

The future of higher education: what it means to students and parents



The Government published its White Paper *The future of higher education* in January 2003. This leaflet summarises how some of the key proposals would affect students, potential students and their parents. Some of these proposals will require Parliamentary Approval before coming into force, so legislation will be introduced to bring this about. Until Parliamentary Approval is obtained, these remain proposals, which may be subject to amendment before they are introduced.

THE FUTURE OF HIGHER EDUCATION: WHAT IT MEANS TO STUDENTS AND PARENTS

INTRODUCTION

In January 2003, the Government published its White Paper 'The future of higher education', setting out wide-ranging proposals for investment and reform. The Government believes our universities do a good job, and have changed radically over the last few decades. Many more people are going into higher education, bringing benefits to themselves, to the economy and to society as a whole. Our top universities are among the best in the world, and university research drives our business and industry.

But, the Government considers that if higher education is to continue to play an effective role, it needs to be able to expand even further and to provide the education people need when and where they need it. It needs to attract more young people from lower-income families. It needs to be able to attract the best academics, both as teachers and as researchers. It needs to be able to invest in cutting-edge research, and it needs to be able to offer the best facilities to staff and students.

The proposals in the Government's White Paper aim to improve the quality of teaching, offer more choice and better information to students, and allow universities to upgrade their facilities and provide better resources. The Government wants universities and

colleges to offer new sorts of courses and to ensure their admissions procedures are fair. The Government is also proposing changes to student finance, with the aim of targeting support on those who need it most.

These changes will take time. Many are subject to parliamentary approval. It is important that young people thinking now about going into higher education in the future understand how the changes could affect them, so that they can make informed decisions. This leaflet describes the proposed changes and when they would come into affect if agreed. It includes some case study examples, as well as a number of frequently asked questions.

STUDENT FINANCE: THE IMPLICATIONS

The Current System

At present, there is a set tuition fee for each year at university (currently £1,100 a year) that has to be paid up front, though students whose family income is under around £30,000 get some or all of their fees paid for them.

You are also entitled to take out a student loan to cover your living costs, of up to £3,905 (£3,390 in your final year), or more if you live in London. The maximum loan you can take out depends on your family income, but everyone is entitled to take out at least three quarters of the loan. Interest is only charged at the rate of inflation, and what you pay back depends on what you earn.

Grants

We have listened to the worry that the abolition of maintenance grants might have deterred students from less well-off homes. We propose to introduce new grants of £1,000 a year for students from lower-income families, starting in autumn 2004.

What does this mean in practice? Many students would qualify for the full grant, depending on their family income. Some grant would be available to all those with family incomes up to around £20,000, on a sliding scale. This would be in addition to other grants for students with children or with disabilities, and in addition to student maintenance loans, which would continue as now.

Abolition of up-front fees

Many have argued that up-front tuition fees place an unfair burden on families. So our proposals would enable all students to defer paying fees until they graduate and are earning after university. The fees would be paid back through the tax system, in the same way as the current student loans. Like them, they would rise by inflation so that they keep their real value.

What does this mean in practice? From 2006 you would be able to go to university without having to pay any money up-front, or while you are studying. Payments would be collected through the tax system after you graduate, and once you are earning a certain amount. How much you pay each month would be linked to what you earn. You would pay 9% of any income you earn above the threshold where repayment starts.

Different Fees for Different Courses

University courses cost far more than the present annual tuition fees of £1,100. But we have rejected calls for students to contribute as much as £15,000 a year to the cost of their higher education. Instead, we propose that universities be allowed to set their own fees between £0 and £3000. We would keep the cap on fees at £3000 throughout the next parliament, only raising it to take account of inflation. The Government would continue to fund most of the cost of a student's higher education.

What does this mean in practice? No one knows how universities and colleges would react to this new freedom. Some would, undoubtedly, raise tuition fees for popular or more costly courses. But we expect other course fees to stay at their present level while others may be reduced or even abolished. At present, 40% of all students get their £1,100 standard fee paid for them, and around 60% get some of it paid, on a sliding scale. This will continue, but any costs above the £1,100 level would have to be paid by the student, either up-front or after they graduate - whichever they choose.

Safeguards for Students

To make sure that access to university stays fair once universities are allowed to change their fees, there would be tough safeguards to protect students:

- There would be a cap of £3,000 per year, set for the whole of the next Parliament.

- Universities would only be permitted to raise fees if they sign up to tough Access Agreements with a new Access Regulator, showing how they would take action to make sure that access to their courses is fair and that they are reaching out to students from all backgrounds.
- As we have said above, no student or parent would have to pay any up-front fee.
- We would encourage university bursary schemes, and would consider whether we could work with universities to help pay more of the fees for some students.

