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# FAIR FUNDING FOR ALL

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**London Economics is a leading European economic consultancy firm specialising in the provision of high quality research in public policy, competition and regulatory economics. We are committed to providing expert economic and financial advice across the public and private sectors, both within the United Kingdom and internationally. Underpinning our work is a strong commitment to placing our clients' needs centre-stage and to delivering methodologically robust and independent analysis. London Economics' has extensive experience in the education sector having undertaken many high profile projects ranging from the evaluation of early years policy interventions to the analysis of further and higher education funding systems.**

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# Foreword

The system of fees and funding in universities in England, introduced by the 2004 Higher Education Act, is under review. The terms of reference given to the Fees Review Panel make it clear that its members will need to consider the relationship between fees, funding and the proposed reduction in the higher education budget of £600m (applicable from 2011) announced in the 2009 Pre-Budget Report. It is unlikely that the Panel alone can 'square this circle'. The Panel also has to consider the position of students who study part-time: they were excluded from the 2004 HE Act and, unlike full-time students, still have to pay fees up-front.

In the aftermath of the global recession, universities have the same responsibilities as other organisations to consider efficiency savings. However, the legacy of two decades of under-investment in higher education has been mitigated but not fully addressed by the 2004 Act. All university students learn the academic rigour of research, analysis and presentation whatever their degree and wherever they study. They acquire graduate qualifications and attributes which continue to be valued and transferrable and which allow them to do better in the job market in the short and long-term compared to non-graduates.

# Foreword
continued

It would be a sorry legacy of the recession if a failure to invest in higher education in the future reduced, rather than enhanced, opportunities to study at university. With demand rising, restricting student numbers would mean greatly reducing the life and career chances of many. The momentum towards improved social mobility can only be maintained if governments continue to commit resources in favour of expansion and growth of opportunities to study at universities which are well-funded wherever students study and whatever courses they choose.

*Fair Funding for All* sets out a robust evidence base which tracks current resources and the inter-relationships between the different sources of funding. It also outlines key principles and recommendations to deliver a fairer funding system in the future.

However, a much more sophisticated partnership is required to ensure that the funding needed to sustain the excellence of all universities in England is delivered. This partnership needs to be based on transparency and a recognition of the mutuality of interests which bind together students, graduates, universities, governments and Members of Parliament.

**Professor Les Ebdon CBE**
Chair

**Pam Tatlow**
Chief Executive

# Executive Summary

*Fair Funding for All* sets out the political context of the current debate, outlines key findings from a detailed investigation of the costs of the tuition fee, student support arrangements and the teaching funding which support the teaching of undergraduate students in English universities. This investigation was commissioned from London Economics in order to provide a robust evidence base and in particular, to identify the contributions made by the Exchequer, universities, students and graduates (referred to for the purposes of this report as key stakeholders). Uniquely, London Economics also tracked the variation in the resource flows arising from the differential treatment of part-time students, providing an assessment of the impact on universities as well as on students. The aim was to provide a clear picture of the costs of the current system.

An interactive model has been created which allows the impact on all stakeholders of variables to the current funding system to be modelled – and alternative scenarios are included in the report.

Bearing in mind the impact on students, graduates, universities and the Exchequer and the need for any system to be sustainable, affordable and accessible to students, million+ has identified key principles to underpin a fair funding system for universities in England as follows:

> Universities should be free at the point of study to all undergraduate students

> Full and part-time students should have equal access to student support

> There should be a right to study at university – meaning that governments need to commit to sufficient funding so that all those who are qualified and can benefit from higher education have the right to study at universities which are well-resourced whichever course they choose to study, at which ever university they study

> Fees and funding policies need to continue to encourage people of all ages to aim for the highest level of education possible for each individual and should support participation and flexible options to study

# Recommendations

*Fair Funding for All* recommends that:

> Full-time and part-time students should be treated equally in a single, unified and simplified system. As a result, access to university would be free at the point of study for all undergraduate students. This would have the added advantage of supporting participation and encouraging more flexible options to study

> Other than making full-time and part-time student support comparable, the current level of support available to students while they are studying at university should be maintained. Students and their families make considerable financial and other sacrifices. Some 20% of students make no call on the fee and maintenance support that is available. However, for the majority of students, the student support made available through the Exchequer to help with their living and maintenance costs while they are studying at university, is an important component of successful participation in higher education

> An amended graduate contribution system should be considered. This would produce a fairer outcome for the Exchequer and support additional long-term investment of £1 billion and would be unlikely to affect participation

> In particular, the current option to defer graduate contributions by two years should be removed. Graduates do not repay contributions until their earnings reach £15,000 a year – and contributions are set aside in the event that their earnings fall below that sum. In view of these safeguards, the two year deferment option, available to graduates whatever their level of income above £15,000, should be abolished

> The graduate contribution period should be extended. Currently any outstanding contributions are written-off after 25 years (a shorter period than in other countries). For example, a repayment period of 35 years would equalise graduate repayment periods in England and Scotland where a 35 year repayment period is in place

> The Exchequer should remain the provider of student loans but there is a case to consider the introduction of a real interest rate of a maximum of 2%. This would be incorporated into the graduate repayment scheme. This option would be much preferable to the introduction of commercial rates of interest or the use of commercial lenders as providers of student loans

> If a graduate wishes to pay off their contribution early, they would be entitled to do so without having to pay any long-term interest such as that levied by banks on personal loans. Students (full-time and part-time) who want to pay their contribution to higher education up-front would continue to be entitled to do so

> Key issues of principle surrounding future government investment in England's universities should be resolved before any decision is made about increasing tuition fees. The resource envelope available for higher education after 2011 is not yet agreed by government. There also continue to be risks that the public funding of higher education will be reduced further in 2010

> MPs and government should adopt a transparent approach: the extent to which they expect students and graduates to meet the shortfall in investment in higher education must be settled

> A partnership model should be developed in which all stakeholders are involved. The key to the success of this partnership will rest on the extent to which government is also committed to addressing the under-funding of teaching and delivering the investment required to underpin expansion, participation, quality and the ability of all universities to compete in the international market

# Introduction

For over a decade the funding of British higher education has been the subject of intense political debate in Parliament, the media and among voters. This debate is far from over. Members of Parliament elected at the 2010 general election will have to decide whether they accept recommendations arising from a review into the fee and funding arrangements for universities in England and, over the course of the next Parliament, firmly establish the basis on which universities in England are to be funded.

A Fees Review was promised by Charles Clarke MP, the then Secretary of State for Education, in response to concerns about the consequences of the 2004 Higher Education (HE) Act which allowed universities in England to charge variable fees to full-time students from 2006. The Review[1] finally commissioned in November 2009 by Lord Mandelson, Secretary of State for the Department of Business, Innovation and Skills with terms of reference agreed by the Conservative Opposition Universities Spokesperson, David Willetts MP and chaired by Lord Browne of Madingley, will report in autumn 2010.

