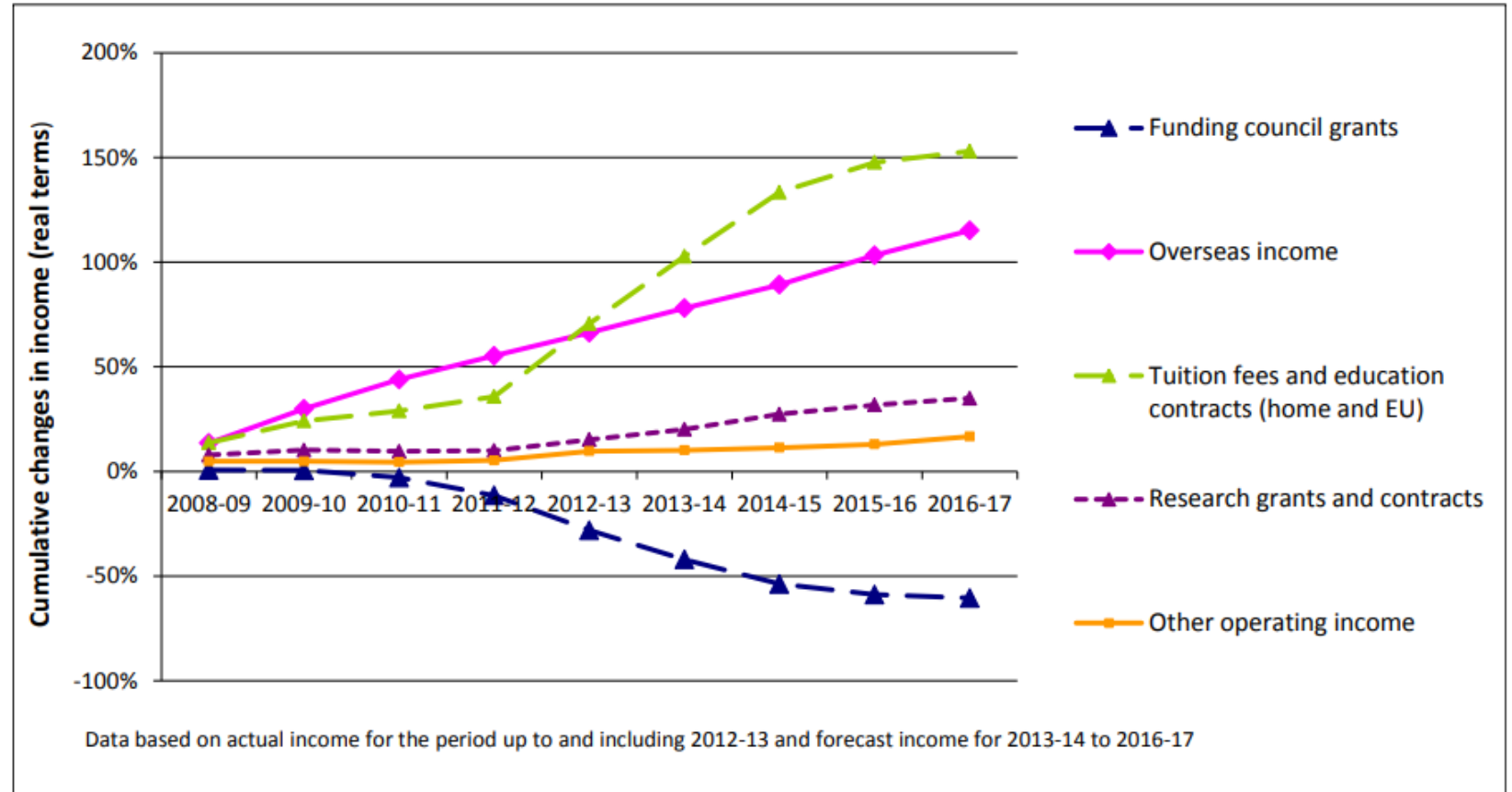
The cross- subsidy challenge

- Teaching funding research
- Low cost subjects funding high cost subjects
- International students fund well almost everything.



