

# **Economic Intelligence Report on Student Finance Regimes**

**Final Report for**



**Prepared by**

**London Economics**



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# 1 Introduction and Terms of Reference

London Economics were commissioned by CMU to undertake a literature review and subsequent analysis of the student finance arrangements in a number of countries including the United Kingdom (disaggregated by Home nation), United States, Australia, Ireland, New Zealand, the Netherlands and Hungary. The primary purpose of this work is to provide an economic intelligence report for CMU and a background document ahead of the higher education fees and funding review that will take place in 2008/09.

For the countries considered, the review assessed the current (and proposed) student finance arrangements relating to tuition fee structure; the availability of and eligibility for grants and loans for tuition fees and maintenance; the means of repayment and arrangements in relation to debt forgiveness; and the extent to which any changes in student finance packages had an impact on participation or access. This review also provides estimates of the proportion of GDP spent on higher education – distinguished by teaching, research and student support, where available, as well as other measures of funding that might be relevant for the analysis.

The review has wherever possible incorporated material relating to both full time and part time students and identified the impact of various policies relating to student funding on access at the most disaggregated level possible (e.g. by socioeconomic class, age, ethnic origin). This has also been undertaken across the countries under consideration where consistent secondary information exists and has been supplemented with additional national information sources where relevant.

The report is set out as follows:

Section 2 provides an overview of current (and proposed) student finance arrangements in the countries under consideration depending on the mode of attendance. In section 3, we present information on participation in higher education, as well as alternative measures relating to widening participation and access. In section 4, we provide an analysis of current student funding arrangements in England and the impact on full time students, graduates, institutions and the Exchequer. Finally in section 5, we provide an analysis of the possible impact of changes in the current student finance arrangements on key stakeholders. We also present an Annex with detailed information on the student finance arrangements for full time and part time students for each of the countries included in this analysis.

## 2 Current Student Finance Arrangements

In this section, we provide some evidence of the current structure of student financing arrangements across the countries under consideration with the precise detail of the various systems presented in the Annex.

We analyse the individual elements of the various student finance regimes along the lines of fee structure; the grants and loans available to students and general eligibility requirements; the financial characteristics of the loans and the repayment mechanisms; and the approach to debt forgiveness adopted in each of the countries under consideration. The information presented differentiates between the four Home nations within the United Kingdom and between full time and part time students (according to the usual residence of students), as there are important differences in the approach adopted by each of the countries.

### 2.1 Full time Students

#### 2.1.1 Fees

We have attempted to break down the fee structure in each of the countries considered in this analysis according to whether the fee charged by institutions (directly or indirectly) is fixed or flexible (or subject to some sort of maximum cap); and whether the fee is paid in advance or deferred until after graduation. In the case of uncapped tuition fees, where available, we provide some evidence on the indicative level of fee charged.

In the case of institutions in England, Wales and Northern Ireland, tuition fees up to a maximum of £3,070 per annum may be levied by the institution. These differential fees are flexible according to the subject studied, however if an institution decides to charge a fee in excess of the previous up front tuition fee (approximately £1,225 per annum), then they must agree an access target with the Access Regulator (Office for Fair Access (OFFA)). The right to charge a fee in excess of £1,225 may be removed or suspended if it is considered that the institution has not made enough progress towards their access targets.

In addition to meeting access targets, institutions levying a tuition fee in excess of £2,765 must provide additional bursaries to students from poorer backgrounds up to the point that the full fee levied by the institution is entirely covered by the maximum maintenance grant (£2,765) and the additional bursary. In other words, if an institution decides to charge a fee of £2,950 per annum, then they must provide bursaries to those students in receipt of the maximum maintenance grant of (at least) £185.

In Scotland and Wales, there is a degree of differentiation between the tuition fee charged to resident and non-resident students.

In Scotland, Scottish students attending an institution based in Scotland were only required to pay a Graduate Endowment upon graduation. This was a fixed rate and was determined prior to an individual commencing their

studies. In 2006/07, this stood at £2,289. The Graduate Endowment paid by Scottish students was unilaterally removed with immediate effect for all current and future students in June 2007.

Therefore, Scottish students studying in a Scottish institution are not obliged to pay any fee; however students from England, Wales and Northern Ireland attending Scottish institutions are levied a maximum fee of £1,700 per annum. Despite the removal of the Graduate Endowment for Scottish students, there was no change in the treatment of UK-non-Scottish students attending higher education institutions in Scotland. Scottish students studying outside of Scotland are eligible to pay the full tuition fee charged by the institution in question.