Making Repayment Easier

Every student would pay less each year, because we intend to raise the repayment threshold at which payments start being made from £10,000 to £15,000, beginning in April 2005. This would particularly help those on low incomes when they first graduate. If graduates choose to, they can make extra payments, so as to pay off their debt more quickly.

What does this mean in practice? From April 2005 all new students and existing students who took out loans from 1998 onwards would not have to pay anything back until they are earning £15,000. This means that a graduate earning £20,000 would make annual payments of 9% on £5000 (£20,000-15,000) - a reduction in the repayments by half, from £900 a year to £450 a year. This means the payments are more manageable, particularly for those on lower incomes, but repayment would be phased over a longer

time. This new threshold would apply to payments for deferred fees once they were introduced, after 2006.

Independence at 18

The proposed abolition of the current up-front fee, so that graduates themselves are responsible for paying for the cost of their course, would be an important step towards treating students as independent adults. We would still ask parents to contribute to living-costs. But in the future we will think carefully about whether we could take more steps to treat students as independent at 18.

We will also be carrying out a survey into how much students need to live on. We know that choices about lifestyle affect how much people spend, and we think that it is reasonable for students to work to pay for extras; but we want to make sure that we are giving students enough for the basics while they are at university.

TIMETABLE OF CHANGES: WHAT HAPPENS WHEN?

THE TIMETABLE IS SUBJECT TO PARLIAMENTARY APPROVAL

2003 – 2004: No change from current system

- Upfront tuition fees (currently £1,100 a year) remain in place.
- Student loans available as now (currently up to £3,905 a year, £3,390 in your final year, or more if you live in London).

Phase One: 2004 - 2006

- For new students starting courses in autumn 2004, we propose to introduce a new Higher Education Grant of up to £1000 per year for students from households with family incomes of up to around £20,000.
- From April 2005 the earnings threshold at which you would pay back loans would be raised from £10,000 to £15,000. This would apply to all new students, and, from this date, to all past students who took out loans from 1998 onwards.
- Repayments are already and will continue to be linked to salary and therefore the individual's ability to pay.
- The Government will continue to meet the full £1,100 cost of tuition fees for students with family incomes of up to £20,000, and pay part for those whose family incomes is between £20,000 and £30,000.

Phase Two: From 2006 onwards

- From 2006, universities would be allowed to charge different fees for different courses, between £0 and £3000, but only if they have tough Access Agreements in place.
- No-one would have to pay any fees up-front - they would be able to choose to pay them back through the tax system once they are earning. The new, higher repayment threshold would be used.

- Student grants would continue, though we would consider whether the money could be targeted better by helping poorer students with fees.
- Student loans for living costs will still be available for everyone (with students from richer families, as now, getting 75% of the full loan)
- The Government will continue to meet the first £1,100 of the cost of tuition fees for students with family incomes of up to £20,000, and pay a smaller amount on a sliding scale for those whose family income is between £20,000 and £30,000.

WHAT WILL I PAY BACK? CASE STUDIES

These case studies are illustrations of how the student finance system operates currently, and how it might work under the proposed system from 2006 onwards. The case studies are based on 2002/03 grant and loan rates, and graduate income levels are estimated. They do not include the inflation element of the loan – because that just keeps the real value of the loan steady – so all these figures are at 2002/03 prices.

PETER

Peter lives with his mother, a single parent on benefits with an income of less than £10,000, and is the first person in his family to go to University. He plans to attend a university in the Midlands to study English.

Current System

Under current arrangements Peter would be entitled have his £1,100 tuition fee paid by the Government. He would also be entitled to a loan of up to £3,905 for living costs in years 1 and 2 of his course. In his final year he would be entitled to a loan of up to £3,390. He would graduate with a student loan of up to £11,200.

Repayments would begin when his income was over £10,000. Peter becomes a civil servant on graduation, with a starting salary of £18,000, rising to £30,000 after ten years. He repays:

- £60 per month in year 1;
- £98 per month by year 5, when his salary is £23,000;
- £135 per month by year 9 when his salary is £28,000.

He would repay his loan in 10 years.

Proposed System from 2006/07

If Peter were a new student in 2006/07 and his university charged £2,000 per year for his course, he would be entitled to the HE Grant of £1,000 a year, the full loan of £11,200 for the duration of the course, and a grant for fees for up to £1,100. He could choose either to take out a loan for the balance of tuition fees or to use his HE Grant to offset some or all of the cost. If he defers the extra cost of tuition, but uses the HE Grant so that he doesn't have to take out the whole loan for living costs, then he would graduate with student loans of £10,900.