The legislation which introduced the current system of fees was hotly contested both in and outside Parliament with the Labour Government, then led by Tony Blair, winning a majority of just five votes for the HE Bill's Third Reading. The enthusiasm of some MPs, Cabinet Ministers and university vice-chancellors for a market in fees was limited by the decision of MPs and Peers to cap fees for full-time UK and EU students at £3000 per annum[2]. The HE Act permitted this limit to be increased in line with inflation. By the 2009/10 academic year the maximum annual fee which could be charged to full-time students stood at £3225 – a fee levied by almost all universities in England.

**Higher Education Funding since 2004**

If the 2004 HE Act was meant to resolve the debate and the future funding of higher education, it singularly failed. The introduction of variable tuition fees in English universities became a factor in the 2005 general election and subsequently in elections to the Scottish Parliament and Welsh Assembly. There was also clear evidence that some MPs in seats with a 'university vote' were elected to Westminster in 2005 in part as a result of a manifesto promise that tuition fees would be abolished[3].

Since 2005 a number of well-intentioned amendments have been made to the system of student support.[4] However, other policies have sought to reduce the cost to the Exchequer of higher education. Significantly, in 2007, the then Department of Innovation, Universities and Skills (DIUS) instructed the Higher Education Funding Council for England (Hefce) to switch £100m allocated to support the teaching of students who had already obtained a degree qualification but who had returned to university to study an equivalent or lower level qualification (ELQ), to the teaching of first-time undergraduate students. In fact, these ELQ students (as they became known) were taught alongside first-time students. The net effect of the removal of public subsidy from the former was to reduce the public unit of resource for teaching in many universities.

This was a clear indication that the costs of addressing the serious under-funding of English higher education (under-funding which the 2004 HE Act had sought to mitigate), had been under-estimated[5]. More was to follow. In spite of the increasing demand for places, DIUS cut plans to expand student numbers in 2009.

[1] http://hereview.independent.gov.uk/hereview/

[2] Subject to a university agreeing an access agreement with OFFA (the Office for Fair Access).

[3] The Liberal-Democrat manifesto promised to abolish tuition fees although this was restricted to full-time students. It was a factor in seats such as Bristol West and Cambridge.

[4] For example, the extension of maintenance grants to the one third of students with household incomes of less than £25,000 – a move clearly targeted at students from the least well-off households.

[5] The Labour Government elected in 1997 inherited a unit of resource in higher education teaching and research which had seriously declined due to lack of Government investment in the 1980s and 1990s.

Subsequently, and in response to a public outcry as demand rose even further in the recession, the new Department of Business, Innovation and Skills (BIS) restored 10,000 places for STEM subjects[6] in the 2009 academic year by providing student support costs but not the teaching grant. This at least allowed those universities with some flexibility to recruit additional numbers and ensured that 10,000 more students were offered an opportunity to study at university.

Notwithstanding the evidence that there will be a mismatch between supply and demand, BIS has withdrawn these additional numbers in 2010 and has announced that universities which over-recruited students in 2009 will be fined and that the overall allocation to Hefce will be reduced by £400m in 2010/11. Meanwhile in the Pre-Budget Report of 9 December 2009, the Chancellor of the Exchequer announced a reduction of £600m in the higher education budget with effect from 2011 (although the overall envelope of resource has not yet been specified).

In spite of these challenges, the Government has funded record numbers of students to study at university.

The Fees Review has been asked to take account of the Pre-Budget Report (PBR) in its deliberations. However, the extent to which it is realistic to expect the Review to address these Departmental reductions without further commitment of public resources from the Exchequer to higher education is extremely doubtful.

**The UK context**
Higher education policy and funding are devolved and separate decisions by the Scottish Parliament and the Welsh Assembly respectively have meant that there are significant differences in the treatment of both full and part-time students. Overall, the student finance system within the UK has become exceptionally complex.

Part-time students in England, who were excluded from the 2004 HE Act and, unlike full-time students, still have to pay fees up-front are also treated less favourably in the funding and student support regimes in Wales and even less favourably in Scotland. The differential treatment of part-time students in all of the UK's home nations stands in sharp contrast to other countries with well-developed higher education systems which operate student support regimes that are 'mode blind' i.e. the right of students to access fee loan and / or maintenance support in these countries is based on household income and no distinction is made between students on the basis of mode of study.

**Social Inclusion**
It is impossible to divorce the debate about fees from the debate about social inclusion and social mobility. Universities in England have achieved widely varying degrees of success in the admission of students from less advantaged backgrounds. In the context of higher education, social mobility has been defined as delivering opportunities to progress in terms of graduate employment to higher status occupations in comparison to the occupational and family background of the same students when they enter university, as well as an ability to increase earnings compared to those with similar qualifications who did not progress to university. Universities in England which have been granted university title since 1992[7], continue to be overwhelmingly more successful in promoting social mobility than older institutions[8].

[6] Science, engineering, technology and mathematics (although some practice-based STEM subjects were excluded).

[7] University title is awarded by the Privy Council to higher education institutions in respect of teaching and degree awarding powers subject to the conditions set out in the Further and Higher Education Act 1992.

[8] million+ report on 'Social Mobility: Universities Changing Lives', 2007. These post-92 universities recruit many more students from disadvantaged backgrounds, significantly more women, students who enter university later in life and one in eight of their students study part-time.

**"It would undermine any concept of fairness if the outcome of the Fees Review reduced participation"**

This is despite these post-92 universities having less access to research funding because of historical patterns of distribution and substantially less access to endowment funds.

They also educate the majority of the higher education students in the UK. Over a quarter of the students graduating from just 24 of these modern universities are from ethnic minorities compared to an average for UK institutions of just over 16%. The average figures for all UK universities are much lower[9].

The well-established link between the price of higher education, student support levels and participation was recognised in the student support arrangements made available to full-time students by the 2004 HE Act[10]. The impact of the introduction of variable fees from 2006 was mitigated by the provision of fee loans and the re-introduction of maintenance grants for full-time students. As a result full-time students domiciled in the UK or the EU studying at English universities are not required to pay fees upfront. Fee and maintenance loans and maintenance grants (available to help full-time students with their living costs) are provided by the government and administered by the Student Loans Company. Crucially, these fee and maintenance loans are paid back *after* graduation (or after a student leaves a course) on rates determined according to income.

It would undermine any concept of fairness if the outcome of the Fees Review reduced participation or resulted in the universities which teach the majority of the higher education students in England and which are most successful in terms of all equality indicators, having access to much lower levels of teaching funding and a lower per capita unit of student resource. Any future funding system will have to be assessed in terms of its anticipated impact upon social inclusion, other standard equality indicators and its likely impact on the majority of students and the universities that teach them.

**The market**

Since 2004, the debate about fees and funding has also been a debate about the extent to which a highly differentiated market in fees would resolve the problems of under-investment. The proponents of this solution are clearly looking to a US-style model of higher education. However, there are more egalitarian (and successful) models offered in Europe – for example, in Sweden (one of the most successful countries in terms of innovation) and the Netherlands (where participation has increased in spite of a declining number of 18 year-olds)[11].