Students normally resident in Wales and studying in a Welsh institution are currently levied a maximum fee of £1,225 per annum<sup>1</sup>, though students from England, Scotland and Northern Ireland pay up to the full maximum of £3,070 per annum.

In all the countries assessed with the exception of the Republic of Ireland<sup>2</sup> and Scotland<sup>3</sup>, there is some sort of tuition fee imposed on participants in higher education.

In the case of Hungary, this will take the form of an up front fee for students in their second year of university and beyond (subject to some performance related fee waivers)<sup>4</sup>, while in Australia, the fee may either be paid on a deferred basis (in full) or paid up front (entitling the student to a 20% reduction in the tuition fee paid). In the United Kingdom, the system is more complicated and depends on the usual residence of the student attending higher education and the location of the institution attended.

In most of the other countries in this analysis, there is some degree of flexibility in the tuition fee charged according to the subject studied or the institution attended. Ranging from one extreme, the United States adopts a free market approach in respect to the fees charged by individual institutions. In 2005/06, the average annual fee charged by public universities stood at

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<sup>1</sup> Students normally resident in Wales studying in Welsh institutions are automatically eligible for a non-means tested fee grant to £1,845 per annum, thereby reducing the actual maximum tuition fee to £1,225 per annum

<sup>2</sup> The Republic of Ireland introduced the Free Fees Initiative in 1995 whereby university tuition fees were abolished. University fees at this stage stood at approximately €2,000 per annum (£1,359) although varied according to the subject studied. However, individual institutions have started charging 'college fees' to cover various administration charges. These administrative fees have increased steadily (from about €200 per annum (£126) in the first year post the elimination of statutory fees) and now stand at approximately €800 per annum (£512).

<sup>3</sup> On June 13<sup>th</sup> 2007, it was announced that the Graduate Endowment payable by Scottish domiciled and EU students would be removed, though the fees payable by English, Welsh and Northern Irish students would remain.

<sup>4</sup> These proposals have been introduced with effect from 2007/08. The first tuition fees that will be actually paid will be in 2008/09 by second year undergraduates (who commence their undergraduate programme in 2007/08).

\$5,491 per annum (£2,964)<sup>5</sup> while private institutions charged an average of \$21,235 per annum (£11,464)<sup>6</sup>. At the other extreme, the Netherlands currently charges a fixed fee to those individuals attending higher education (€1,538 per annum (£1,046)<sup>7</sup> in 2006/07) irrespective of the course studied or the institution attended.

Between these extremes, fees vary for a variety of reasons. Hungary is currently legislating to introduce tuition fees for non-first year students. Individual institutions have the flexibility to deviate from the 'set' rate by up to 50% (in either direction) - though at this stage institutions appear to have not availed of the right to do so. Although not part of this analysis, individual German States (Länder) have recently gained the right to levy fees on students and approximately half have decided to do so (subject to significant controversy). The average annual fee levied by Länder that have introduced a fee is between €500 and €1,000 per annum (£340-£680).

An alternative means of fee setting is presented in Australia and New Zealand where central government allocate various degree level subjects to bands and determine the fee maximum that might be associated with any particular band. This approach reflects particular national priorities and/or skill shortages. For instance, in Australia, 'Education' and 'Nursing' are classified in a special band offering the lowest tuition fee. However, it is also the case that student contributions appear to reflect the likely labour market outcomes associated with different degree level subjects. For instance, despite the fact that Law is clearly less costly to provide than Dentistry, Medicine and Veterinary Science, these subjects are all placed in the top fee band reflecting the expected economic benefit to the individual from pursuing studies in these fields. A summary of this information is presented in Table 1 overleaf.

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<sup>5</sup> The average exchange rate from 01/01/2005 to 08/06/2007 was USD\$1=£0.53991.

<sup>6</sup> However, as will be discussed in a later section, the nominal fee ('sticker price') charged by higher education institutions are significantly higher than the actual fee that is eventually paid by the student.

<sup>7</sup> The average exchange rate from 01/01/2005 to 08/06/2007 was €1=£0.67992.