His repayments would begin when his income was over £15,000. Peter becomes a civil servant when he graduates, with a starting salary of £18,000, rising to £30,000 after ten years. He would repay:

- £23 per month in year 1;
- £60 per month in year 5 (at a salary of £23,000);
- £98 per month in year 9 (at a salary of £28,000).

He would repay his loan in 12 years.

SUSANNA

Susanna's parents have a combined family income of £50,000. She is planning to undertake a degree in Psychology and Law at a university in the North of England.

Current system

Under current arrangements, Susanna's parents are asked to contribute the whole of the standard £1,100 tuition fee. She would be entitled to 75% of the loan for maintenance costs: £2,930 in years 1 and 2, and £2,545 in year 3. She would graduate with student loans of £8,405.

Repayments would begin when her income was over £10,000. Susanna becomes a voluntary sector worker when she graduates, and earns £15,000 in year 1, rising to £35,000 over 12 years. She would repay:

- £38 per month in year 1;
- £75 per month in year 5 (at a salary of £20,000)
- £135 per month in year 9 (at a salary of £28,000)

She would repay her loan in nine years.

Proposed system from 2006/07

If Susanna were a new student in 2006/07 and her university charges £2,500 a year in tuition fees, Susanna would be able to defer repayment until after she graduates. This would mean that her parents are no longer required to pay any tuition fees up front. She would not qualify for a grant, but would continue to be eligible for a 75% loan for living costs. Susanna would graduate with student loans of £15,905, including these deferred fees.

Her repayments begin when her income is over £15,000. Susanna becomes a voluntary sector worker when she graduates, and earns £15,000 in year 1, rising to £35,000 over 12 years. She would repay:

- nothing in year 1, because she does not earn more than £15,000;
- £15 per month in year 2, when her income has risen to £17,000;
- £38 per month in year 5, when she earns £20,000;
- £98 per month in year 9, when she earns £28,000;
- £150 per month in year 12, when she earns £35,000.

Susanna would repay her loan in 15 years.

KHALID

Khalid's parents have a joint income of £30,000. He takes a maths degree at a university in the south-west of England.

Current System

Under current arrangements, Khalid's parents would be expected to pay £1,047 of the standard £1,100 fee each year, up-front. He would qualify for a full loan for living costs of £3,905 in years one and two, and £3,390 in year 3. He would graduate with a student loan of £11,200.

Repayments would begin when his income is over £10,000.

Khalid goes on to qualify as an accountant and works in a merchant bank in the City. He earns a starting salary of £24,000, rising to £60,000 by year 5. He would repay:

- £105 per month in year 1;
- £375 per month in year 5.

He would repay his loan within 5 years.

Proposed system, from 2006/07

If Khalid were a new student in 2006/07 and his university charged £2,700 a year for his maths degree course, Khalid would still qualify for help with fees of £53 a year, and could defer the rest of the fee costs (£2,647). He would qualify for a full loan for living costs and graduate with a student loan of £19,141.

Repayments would begin when his income was £15,000. Khalid goes on to qualify as an accountant and works in a merchant bank in the City. He earns a starting salary of £24,000, rising to £60,000 by year 5. He would repay:

- £68 per month in year 1;
- £338 per month in year 5, when he is earning £60,000.

He would repay his loan in just over 6 years.

OTHER PROPOSALS

Quality Teaching

The Government wants to ensure that all teaching is of the highest quality. It is introducing new funding to reward excellence in teaching, agreeing new standards with the sector, and proposing that every university teacher has to get a teaching qualification.

More Choice and Better Information

The Government wants students to be able to make informed choices when they apply for university. A comprehensive survey of student views, as well as published external examiners reports and other information about teaching standards, will be pulled together in an easy to use Guide to Universities, overseen by the NUS.

Better Facilities

Government will be providing funding to universities of almost £10 billion a year by 2006, a rise of over 6% a year in real terms over the next three years. These extra resources are intended to help them begin to upgrade buildings, and recruit and retain the best academics to improve and expand teaching and research.

New sorts of courses

The Government wants more people to benefit from higher education, and at the same time ensure that courses really fit with what employers want. It will work in partnership with employers to

design more two-year, work-focused Foundation Degrees, and to encourage more people to study for them.

Fair Access

The Government is working to raise standards in schools and colleges so that more people have the qualifications to go to university. The AimHigher programme will be extended, to encourage more young people from all backgrounds to aspire to higher education. The Government will work with universities to make sure their admissions systems are fair, and encourage more applications from able young people from low income backgrounds.