It is likely that a highly differentiated market would reinforce current patterns of recruitment and this would need to be considered against the goals of social inclusion to which all mainstream political parties in the UK currently subscribe. There is also a risk that graduate employment prospects would be damaged if employers used price as a proxy for degree or graduate quality, bearing in mind that the recruitment practices of some employers already serve to undermine fair access to the professions.

Moreover, all universities in England trade internationally on both the quality of the education that they offer and their world-leading research[12]. Any market which undermined the capacity of universities in England to attract UK-domiciled students or which undermined the ability of all universities to compete internationally, including through trans-national higher education partnerships in teaching, research and knowledge transfer, would risk damaging the strategic role of UK higher education in the UK economy.

[9] Ibid. Asian students make-up just over 8% of the total student body and black students make up less than 2.5%. These figures do not tell the whole story: nearly 60% of all black graduates and around 36% of all Asian graduates study at these universities.

[10] There are other cultural issues related to fee and funding systems which influence participation for example, debt aversion.

[11] See Reality Check: student finance regimes million+ / London Economics pub Nov 2007 for a summary of the UK's and other countries funding regimes.

[12] See Universities and international higher education partnerships: making a difference million+ research report Jan 2009 for a review of the international links and collaborations of 28 modern universities in both teaching and research.

Without other adjustments, a market in full-time fees would also increase the inequity in resource flows to those universities which offer flexible, part-time options as well as full-time courses and it would do nothing to address the current disadvantageous part-time student support regime.

**Quality**
The introduction of variable fees has raised the question as to whether quality in England's universities has improved as a result of the additional income universities receive from the Exchequer in respect of deferred fees.

The deployment of this additional fee income has to be set against the historic underfunding in the unit of resource, requirements for universities to address issues of staff remuneration and pensions as well as facilities for students, expanded student numbers, the strategic developments which the government has required Hefce and universities to deliver through the teaching grant and the amendments in teaching funding since 2006. Compared to research, the teaching grant has been treated less favourably in both revenue and capital allocations in the government's annual grant to Hefce with teaching receiving lower overall percentage annual uplifts. The differential treatment of teaching and research has implications for institutional income from Hefce: universities which receive more research funding (but have less undergraduate students) have enjoyed greater annual uplifts in resources. These institutions also have access to much higher levels of annual endowment income.

There are risks that the relationship between additional 'fee' funding and quality is confused. All students deserve a quality education wherever they study, however they study and on whatever course they choose to study. The courses available in universities are wide-ranging and complex: there is no national curriculum; some are directly linked with entry into certain professions where professional bodies identify criteria in terms of staff ratios and course content; others include work experience, clinical or other placements which are assessed as part of the degree qualification or are based in the workplace. There is no good or reliable proxy to assess the extent to which 'quality' has been improved through additional fee income – although the National Student Survey consistently shows high levels of satisfaction and universities take its findings extremely seriously.

Wherever they study, students deserve to have an education where standards are assured and this is important for employers and government. All UK universities are quality assured by the Quality Assurance Agency and while improvements to the current regime are being developed, the system operated in the UK is highly regarded internationally.

**Student support and graduate contribution**
It is important to make a distinction between support available to students while they are studying (student support) and the contributions which graduates make towards the cost of their higher education once they are in employment (graduate contribution). Research confirms that the more paid work students undertake to support themselves when they are in higher education, the less favourable outcome they are likely to achieve in terms of degree qualifications[13].

[13] Callender, C., 2005. 'Part-time students and part-time study', UUK/HEFCE.

Unsurprisingly, students from the least well-off backgrounds undertake more paid work. A reduction in support for students while they are at university therefore risks students undertaking even more paid work and increasing dependency upon bank loans at less preferential interest rates than those provided by the government. The impact of reductions in the support available to students while they are studying also has to be assessed against the risk that some students (and their families) might perceive higher education as being 'less affordable'.

**The million+ and London Economics research**
million+ commissioned London Economics to undertake a detailed investigation of the costs of the tuition fee, student support arrangements and the teaching funding which support the teaching of undergraduate students in English universities. In particular, London Economics was asked to identify the contributions made by the Exchequer, universities, students and graduates (referred to for the purposes of this report as key stakeholders). The aim was to provide a clear picture of the costs of the current system and to investigate the impact of alternative scenarios.

The analysis illustrates the various elements of the current student support arrangements (grants, bursaries and loans for full-time and part-time students) and assesses the resource flows between the various key stakeholder groups. An interactive model has been created, that allows any number of variables underpinning student support and teaching funding to be amended, to illustrate the relative impact of those changes on the key stakeholders compared to the current resource flows.

**The costs of teaching undergraduate students**
**Full-time students**
A summary of the full-time student support system which covers fee loans, maintenance grants, maintenance loans and statutory bursaries applicable in 2009-10 appears at Appendix A (Table 1).

In 2009/10, full-time undergraduate students are eligible to receive a maintenance grant of £2,906 per annum if residual household income is less than £25,000 per annum (as illustrated in Table 1). The maintenance grant is reduced by £1 for every £5 increase in household income up to £34,000 after which the maintenance grant is reduced by £1 for every £7 increase in household income up to £50,020. Information from a 2008 Office for National Statistics Statistical First Release (SFR 05/2008) indicates that 40% of 2008 Entry Cohort students received the full maintenance grant i.e. 40% have residual household incomes of less than £25,000, a further 29% received a partial grant, and 31% of full-time students received no maintenance grant.

Based on this information and associated assumptions relating to the distribution of household income, London Economics estimate that the average maintenance grant across the *entire* full-time student population stands at £1,405 per annum.

The student loans available to full-time undergraduates are also outlined in Appendix A (Table 1). Using the same assumptions as those adopted in relation to full-time maintenance grants and information from the 2007/08 Student Income and Expenditure Survey and Hefce, London Economics have estimated that the average full-time student maintenance loan is £3,758 per annum.

All full-time students are eligible for a fee loan to cover the full cost of their variable fee. By the 2009/10 academic year the maximum annual fee which could be charged to full-time students stood at £3225 – a fee levied by almost all universities.

Repayment of either the fee or the maintenance loans available to full-time students commences at the start of the tax year following a student graduating or leaving the course. Repayment is income-contingent and only occurs where a graduate's income is more than £15,000 per annum. Repayments are paid at the level of 9% of the graduate's earnings in excess of £15,000 and are automatically deducted at source from gross salary. Currently any part of a student loan left unpaid 25 years after the repayment start date (i.e. the April after course completion) is written off. Write-off also occurs if a graduate becomes disabled and unable to work, or in the event of death.

Students who have studied full-time currently have the option to defer the repayment of their student loan for a period of up to two years (exercised in either one two-year period or a combination of two single year periods). The loan increases by inflation during the deferment period. The period for which the loan will be 'live' increases by the number of years for which the loan has been deferred. For example, if loan repayments have been deferred for one year, then the period of time until debt forgiveness is triggered increases from the current standard 25 years to 26 years.