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**Table 1: Summary of Main National Higher Education Fee Systems for full time undergraduates 2007/08**

	England	Scotland <sup>8</sup>	Wales	Northern Ireland	Ireland	Australia	New Zealand	Netherlands	United States	Hungary
Tuition Fees Charged	Yes	No for Scottish and EU Students	Yes	Yes	No - though institution specific fee charged - approx. £432 p.a.	Yes	Yes	Yes	Yes	Yes
Students normally resident in:										
England	E: £3,070	E: £1,700	E: £3,070	E: £3,070						
Scotland	S: £3,070	S: -	S: £3,070	S: £3,070						
Wales	W: £3,070	W: £1,700	W: £1,225*	W: £3,070						
Northern Ireland	NI: £3,070	NI: £1,700	NI: £3,070	NI: £3,070						
Fixed/ Differential	Differential	Differential	Differential	Differential	-	Differential	Differential	Fixed	Differential	Differential
Maximum/ Cap	Yes	Yes	Yes	Yes	-	Yes - banded	Yes - banded	Yes	No	Yes
Indicative Fee Rate	£3,070	£1,700 <sup>9</sup>	£1,225-£3,070	£3,070	-	£1,632-£3,403 <sup>10</sup>	£1457 - £3,470 <sup>11</sup>	£1,046	£2,964-£11,464	£283 <sup>12</sup>
Up front/ Deferrable	Deferrable	Deferrable	Deferrable	Deferrable	-	Deferrable - 20% discount for up front payment	Deferrable	Deferrable	Up front	Up front

\* Incorporating non-means tested fee grant.

Source: London Economics

<sup>8</sup> Applies to Scottish domiciled students studying in Scotland only.

<sup>9</sup> Refers to students normally resident in England, Wales and Northern Ireland (non Medicine).

<sup>10</sup> The average exchange rate from 01/01/2007 to 08/06/2007 was AUS\$1=£0.40843.

<sup>11</sup> The average exchange rate from 01/01/2007 to 08/06/2007 was NZ\$1=£0.36219.

<sup>12</sup> The average exchange rate from 01/01/2007 to 08/06/2007 was HUF 1=£0.00270.

### 2.1.2 Grants

There is a real concern that the imposition of fees – either payable up front or deferred – might act as a significant disincentive to both participation<sup>13</sup> and access<sup>14</sup>. In all the countries considered there are a variety of grants for fees and/or maintenance available to students, the vast majority of which are means tested.

In the United Kingdom, full time students from England and Northern Ireland attending higher education institutions are not entitled to a fee grant (in the strictest sense) but are entitled to a maintenance grant. Although nominally described as a maintenance grant, the grant available (in 2007/08) is up to £2,765 per annum, which coupled with an institution specific bursary of £305 (from 2007/08) combine to exactly cover the maximum tuition fee that might be charged by the institution following the introduction of differential top up fees. This maintenance grant is not currently available to students from households with an income above £38,330. Households with an income below £17,910 receive the maximum amount with a gradual tapered reduction between £17,910 and £38,330<sup>15</sup>.

Student support arrangements in England are expected to change for those students entering university in 2008/09. For students normally resident in England, the maintenance grant will increase in line with inflation to £2,825 per annum and the full grant will be available to students with a household income of £25,000<sup>16</sup> (currently £17,910). In addition a partial grant will be available to any student whose household income is less than £60,000 (currently £38,330). As many of the current student support arrangements apply to students normally resident in both England and Northern Ireland, it would be expected that these changes in eligibility requirements would also apply to those students normally resident in Northern Ireland – though this has not been confirmed.

These changes in the eligibility criteria have no *direct* effect on those students from the poorest backgrounds. However, it has also been proposed that the Education Maintenance Allowance will be extended to cover a five year

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<sup>13</sup> In this context, participation means the proportion of a particular cohort entering higher education.

<sup>14</sup> The concept of access is related to that of widening participation – and relates to the proportion of a particular cohort entering higher education from lower socioeconomic groups that have not traditionally gained higher education qualifications.

<sup>15</sup> The value of the grant decreases as income increases, however to compensate for this, the amount of loan available increases to a maximum as household income increases to £38,560. This ensures that the combined loan plus grant is essentially constant up to a household income of £38,500.