Each University doing what it's best at

The Government wants to encourage all universities to focus on what they are good at. This could be research, teaching or making links with business to develop new products and services and help with the development of new skills. Funding will be provided to create centres of excellence in research, teaching and knowledge transfer, and to encourage more collaboration between institutions.

QUESTIONS AND ANSWERS

Q I am currently at university. Would these changes affect me?

A No - you would carry on under the current system. The only change that would affect you is that, if you are still paying back your student loan in April 2005, your monthly repayments would go down should the repayment threshold go up to £15,000 (this is explained in more detail on page 5).

Q I am going to university this autumn. Would these changes affect me?

A No - you will go under the current system. The only change that would affect you is that, if you are still paying back your student loan in April 2005, your monthly repayments would go down should the repayment threshold go up to £15,000 (this is explained in more detail on page 5).

Q I am planning to go to university in/after autumn 2004. How much grant will I get?

A This depends on your household income. The Higher Education Grant will be available to new students from autumn 2004. Around 30% of students will get the full grant of £1,000, and those with family incomes up to around £20,000 will get some grant, on a sliding scale.

Q How much would I have to pay towards the cost of my tuition fees?

A From 2006 Universities would be able to set their own fees up to a maximum of £3,000 a year. So what you would pay depends on the course you choose. You could either pay the fee straight away, or pay it back later through the new Graduate Contribution Scheme, explained above. If your family earns less than £20,000, the Government would pay £1,100 towards the cost of your course, and if they earn less than £30,000 they would pay a smaller amount, on a sliding scale.

Q How would I know how much my university/college is going to charge me?

A Each institution would produce a prospectus which should tell you the tuition fee costs associated with their courses. These prospectuses are normally produced in May, allowing students to make choices during the following academic year for the one after. Our new Guide to Universities, which will be produced with the National Union of Students, would help you decide whether the course is good value for money by giving you clear information about it.

Q Would my parents still have to make a contribution towards the costs of my course?

A No. From 2006 there wouldn't be any up-front fee any more - all tuition costs could be paid afterwards, once you graduate. But your family's income would still affect whether you could get a grant, and how big a student loan you could take out for living costs - so if your parents were reasonably well-off they would still be asked to contribute something to your living costs.

Q My parents won't (or can't) give me anything, even for living costs - how will I manage?

A You will still be able to get a student loan for living costs – everyone is entitled to at least 75% of the full loan, depending on their family income. You may also be entitled to a grant from 2004. Additionally, you may also be entitled to apply for the Access to Learning Fund - your institution's student welfare office will be able to tell you how to apply.

Q When will I have to start paying anything back?

A From April 2005, you would start paying back your student loan once you have started work and are earning more than £15,000 a year. This goes for your student loan for living costs, and from 2006 would also go for your Graduate Contribution, if you chose to pay your fees after you finished University.

Q Will I have a choice about how I can do this?

A Because contributions are collected through the tax system, there is a standard rate for paying back. This is 9% of what you are earning above the threshold (explained in more detail above). But that doesn't stop you paying off some more if you want to, to bring your debt down. There's no charge for paying early.

Q Will I have to pay interest on what I borrow?

A Student loans for living costs don't have a 'real' rate of interest - the only interest charged is at the same level as inflation, which just means that the real value of the loan stays steady. Deferred fees would work in the same way - there would be no 'real' interest, although the amount would go up with inflation.

Q How long will it take me to repay the amount I owe?

A This depends on the amount of loan that you have taken out, and how much you earn. A larger amount will take longer to pay back than a smaller amount. The examples above give an idea of what different people might pay. But it also depends on how much you choose to pay - there is nothing to stop you paying a bit extra each month to pay off your loan more quickly.

Q What happens if I don't get a job, or stop working for a while?

A You do not need to repay anything unless you are in work and earning above the proposed £15,000 income threshold.

Q I am a part-time student. How do these changes affect me?

A We are introducing a generous new package for part-time students, which includes a new grant of £250 a year. You can get more information on the part-timers package on the website, below.

Q What if I choose to study in Scotland, Wales or Northern Ireland?

A Arrangements for students studying in other parts of the UK are made according to where they live, rather than where they study. If you are an English student, you will be able to get English levels of support. You can get more information on what happens for students studying in other parts of the UK on the website, below.

Q Where can I get more information?

A You can visit the Department for Education and Skills website (www.dfes.gov.uk), or telephone their student finance number on 0800 731 9133.

Or, if you prefer, you can contact the National Union of Students at www.nusonline.co.uk

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