### Part-time students

The 2004 HE Act was not even-handed in its treatment of students. In spite of the long-tradition of British universities offering flexible and part-time routes to study, part-time students were excluded from the Act's provisions. As a result, unlike their full-time counterparts who have accessed fee loans since 2006, part-time students are still required to pay their fees upfront. This omission has had predictable and serious consequences for both participation and resource flows into those universities which offer part-time and flexible study options as well as full-time courses.

Many of these universities have been unable to charge pro-rata full-time fees because their part-time students cannot afford to pay this level of fee upfront. As a result, these universities have not had access to additional fee income to the same extent as universities which primarily teach full-time students. Ironically, in spite of the Government's stated support for more flexible provision, the 2004 HE Act provides a clear resource incentive to universities which offer full-time student places and disadvantages financially those universities which have traditionally offered, or sought to develop, more part-time and flexible options of study.

The consequences of excluding part-time students from the 2004 Act was tacitly acknowledged by the Government which introduced some support for part-time students. This support is summarised in Table 2 of Appendix B. However, in comparison to the support available to full-time students, that available to part-time students is highly unfavourable.

[14] An income-contingent grant contains a 'cap', over which point / amount the grant will no longer be paid out.

[15] Basic household income cap for a full fee grant stands at £16,510 if the student is single and £18,510 if in a couple. The household income cap increases depending on the number of children in the household: by £2,000 for the first child and by £1,000 for each child thereafter (for both single and couple students). As income increases by £1,000 beyond the income cap, grants are withdrawn at the rate of £80 per £1,000, £100 per £1,000 and £130 per £1,000 for students engaged on part-time courses between 50-59%, between 60-74% and above 75% of a full-time course respectively.

**"The priority of any Fees Review must be to equalise support for part-time students."**

There are no maintenance or fee loans available to part-time students. While a fee grant is available to help part-time students with tuition fees, the maximum value of the grant depends on the intensity of the course as follows:

| | |
|---|---|
| Less than 50% of a full-time course: | £0 |
| Between 50% and 59% of a full-time course: | £805 |
| Between 60% and 74% of a full-time course: | £970 |
| More than 75% of a full-time course: | £1,210 |

This grant is means tested but with a relatively low basic household income cap[14]. Coupled with the fact that the majority of part-time students study at less than 50% of a course per annum, very few students are eligible for any fee grant[15].

Undertaking a similar exercise in respect of the student support available for part-time students, outlined in Appendix B (Table 2), London Economics estimate that across all part-time students, the average fee grant stands at £230 and the average course grant stands at £130[16].

There has been a decline in part-time enrolments since 2006. This decline stands in sharp contrast to full-time enrolments, which after an initial dip in 2006 (the year when variable fees were first introduced by English universities), have continued to increase significantly.

The omission of part-time students from the 2004 HE Act has also had consequences for widening participation. Since 2006, students at English universities who commence their studies on a full-time basis but who wish or need to transfer to part-time, have faced a much less favourable student support regime and a requirement to pay fees upfront. Although UK universities achieve significantly better completion rates than their European universities, the more hostile part-time regime is likely to have contributed to higher non-completion rates both in respect of students wishing to transfer from full-time to part-time but also in respect of part-time completion. The priority of any Fees Review must be to equalise support for part-time students and ensure that both they and the universities which offer flexible options to study, are no longer disadvantaged.

**RAB (The Resource Accounting and Budgeting Charge)**

The Exchequer funds a loan subsidy measured by the Resource Accounting and Budgeting charge (RAB). This is a calculation of the proportion of the nominal loan value that the Department for Business, Innovation and Skills (BIS) does not expect to be repaid (in present value terms[17]). It is affected by the current criteria applied to graduate repayment – principally the zero real rate of interest subsidy and debt forgiveness after 25 years (or in the case of permanent disability or death).

London Economics have estimated that the RAB Charge stands at 26.9% (excluding the two year option to defer repayment)[18]. This implies that for every £1,000 in loans that are provided by the government, approximately £731 would be expected to be repaid (in present value terms) with the remaining £269 being 'lost' to the Exchequer as a result of write offs and interest rate subsidies.

A course grant is available to part-time students to help with study costs such as books, materials and travel regardless of intensity of study but is means-tested. In 2009/2010, the maximum course grant was £260 with basic household income cap for a full course grant standing at £25,510 for a single student and £27,505 if in a couple. The household income caps increase depending on the number of children in the household: by £2,000 for the first child and by £1,000 for each child thereafter (for both single and couple students). As household income increases by £1,000 beyond the income cap, grants are withdrawn at the rate of £110 per £1,000.

[16] This estimate is based on the average number of dependent children for single and couple part-time students obtained through analysis of the LFS.

[17] The present value is defined as the discounted value of a payment or stream of payments to be made or received in the future, taking into consideration a specific interest or discount rate. The present value represents a series of future cash flows expressed in today's money terms.

[18] Based on graduate earnings profiles from the Labour Force Surveys and the administrative information relating to the criteria for repayment of loans.

Other estimates suggest that the RAB cost would be significantly increased by the imposition of the repayment 'holiday'[19]. London Economics have estimated that the option for a two-year repayment holiday adds approximately 2.0% to the RAB charge – equivalent to £20 per £1,000 of loan provided by the Exchequer.

**Funding for Teaching**
In addition to student support, the Exchequer provides funding for teaching through BIS. This is distributed to universities by Hefce according to the number of students in each subject band (the latter being deemed to reflect differing cost bases of different subject areas) in each university. The teaching grant to universities varies not only according to the number of students in each band but also according to the proportion of students studying full-time and part-time.

Previous models seeking to assess the consequences of amendments to fees have frequently failed to take account of the Exchequer's contribution in terms of teaching funding and the inter-relationship between tuition fee income and mainstream Hefce teaching allocation.

**Institutional Resource Flows**
In order to more accurately track these resource flows, million+ asked London Economics to divide English universities into two separate groups to reflect the levels of full-time and part-time students undertaking undergraduate degrees. In very general terms, universities which are described as 'mixed mode' recruit part-time students to a greater extent than institutions designated as 'full-time'.

For these purposes, 'mixed mode' universities have at least 17% of students enrolled on a part-time basis compared to 13% for 'full-time' Institutions. Details of the allocation of institutions to these two groups are provided at Annex 1.[20]

Taking into account the distribution of students across mode of attendance and Hefce teaching funding allocations by subject banding, the Hefce mainstream teaching funding made available to universities for the cohort of students entering higher education in 2009/10 is outlined in Table 1.

In addition to mainstream teaching funding, Hefce also provides funding to institutions through targeted allocations. These provide additional funding for areas of higher education that Hefce (and the government) designates as particularly important. However, they are not included in the model as, in general, this funding will not vary according to the model parameters[21].