International students and research funding

Figure 1: Cumulative real-terms actual and projected changes in income 2008-09 to 2016-17





International students and research funding

- International students contribute, on average, £8,000 per year to research – HEPI (<https://www.hepi.ac.uk/wp-content/uploads/2017/11/HEPI-How-much-is-too-much-Report-100-FINAL.pdf>)



Who pays now?

- UK has the lowest proportion of public expenditure on tertiary education according to the [OECD](#): 25% compared to the average (OECD countries) of 66%.
- 71% of expenditure on tertiary education in the UK comes from private sources. 52% from household expenditure.



Let's talk about student fees



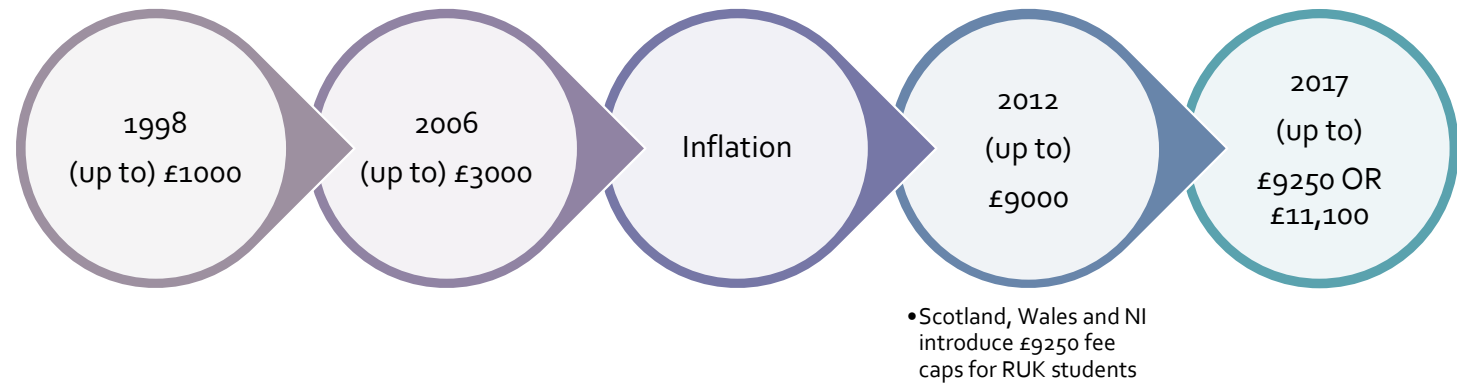
Something's different here

- In 2018 [ONS decided](#) to treat student loans as a combination of financial transaction or asset and government expenditure.
 - Some loans will be paid back, but realistically a lot won't.
 - Government estimated this could be up to 50%
 - Lowest paid 30% of students pay an average of 10% of their loan back.
 - Highest paid 30% of students overpay
- The portion of loans cancelled are now accounted for at the time they are issued, rather than at maturity.
- The Office for Budget Responsibility estimated that [public sector net borrowing in the financial year ending 2019 would rise by approximately £12 billion](#) as a result of changing from the current approach to the new partitioned loan-transfer approach.



The student fee journey

- 1962 most tuition fees abolished
- For a short time in the 1980's international students were paid to study in UK





£9,000 fees

- £9,000 was intended as a higher fee limit
- Few courses remain at the Basic fee limit
- The 'Quality = cost' debate?
- Despite the rise, “publicly funded teaching” still returns a deficit each year.