<sup>16</sup> Average household income in England is £40,894 per annum. In Wales, Scotland and Northern Ireland average household income stands at £30,994, £33,704 and £32,277 respectively. There is significant variation in household income within England with household income ranging from £30,010 in the North East to £56,254 in London. This implies that eligibility for maintenance grants will be affected by region of usual residence. Students from the North East with household income less than 86% of average household income would expect to receive a full grant while students from London with a household income of 45% of mean household income would expect to receive a full grant.

period from the age of 16 to assist students from the lowest socioeconomic groups attend university. The EMA is in essence a maintenance grant and provides students up to £30 per week per week of academic study (approximately £900-£1,000 per annum for those in full time study (depending on the performance related bonuses available). The full EMA is available to students with a household income of less than £20,817 per annum, tapering to zero at £30,811.

Students normally resident in Wales that are also studying in Wales are eligible for a fee grant of £1,845 per annum which is not means tested. This fee grant effectively reduces the maximum annual tuition fee levied on Welsh students studying in Wales to £1,225 per annum.

For Scottish students, there are specific bursaries that are paid instead of part of the maintenance loan. The maximum value of the Young Persons Bursary is £2,510 a year if family income is £18,360 or less a year. The bursary tapers away to zero for a family income over £32,515 a year. This is only available to 'young' Scottish students studying in Scotland. Young and mature Scottish students on full time higher education courses at UK institutions outside Scotland can apply for the Students' Outside Scotland Bursary (SOSB) of up to £2,045 per annum, which is available for all eligible Scottish students from low-income families. The bursary is paid instead of part of the maintenance loan. 'Young' students may also be eligible for the Additional Loan of up to £575 per annum<sup>17</sup>.

In addition to the standard maintenance grants, there are also special Student Support Grants that are available to students (from England, Wales and Northern Ireland) if, during the academic year, they are 'a prescribed person' under the Income Support or Housing Benefit regulations (single parents, other student parents if they have a partner who is also a student, and students with qualifying disabilities, etc.). If eligible to receive a Special Support Grant, the student will not be eligible to receive a Maintenance Grant; however, receipt of Special Support Grants will not affect the amount of Maintenance Loan the student may be entitled to receive.

In addition to these means tested grants, there are a number of additional grants available in different countries throughout the United Kingdom including the Access to Learning Fund, the Disabled Students Allowance, the Parents Learning Allowance, the Adults Dependents Grant and the Childcare Grant. In Scotland (and Northern Ireland) there are also Care Leavers Grants, Travel Expenses Grants (also Wales) and access to Hardship funds.

In Wales, there are Assembly Learning Grants available to eligible undergraduate students dependent on household income, up to a maximum of £2,765 a year<sup>18</sup>. Students with a household income of less than £17,920 are

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<sup>17</sup> At the time of writing, we have been unable to find any information on whether the system of grants and loans available to Scottish students will change following the abolition of the Graduate Endowment.

<sup>18</sup> However, up to £1,225 of the Assembly Learning Grant will substitute (and thus reduce the available amount) of an element of the Student Loan for Maintenance.

eligible for the full amount, with the grant tapering to zero as household income increases to £38,325. Financial Contingency Funding is also available to Welsh students. Northern Ireland offers grants under the same terms as those available in England, though the basic maintenance grant is slightly more generous with a maximum of £3,265 being available per annum.

In other countries internationally, a similar approach is adopted. In Australia, the Commonwealth Learning Scholarships (CLS) programme provides financial support to eligible undergraduate students to assist with the costs associated with higher education (fees and maintenance). There are two types of scholarship available under the CLS programme. The Commonwealth Education Costs Scholarships (CECS) provides students with approximately AUS\$2,000 per year (£816) for up to four years to assist with education expenses. The scholarship amount is indexed annually. To be eligible, students must be full time undergraduate students who are from a low socioeconomic grouping. The Commonwealth Accommodation Scholarships (CAS) provides students with approximately AUS\$4,000 (£1,632) per year for up to four years to assist with accommodation expenses. In addition to the socioeconomic eligibility criteria described above, this is only available to students who have had to move from a regional or remote area to undertake higher education in the course and at the provider of their choice.

Even in the United States, where the tuition fees charges are potentially large by UK standards (up to approximately £11,000 per annum); there are significant grants available to students to negate the effect somewhat. Pell Grants are federal student financial aid, to which aid from other federal and non-federal sources might be added.