**The Principle of Additionality: Hefce teaching grant and tuition fee income**
In 2004, the Westminster Government committed to the principle of 'additionality' – meaning that the additional funding provided by graduates in English universities through the repayment of fee loans, was to be additional to the public unit of resource provided through the annual teaching grant to Hefce. This principle of 'additionality' was approved by MPs, Peers, universities and by students. The logic was obvious: the introduction of variable fees for full-time students was not intended to absolve future governments from funding higher education or to provide an excuse to cut the public funding for teaching in England's universities.

[19] Chester, J. and Bekhradnia, B. (2008) "Funding Higher Fees: Some Implications of a Rise in the Fee Cap", Higher Education Policy Institute, April 2008. In particular, it is suggested that a five-year repayment holiday (in place at the time) might increase the RAB charge from 21% to 26% on maintenance loans and from 33% to 36% on fee loans. The five year deferment period has been reduced to two years.

[20] It is important to note that the findings of the model are not particularly sensitive to assumptions in relation to the allocation of institutions at the margin. In other words, there may be a small number of institutions that are designated as 'full-time' institutions but might be considered 'mixed mode' institutions and vice versa. The re-allocation of a small number of these institutions does not change the overall conclusions of the analysis.

**"The introduction of variable fees for full-time students was not intended to absolve future governments from funding higher education"**

**Table 1: HEFCE mainstream teaching allocation**

| | Full-time | Mixed Mode | Total |
|---|---|---|---|
| Full-time | £2,160m | £1,456m | £3,616m |
| Part-time | £26m | £181m | £207m |
| **Total** | **£2,186m** | **£1,637m** | **£3,823m** |

Source: London Economics' analysis of HEFCE and HESA data.

**Table 2: Tuition fee Income and Bursary expenditure**

| | Full-time | Mixed Mode | Total |
|---|---|---|---|
| Full-time | £1,668m | £1,125m | £2,793m |
| Part-time | £15m | £100m | £114m |
| Total (gross) | £1,783m | £1,225m | £2,907m |
| Bursaries | (£63m) | (£42m) | (£105m) |
| **Total (net)** | **£1,720m** | **£1,187m** | **£2,802m** |

Source: London Economics' Student Finance Model.

In practice, the average funding per full-time equivalent student (FTE) is net of an *assumed fee*, which Hefce currently assumes to stand at £1,255. The assumed fee is essentially equivalent to the up-front fee that was paid by full-time students prior to the introduction of differential fees in 2006. The assumed fee was designed to ensure that higher education institutions received the *variable* element of the fee, while the withholding of the initial £1,255 was intended to reduce the contribution made by the Exchequer towards higher education.

**Additional Fee Income**

Using the two groupings of institutions previously described, the resource flow to universities associated with additional fee income can also be calculated. In this respect London Economics have assumed that all students pay the maximum permissible fee (£3,225 under current circumstances for full-time students and approximately £816 for part-time students). Although this assumption is marginally higher than in practice, the maximum tuition fee has been selected to illustrate the potential exposure to students associated with fees, as well as to the Exchequer if loans are provided to pay for these fees.

Based on these fee assumptions and the distribution of students by mode of attendance and institution, 'full-time' institutions are expected to receive approximately £1.668 billion in tuition fee income from full-time undergraduates along with an additional £15 million from part-time students. 'Mixed mode' universities are expected to receive £1.125 billion in tuition fee income from full-time undergraduates and an additional £100 million from part-time undergraduate students. This is illustrated in Table 2.

[21] There is a targeted allocation available for part-time undergraduates. However, this is not directly related to the number of students at each institution but instead reflects a split of the total budget between institutions dependent on the number of part-time students. Further, the budget for this is relatively small (£43 million in 2008/09).

**Table 3: Exchequer costs by higher education item**

| Item | Exchequer Cost |
|---|---|
| HEFCE Teaching Grant (FT) | £3.616 billion (54%) |
| HEFCE Teaching Grant (PT) | £0.207 billion (3%) |
| Grants to full-time students | £1.142 billion (17%) |
| Loans to full-time students | £1.688 billion (25%) |
| Grants to part-time students | £0.050 billion (1%) |
| **Total** | **£6.704 billion (100%)** |

Source: London Economics' Student Finance Model.

**Figure 1: Baseline resource flows**

| | | To | | | | |
|---|---|---|---|---|---|---|
| | | Students | FT Inst. | MM Inst. | Exchequer | **Total** |
| From | Students | NA | £1,620m | £1,182m | (£2,880m) | **(£78m)** |
| | FT Institutions | (£1,620m) | NA | NA | (£2,186m) | **(£3,807m)** |
| | MM Institutions | (£1,182m) | NA | NA | (£1,637m) | **(£2,819m)** |
| | Exchequer | £2,880m | £2,186m | £1,637m | NA | **£6,704m** |
| | **Total** | **£78m** | **£3,807m** | **£2,819m** | **(£6,704m)** | **£0m** |

Source: London Economics' Student Finance Model.

Against this fee income, all universities are assumed to provide a bursary to those students in receipt of the maximum maintenance grant equivalent to 10% of the tuition fee – equivalent to £323 per student.

**The Exchequer**

The current cost to the Exchequer associated with the funding of higher education stands at £6.704 billion, of which £3.616 billion is associated with the Hefce teaching grant for full-time students; £207 million relates to the Hefce grant associated with part-time students; £1.142 billion relates to the costs of providing grants to full-time students; £1.688 billion relates to the costs of subsidising loans for fees and maintenance. The remaining £50 million in Exchequer costs is accounted for by the part-time student fee grant and course grant. This information is presented in Table 3 together with the baseline resource flows in Figure 1[22].

[22] The baseline model assumes that there are 296,835 full-time students entering higher education in 2009/10 of whom 177,305 attend 'full-time' universities and 119,530 attend 'mixed mode' institutions. In addition, the baseline scenario assumes that there are 56,390 part-time undergraduates, of whom 7,204 attend 'full-time' universities and 49,186 attend 'mixed mode' institutions.

# Alternative scenarios

A key aim of the million+ and London Economics project was to provide a tool to model the impact on the 2009/10 baseline assumptions of alternative scenarios to the present fees and funding regime – for example, the option of 'no fees' for those living at home[23] or an increase of fees by £4000 per annum[24].

**Alternative scenario 1:**
**No fees, no maintenance**

To assess the potential outcomes of this live at home 'no fees' model, London Economics assumed that students that study at university whilst living at home paid no tuition fees and became ineligible for maintenance grants and maintenance loans. It was also assumed that all students living at home took up the option not to pay tuition fees and that there was no behavioural change amongst students, in the sense that there were no students who would have studied away from home but decided, instead, to study whilst living at home to avail of this 'free fee' option.

Universities could not be expected to forgo additional fee income and would require a guarantee that a proportion of the latter would be made up from additional Hefce grant for all 'no fees' students. Accordingly, it was assumed that universities who accepted 'no fees' students would receive 90% of the tuition fee charged to those students not living at home (currently £3,225) from the Exchequer.