Scotland

- SAAS pays tuition fees for most Scottish students studying most HE courses in Scotland
 - 'private' providers
 - Second qualifications
- SAAS provides grants and loans to support students for costs outside tuition fees



Wales

- £9,000 fee limit for UG
- Combination of loan and grant to cover
- Repayment at £21,000



Northern Ireland

- £4,530 for NI students in NI
- Up to £9,000 loan if studying in Wales, £9,250 in England or Scotland
- NI needs to save money:
 - Ending Educational Maintenance allowance
 - Cutting all other student grants has been considered
 - Apprenticeship funding cut



England

- 'Eligible' students on 'Eligible' courses have a fee cap, everyone else is uncapped (PG, International)
- Basic fee cap for UG courses of £6,000 (£6,165 TEF)
- Higher fee cap for UG courses of £9,000 (£9,250 TEF)
- Accelerated Degree Basic - £7,200 (£7,400 TEF)
- Accelerated Degree Higher - £11,000 (£11,100 TEF)



Student mobility – within the UK

- Students at publicly funded HE providers in all four nations can study at any other publicly funded HE provider and take their home funding allocation with them.
 - Scottish students can take a £9250 loan but not their ‘free education’
 - Students studying in any “private provider” regardless if they receive teaching grant can access only a fraction of the £9250 fee from Scotland and Northern Ireland.
- Students studying at an HE provider in the OfS Approved category or who does not receive public funding from Northern Ireland, Scotland or Wales may not be able to take their loans with them unless the provider has sought ‘designation’ for student finance from the relevant nation (EACH relevant nation).



Paying it back

- The [2020-2021 threshold](#) for student loan repayments in England is £27,295.
 - Loans are subject to above market rates (currently 5.6%)
 - Loan balances are written off after 30 years
- In Scotland it is £18, 935.
- There are only two groups of individuals who cannot declare complete bankruptcy in the UK – students and individuals in prison.



Apprenticeships

- Funding from Apprenticeship levy – Skilled migrants charge
- Funding for HE apprenticeships at all levels
- PG apprenticeship funding scaled back



Surely there must be
an alternative?



Augar report

- Government published an “initial response” in January 2021
- Recommended reducing the higher fee cap to £7500
- Rebalance from academic to technical (See Higher Technical Qualifications)
- Introduced the concept of a life long loan entitlement
- Suggested paying loans back over 40 years and lowering the fee repayment threshold

- Universities UK published their analysis of the impact of Augar: <https://www.universitiesuk.ac.uk/what-we-do/policy-and-research/publications/impact-augar-review-independent>
 - 36% loss in fee income
 - Lower income students will pay more



Life Long Loan entitlement

- Students given a 'bank balance' type account which they can use over their 'life'.
- Students can study flexibly, choosing everything from Degree to module level study.
- This system could remove the 'second equivalent qualification' restriction



Levelling-up

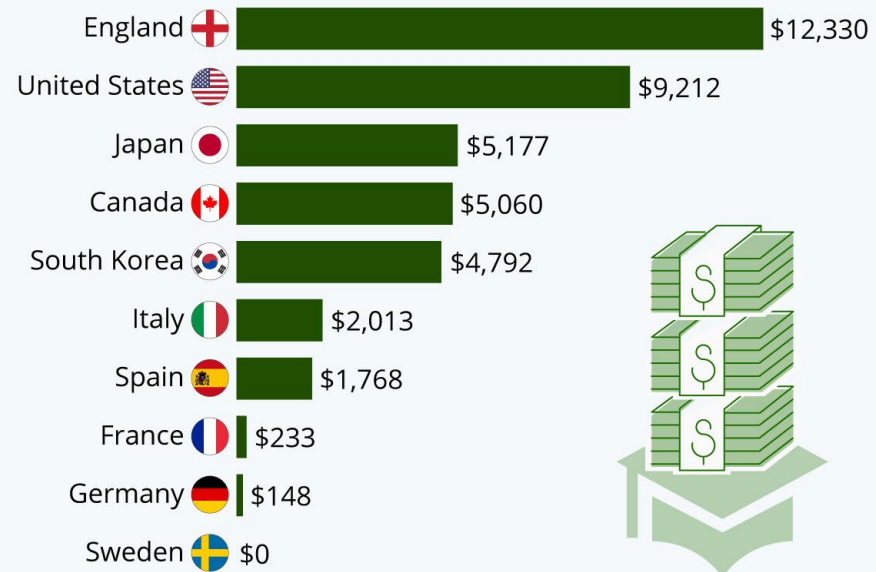
- Additional funding for skills, including those at HE level, in levelling up areas
- Potential for localised approaches to delivering and funding HE
- Seeks greater FE/HE collaboration



