

Paying for higher education

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The report of the Browne Review of student finance could pave the way for annual university tuition fees of £5,000 or more

THE 'PERFECT STORM'

Universities are currently facing their first funding cuts since 1997. The Higher Education Funding Council for England (HEFCE) recently announced that universities' budget allocation for 2010/11 would be almost £600 million less than for the previous year. Together with a squeeze on student places, an increasingly competitive international market for higher education and reduced private income due to the current economic climate, this means that for many universities funding could be severely constrained for the next few years.

Recent reports by Policy Exchange and by the Association of Graduate Recruiters advocated higher fees, and another by the Confederation of British Industry recommended removing the interest rate subsidy on student loans. The timing of the university budget allocations, coming shortly after these reports, augurs an autumn of intense debate on university funding and student support.

INCREASING TUITION FEES

As a result of the *Higher Education Act 2004*, from September 2006 all new higher education students became liable to pay deferred variable tuition fees of up to £3,000 a year.

The *2004 Act* was highly controversial. Previously, students from low income families were eligible for fee remission and many paid no tuition fees at all. The *2004 Act* ended fee remission and more than doubled fees to

a maximum of £3,000 in 2006/07, with new loans to cover the cost of the increase. The combined effect was to abolish upfront tuition fees, so that university became 'free' at the point of entry, but charges were then 'back ended' so that graduating students potentially left university with twice the outstanding loan debts – covering both tuition fees and maintenance.

Various concessions were made during the passage of the Higher Education Bill, including a cap on fees until 2010. Another was a commitment to undertake a review of the new student support system after three years; this is currently being conducted by Lord Browne. He is due to report in autumn 2010.

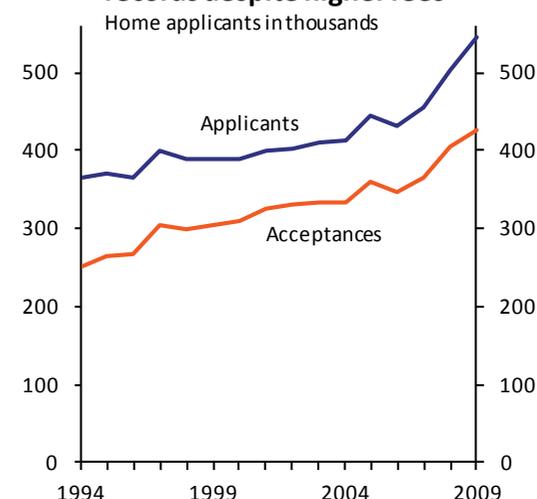
STUDENT NUMBERS STILL RISING

Many groups have been lobbying for changes to the university funding system in the run-up to the fee review. Universities UK, a representative body for the sector, has published a series of reports on the impact of variable fees in England, the most recent concluding that 'there is nothing in the available data which indicates that the introduction of variable fees has yet had any lasting impact on the level or pattern of demand for full-time undergraduate education'. It is certainly true that numbers of applicants have continued to rise.

HOW HIGH COULD FEES GO?

When the Higher Education Bill was passing through Parliament, it was envisaged that

Applicants via UCAS hit new records despite higher fees



allowing universities to charge variable fees of up to £3,000 would create a market in fees and enable students to choose a university or course on the basis of cost. This did not occur, as nearly all universities chose to charge the maximum amount. Some commentators, such as the Vice Chancellor of Imperial College London, said that £3,000 was too low to create such a market and that £5,000 would have been a more compatible figure. He caused further disquiet by raising the suggestion of fees of up to £15,000 a year for some courses.

A poll of university vice chancellors in 2009 indicated that most wanted the cap on fees lifted, with a figure of £4,000 - £7,000 suggested as an appropriate level for fees. Such increases would have a significant impact on public spending if subsidised loans for

fees were to continue. Some bodies have therefore advocated changing the student loan system. Any moves in this direction could have a considerable impact on access to higher education and could disproportionately affect middle income students who miss out on grants and rely on loans for fees and living costs.

Could raising the cap on fees put a university education out of reach of middle income students?

Neither Labour nor Conservatives have taken a position on tuition fees ahead of the Browne review, whilst the Liberal Democrats have pledged to abolish fees. The new Government will have to tackle the competing interests of universities and students when resolving the complex issue of how to maintain adequate higher education funding while ensuring fair access for all students.