Overall, the change in resource flows is relatively neutral in this model, with the Exchequer £44 million per annum better off; students £19 million better off and higher education institutions £63 million worse off as a result of the shortfall in funding.

However, looking at the disaggregated components of the changes in funding is interesting. Specifically, although institutions receive £629 million less in tuition fee income from students, approximately £566 million of this is compensated for by the Exchequer.

The relative cost neutrality associated with this option only holds if all other elements of the current student support arrangements are maintained at current levels and there is no behavioural change amongst students. If there is an increase in the tuition fee for those students that are not living at home, the policy becomes highly advantageous for universities but cost negative for the Exchequer and students who study away from home. Moreover, if it was considered that, as at present, students needed some element of maintenance support when living at home, the Exchequer would be further disadvantaged. An increase in the number of students choosing to study at home would also have financial costs for the Exchequer.[25]

A 'no fees, no maintenance' option would have unintended consequences for students: it would introduce even greater complexity into the system and would disadvantage students from the same household income according to where they chose or needed to study. This scenario also relies on an urban model and easy geographic access to higher education. It has the potential to benefit students from higher income families who live or who could purchase property near to the university of their choice. The presumption that students living at home do not need any recourse to maintenance support is also highly questionable.

[23] 'Unleashing Aspiration: The Final Report of the Panel on Fair Access to the Professions', Panel on Fair Access to the Professions, July 2009.

[24] Modelled for full-time students by UUK.

[25] The Exchequer would be disadvantaged if there was any increase in fees because 'no fees' students living at home would not make any graduate repayments but universities would continue to expect to receive additional fee income. This would have to be provided through the teaching grant. Students living away from home would also be disadvantaged because they would have to make greater contributions to their higher education as a result of the increase in fees and the RAB charge to the Exchequer would also increase.

However, a 'no fees, no maintenance' policy is certainly not a cheap option for the Exchequer – and it would do nothing to alleviate the position of part-time students who would remain significantly disadvantaged.

**Alternative scenario 2:**
**Increasing fees to £7225**
London Economics modelled the impact on resource flows of an increase of £4000 per annum in the maximum fee charged by institutions i.e. a fee of £7,225. If the same eligibility criteria and repayment conditions as currently the case are applied, the net impact of the increase in the tuition fee cap and associated loans means that the Exchequer would be significantly worse off – to the order of £1.121 billion per annum.

The primary driver of this outcome is the increased level of subsidised loans made available to full-time students. Clearly, 'full-time' universities in particular would be significantly better off as they would be in receipt of higher tuition fees from full-time students. Students would be significantly worse off. In particular, students would pay an additional £3.10 billion to institutions in tuition fees; but would be subsidised by approximately £1.40 billion through the loans system, leaving a net deterioration in their financial position of approximately £1.65 billion.

Part-time students would remain significantly disadvantaged and there would be even less incentive for universities to develop flexible modes of study.

In economic terms, it has to be assumed that students will respond to changes in the tuition fee charged by universities. London Economics have assumed that the elasticity of demand stands at -0.05 – a fairly modest assumption. This means that if all universities were to raise the price of tuition by 20%, then there would be a reduction in the quantity of higher education demanded by 1% (implying that students would consider higher education as an investment good).

On this basis, increasing the costs associated with entering higher education to over £7000 per annum would dissuade approximately 17,000 students from entering per annum – although this reduction in student numbers may have longer term impacts on economic growth and hence tax revenues.

# Fair Funding for All

## "Universities should be free at the point of study to all undergraduate students"

**Alternative scenario 3:**
**Fair Funding for All**
Using the modelling tools developed by London Economics, million+ has sought to identify the key components and principles of a fair funding system for universities in England, bearing in mind the impact on all stakeholders i.e. students, graduates, universities and the Exchequer. This system must be sustainable, innovative and affordable and should be based on a number of key principles:

> **Universities should be free at the point of study to all undergraduate students**

> **Full and part-time students should have equal access to student support**

> **There should be a right to study at university – meaning that governments need to commit to sufficient funding so that all those who are qualified and can benefit from higher education have the right to study at universities which are well-resourced whichever course they choose to study, at which ever university they choose**

> **Fee and funding policies need to continue to encourage people of all ages to aim for the highest level of education possible for each individual**

In spite of the hopes of its advocates, the 2004 HE Act did not produce a long-term funding settlement for higher education in England. The latter now needs to be built on the basis of a partnership between students, universities, graduates and the Exchequer.

With London Economics, million+ has considered how a more sustainable, innovative higher education funding system for England can be funded. The model that we have scoped includes the following components:

(i) Comparable treatment for full-time and part-time students
The current differential treatment of full-time and part-time students is unfair, limiting the development of flexible options to study, undermining participation and creating inequity in institutional income. Accordingly a fair funding model must start from the premise of comparable treatment of full-time and part-time students.

It is not possible to ensure that the treatment of part-time undergraduates is *identical* to full-time students. However, to make the support systems more comparable, a support system should be made available to all part-time students studying on courses for more than 30% of a full-time course (rather than the current situation when funding is unavailable to students studying at less than 50% of a full-time equivalent). The provision of loans and the level of grant available would increase as the intensity of study increases. Another priority of the Fees Review is to achieve a system that is simplified. Accordingly, in this model the course grant (currently applicable only to part-time students) has been removed so that, as far as possible, the full-time and part-time systems are aligned and 'on the same page.'

This option (illustrated in Table 4) would also introduce fee loans on the same terms as for full-time students. The maximum loan available to an individual studying between 30% and 49% FTE would be £1,000 per annum, increasing to £3,200 per annum for a student studying more than 75% FTE.

The aggregate impact of this policy is clearly to make students better off (by £67 million) based on current student numbers. Although London Economics have assumed that the number of part-time students remains unchanged, clearly the increased support associated with part-time study is likely to result in more people entering university who would not previously have considered the higher education option as a result of the lack of student support.

However, there are also efficiency gains associated with this option that have not been monetised. Specifically, the impact of this policy would be to provide an alternative option to those students thinking about quitting full-time higher education. Currently, full-time undergraduates might be faced with the choice of quitting university or considering a part-time degree where fees must be paid up-front with minimal grants and no subsidised loans. Making part-time study more attractive may result in some individuals continuing in higher education that would otherwise not have been the case. This way, the initial investment in full-time students, who currently do not complete courses, would not be lost.

The aggregate impact on the Exchequer of this option is to increase the costs of funding higher education by £158 million. This increase in costs is as a result of the increased cost associated with enhanced grants (£64 million), and the interest rate subsidies on maintenance loans (£122 million), minus a small adjustment associated with the elimination of the course grant.
This negative impact on the Exchequer could be removed – for example by the addition of just a 0.5% increase in the rate levied on student loans.

Universities are better off as a result of receiving additional tuition fee income. Given the relatively high proportion of part-time students attending 'mixed mode' institutions, the model predicts that 'mixed mode' institutions will be £79 million better off, while 'full-time' institutions might be £12 million better off.