Leave

The World's Highest and Lowest Tuition Fees

Average annual tuition fees charged by public institutions at bachelor level (2019/20)*



* or latest available year. Selected countries.
Equivalent USD converted using PPPs
Source: OECD

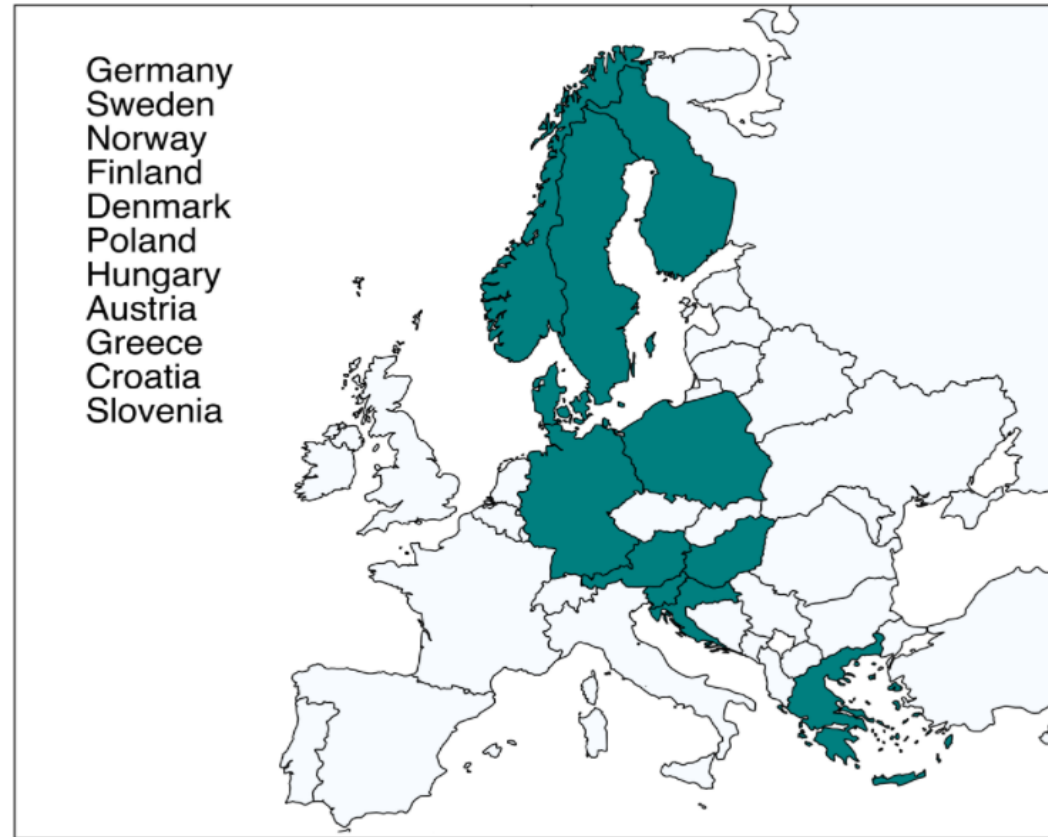


statista



Leave

EU/EEA countries with no tuition fees for undergraduates



Source: BBC Research



Yet only 18% of UK students are interested in studying abroad – British Council



What's happening now?

- Removal of some course “high cost” status
- Still waiting for Augar
- Levelling up White paper
- Debates about repayment thresholds
- No mention of more teaching grant



Let's chat

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