This option would have the very great advantage of removing the requirement for part-time students to pay fees upfront. Moreover it would deliver a key principle – studying at university for all first-time undergraduates would be free at the point of access. This model immediately provides a much fairer funding system for students and universities.

### (ii) Student Support

Students and their families make considerable sacrifices, financial and other contributions to support students to study at university. Some 20% of students make no call on the fee and maintenance support that is available i.e. they and their families make no call on the state to fund their participation in higher education. For the majority of students, the student support made available through the Exchequer to help with their living and maintenance costs while they are studying at university is an important component of successful participation in higher education. Other than making full-time and part-time support comparable, *Fair Funding For All* assumes that the current level of student support available to students while they are studying at university, should be maintained.

### (iii) The Exchequer Contribution

Exchequer support for higher education and funded numbers is clearly under pressure. It would be unrealistic to expect the Fees Review to promote a unified system for students and gains for universities without considering how current arrangements could be modified to create a fairer funding model for the Exchequer and release funding for the other investment required in higher education.

**"The current level of student support available to students while they are studying at university should be maintained."**

**Table 4: Assumptions behind consistent treatment of part-time students**

| | Full-time (LAFHOL[26]) | Part-time (current) | Part-time (suggested) |
|---|---|---|---|
| Tuition fee | £3,225 (max) | £816 (average) | £1,613 (average) |
| Grant | £2,906 (max) | <30% FTE: zero<br><30 - 49% FTE: zero<br>50 - 59%: £805<br>60 - 74%: £970<br>>75%: £1,210 | <30% FTE: zero<br><30 - 49% FTE: £1,000<br>50 - 59%: £1,600<br>60 - 74%: £2,000<br>>75%: £2,400 |
| Course Grant | – | £260 | Zero |
| Loan | £4,950 (max) | Zero | <30% FTE: zero<br><30 - 49% FTE: £1,000<br>50 - 59%: £2,000<br>60 - 74%: £2,800<br>>75%: £3,200 |

Source: London Economics' Student Finance Model.

**Figure 2: Providing part-time students with similar support to full-time students**

| | | To | | | | |
|---|---|---|---|---|---|---|
| | | Students | FT Inst. | MM Inst. | Exchequer | **Total** |
| From | Students | NA | £1,633m | £1,270m | (£3,048m) | **(£145m)** |
| | FT Institutions | (£1,633m) | NA | NA | (£2,185m) | **(£3,819m)** |
| | MM Institutions | (£1,270m) | NA | NA | (£1,628m) | **(£2,898m)** |
| | Exchequer | £3,048m | £2,185m | £1,628m | NA | **£6,862m** |
| | **Total** | **£145m** | **£3,819m** | **£2,898m** | **(£6,862m)** | **£0m** |
| | Difference from 2009/10 | **£67m** | **£12m** | **£79m** | **(£158m)** | |

Source: London Economics' Student Finance Model.

[26] Living away from home outside London.

*Fair Funding for All* proposes that amendments to a graduate contribution system would produce a fairer outcome for the Exchequer, help support additional long-term investment in higher education and would not substantially affect participation.

### (iv) The Graduate Contribution

There are a number of features of the current graduate contribution arrangements in England which should be amended in order to support government investment in universities and expand funded places, while ensuring that student participation is not substantially affected.

Graduates do not repay contributions until their earnings reach £15,000 a year – and contributions are set aside in the event that, if for whatever reason, earnings fall below that sum. In view of these safeguards, the current option to defer graduate contributions by two years should be removed.

The graduate contribution period of 25 years in England is comparatively short compared to that already adopted in other countries and in some national schemes, write-off only occurs on death. Accordingly, the graduate contribution period in England should be extended – for example to 35 years. This would equalise graduate repayment periods in England and Scotland (which has already adopted a 35 year repayment period).

There is also a case to consider the introduction of a real interest rate of a maximum of 2% on loans provided by the Exchequer to students.

This graduate repayment scheme, when combined with the offer that all undergraduate should be able to study at undergraduate level free, would produce a fairer funding system for the Exchequer and students. Taken together and based on the 2009/10 resource flows it would create additional investment of over £1 billion (£1,090m).

As at present, those students (full-time and part-time) who want to pay their contribution to higher education upfront could continue to do so. Moreover, if a graduate wished to pay off their contribution early they would still be entitled to do so without having to pay any long-term interest such as that which would be levied by commercial lenders on personal loans.

### (v) A Partnership to deliver Fair Funding

It is perfectly possible to assess the impact on resource flows for all stakeholders of increases in tuition fees. However, key issues of principle surrounding the future investment required in England's universities need to be resolved by government. The resource envelope available after 2011 is not yet agreed by government. There also continue to be risks that the public funding of higher education will be reduced further in 2010.

The graduate repayment levels which increases in tuition fees would imply, have to be linked with transparency of approach by MPs and government. The extent to which students and graduates will be the stakeholders expected to meet the shortfall in investment in higher education needs to be settled. This will depend on the extent to which a partnership can be established in which government makes clear its own commitment to address the under-funding of teaching (which remains a feature of English higher education) and the investment required to deliver expansion and retain quality.

In addition and in particular, universities and the students and graduates of the future will expect that sufficient funded places are provided by government at universities which are well-resourced to allow all those who want to study at university to do so.

Government, MPs and political parties need to make clear whether they accept the principles of *Fair Funding for All*, whether they will invest in higher education, what the implications of the level of that investment are for funded student numbers and participation and what the relationship is between the investment that they are prepared to make and the contributions which they expect graduates to repay.

## Conclusions

Under *Fair Funding for All*, higher education is free to all undergraduate students at the point of access; all students whatever their mode of study are treated comparably; current levels of support for students while they are studying at university are retained; the Exchequer would provide the loan facility and well over £5 billion (£5,614m) of public funding for every cohort of students (full-time and part-time) to cover the costs of teaching funding and a unified system of student grant and loan facilities; graduate contribution terms are amended and the potential for additional investment of over £1 billion (£1,090m) in higher education is created.

*Fair Funding for All*, based on the principles outlined, offers the prospect of a more sustainable, flexible and fairer funding system which is much more likely to maximise opportunity and the participation in higher education which is the bedrock of an inclusive society and an innovative and sustainable economy.

# Appendix A
## Full-time Students

**Table 1: Summary of 2009/10 fees and student finance package – United Kingdom Full-time undergraduates studying in England**

| Fees | Grants/ Bursaries | | Loans | |
|---|---|---|---|---|
| Tuition fee charged: Yes | Grants Available: | Maintenance only | Loans Available: | Maintenance and Fees |
| | Maximum Grant: | £2,906 | | |
| | Eligibility criteria: | Income | Min/Max Loan (Main): | £3,497 (non means tested)/ £4,950 total (LAFHOL) |
| Fixed/Differential: Differential | Means Tested: | Yes | | £5,475 (non means tested)/ £6,928 total (LAFHIL) |
| Maximum/Cap: £3,225 | | | | £2,385 (non means tested)/ £3,838 total (LAH) |
| Up front/deferred: Deferred | | | Maximum Loan (Fee): | £3,225 |
| | | | Means Tested: | Maintenance loans - partially; fee loans - no |
| | Details: Household residual income (for dependent students): | | Details: Household residual income* (for dependent students): | |
| | £0 - £25,000 | Maximum grant (£2,906) | £0 - £25,000 | Maximum loan - £1,453 |
| | £25,000 - £34,000 | £0.20 reduction per £1 in income | £25,000 - £50,778 | £0.50 increase per £1 fall in grant |
| | £34,000 - £50,020 | £0.07 reduction per £1 in income | £50,778 - £57,708 | £0.20 fall per £1 increase in income (LAFHOL)** |
| | £50,020+ | £0 | £50,778 - £60,478 | £0.20 fall per £1 increase in income (LAFHIL)** |
| | | | £50,778 - £56,153 | £0.20 fall per £1 increase in income (LAH)** |
| | Bursaries Available: | Yes | Repayment Criteria: | |
| | Minimum Bursary: | 10% of tuition fee for students receiving full maintenance grant in HEIs charging maximum fee | Repayment mechanism: | Income contingent loan |
| | | | Real Interest Rate: | 0% |
| | | | Income threshold: | £15,000 |
| | | | Repayment Rate: | 9% of income above threshold |
| | | | Write off period: | 25 years post graduation, permanent disability/death |
| | | | Option to defer: | Yes, 2 years |
| | *residual income is defined as gross income (before tax and NI) and taking off allowances for the following: Pension scheme payments that qualify for certain specified tax relief; £1,130 for any other financially dependent child; and £1,130 if the parent is also a student | | LAFHOL = Living away from home outside of London; LAFHOL = Living away from home in London; LAH Living at Home ** In a final year, these thresholds are £57,193, £59,608 and £55,653 respectively | |

Source: London Economics' Student Finance Model.

# Appendix B
## Part-time Students

**Table 2: Summary of 2009/10 fees and student finance package – United Kingdom Part-time undergraduates studying in England**

| Fees | Grants/ Bursaries | | Loans | |
|---|---|---|---|---|
| Tuition fee charged: Yes | Grants Available: | Course and Fees | Loans Available: | None |
| | Maximum Grant (Course): | £260 (09/10) | | |
| | Eligibility criteria: | Income | | |
| Fixed/Differential: Differential | Length of eligibility | 8 years | | |
| | Income cap for full course grant: | £25,510 (sing)/£27,510 (couple) | | |
| Maximum/Cap: Determined by HEI | Increase in income cap | £2,000 first child<br>£1,000 per additional child | | |
| Up front/deferred: Up front | Taper: | £0.11 reduction per £1 in income | | |
| | Maximum Grant (Fee): | £1,210 | | |
| | Eligibility criteria: | Income/course intensity | | |
| | Intensity – | | | |
| | < 50% FTE: | £0 | | |
| | 50 - 59% FTE: | £805 | | |
| | 60 - 74% FTE: | £970 | | |
| | >74% FTE: | £1,210 | | |
| | Income cap for full fee grant: | £16,509 (sing)/£18,509 (couple) | | |
| | Increase in income cap | £2,000 first child<br>£1,000 additional child | | |
| | Taper 50 - 59% FTE: | £0.08 reduction per £1 in income | | |
| | Taper 60 - 74% FTE: | £0.10 reduction per £1 in income | | |
| | Taper >75% FTE: | £0.13 reduction per £1 in income | | |

Source: London Economics' Student Finance Model.

# Annex 1
## Institutional Groupings

For the purposes of modelling the higher education institutions (as identified by HESA) in England were split into two groups: 'full-time' institutions and 'mixed mode' institutions. The institutions included in each group are listed below.

**Full-time institutions**

Aston University
Bath Spa University
The University of Bath
The University of Birmingham
Bishop Grosseteste University College Lincoln
The Arts Institute at Bournemouth
The University of Bradford
The University of Bristol
Brunel University
The University of Buckingham
The University of Cambridge
The Institute of Cancer Research
Central School of Speech and Drama
The University of Chichester
Conservatoire for Dance and Drama
Courtauld Institute of Art
Cranfield University
University for the Creative Arts
Dartington College of Arts
University of Durham
The University of East Anglia
The University of Essex
The University of Exeter
University College Falmouth
Goldsmiths College
Guildhall School of Music and Drama
University of Hertfordshire
Heythrop College
Imperial College of Science, Technology and Medicine
Institute of Education
The University of Keele
The University of Kent
King's College London
Kingston University
The University of Lancaster
Leeds College of Music
The University of Leeds
Leeds Trinity and All Saints
The University of Leicester
The Liverpool Institute for Performing Arts
The University of Liverpool
University of the Arts, London
London Business School
University of London (Institutes and activities)
London School of Economics and Political Science
London School of Hygiene and Tropical Medicine
Loughborough University
The Manchester Metropolitan University
The University of Manchester
The University of Newcastle-upon-Tyne
Newman University College
Norwich University College of the Arts
The University of Nottingham
The Nottingham Trent University
Oxford Brookes University
The University of Oxford
University College Plymouth St Mark and St John
The University of Portsmouth
Queen Mary and Westfield College
Ravensbourne College of Design and Communication
The University of Reading
Roehampton University
Rose Bruford College
Royal Academy of Music
Royal Agricultural College
Royal College of Art
Royal College of Music
Royal Holloway and Bedford New College
Royal Northern College of Music
The Royal Veterinary College
St George's Hospital Medical School
St Mary's University College, Twickenham
The School of Oriental and African Studies
The School of Pharmacy
Sheffield Hallam University
The University of Sheffield
The University of Southampton
The University of Surrey
The University of Sussex
Trinity Laban
University College London
The University of Warwick
The University of Winchester
Writtle College
The University of York

**Mixed mode institutions**

Anglia Ruskin University
University of Bedfordshire
Birkbeck College
Birmingham City University
University College Birmingham
The University of Bolton
Bournemouth University
The University of Brighton
Buckinghamshire New University
Canterbury Christ Church University
The University of Central Lancashire
University of Chester
The City University
Coventry University
University of Cumbria
De Montfort University
University of Derby
The University of East London
Edge Hill University
University of Gloucestershire
The University of Greenwich
Harper Adams University College
The University of Huddersfield
The University of Hull
Leeds Metropolitan University
The University of Lincoln
Liverpool Hope University
Liverpool John Moores University
London Metropolitan University
London South Bank University
Middlesex University
The University of Northampton
The University of Northumbria at Newcastle
The Open University
The University of Plymouth
The University of Salford
Southampton Solent University
Staffordshire University
University Campus Suffolk
The University of Sunderland
The University of Teesside
Thames Valley University
University of the West of England, Bristol
The University of Westminster
The University of Wolverhampton
The University of Worcester
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