Available almost exclusively to undergraduates, the maximum Pell Grant available to students stood at \$4,050 in 2006/07 (£2,186). In addition to this, there are Federal Supplemental Educational Opportunity Grants (FSEOG) (maximum \$4,000 per annum (£2,159)), Academic Competitiveness Grant (ACG) (between \$750 and \$1,300<sup>19</sup> per annum (£405-£702)), National Science and Mathematics Access to Retain Talent (SMART) Grants (\$4,000 per annum<sup>20</sup> (£2,159)) and Federal Work-Study (FWS) programme where undergraduates can work on or off campus and are paid at least Federal minimum wage. There is no maximum award amount.

The Republic of Ireland operates a relatively generous fee<sup>21</sup> and maintenance grant scheme (given the fact that there are no statutory fees in place) that is dependent on 'reckonable' household income *and* the number of dependent children in the family. A student coming from a household with *four* or fewer dependent children with an annual 'reckonable' income of €37,365 (£25,404) is

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<sup>19</sup> First and second year undergraduates only.

<sup>20</sup> Third and fourth year undergraduates only.

<sup>21</sup> Although the Republic of Ireland does not charge tuition fees, individual institutions are permitted to levy an administration fee, which is covered under this system.

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eligible for full (institutional administration) fees and maintenance. The size of these grants depends on the distance between the student's normal residence and place of study. For those students attending university more than 15 miles away from the normal residence, the maximum grant is €3,110 (£2,114). At household income levels greater than €46,700 per annum (£31,752) no support is available. The equivalent thresholds for families with more than 8 dependent children stand at €44,580 per annum (£30,310) and €55,715 per annum (£37,881). After several years of lobbying to ensure that disposable income was appropriately assessed, these income thresholds are now increased by €4,525 (£3,076) for every other dependent child in the family in higher education. There are also top-up grants available to students with a household income of less than €16,748 per annum (£11,384) and comprises specified Social Welfare payments. The maximum top-up grant stands at €2860 per annum (£1,944).

The Netherlands offers a hybrid loan-grant system that is based on performance. Specifically, students in the Netherlands receive mortgage style loans offering a commercial rate of interest that are converted to grants if the individual student graduates from their chosen institution within 10 years of commencing their studies. This is the only country considered as part of this analysis that offers this performance related loan-then-grant system.

A summary of this information is presented in Table 2 overleaf.

Table 2: Summary of Main National Higher Education Grant Systems for full time undergraduates 2007/08

	England	Scotland	Wales	Northern Ireland	Ireland	Australia	New Zealand	Netherlands	United States	Hungary
Fee Grant	No	No	Yes £1,845 p.a. <sup>22</sup>	No	Yes (MT) Combined 'fees' and maintenance grant Max: £2,115 p.a. plus 'special' top up of additional £1,994	Yes (MT) Combined fees and maintenance grant £809 p.a. 'education' related and £1,618 p.a. accommodation expenses	No	Yes (Not MT) Combined fees and maintenance performance related loan Max: £1,901 p.a. Loan converted to grant after 10 years if degree completed	Yes (MT) Combined Pell grant for fees and maintenance: Max: £2,187 for families with household income less than £13,497	No
Means Tested (MT)	-	-	No	-			-			-
Maintenance Grant	Yes (MT) £2,765 p.a.	Yes (MT) £2,045 - 2,510 p.a.	Yes (MT) £2,765 p.a. Called Assembly Learning Grant	Yes (MT) £3,265 p.a.			Yes (MT) £79 p.w.	Supplementary Grant also available (MT) - Max £2,651 if individual income less than £7,139	Yes (MT) Max: £2,159	No
Means Tested	Yes <£17,910 = max >£38,330 = 0	Yes <£18,360 = max >£32,515 = 0	Yes <£17,920 = max >£38,325 = 0	Yes <£17,910 = max >£38,330 = 0			Yes			-
Special Support Grant	Yes (as per maintenance grant)	-	Yes (as per England)	Yes (as per maintenance grant)	-	-	-			-
Education Maintenance Allowance (2008/09)	Yes (MT) Max: £30 p.w. <£20,817 = max >£30,810 = 0	-	-	-						

<sup>22</sup> Normally resident Welsh students studying in Welsh institutions.

**Table 2: Summary of Main National Higher Education Grant Systems for full time undergraduates 2007/08**

	England	Scotland	Wales	Northern Ireland	Ireland	Australia	New Zealand	Netherlands	United States	Hungary
Disabled persons grant	Yes (Not MT)	Yes (Not MT)	Yes (as per England)	Yes (as per England)	Yes	Yes (Not MT)	Yes			
Parents Learning Allowance	Yes (MT) Max: £1,435	£1,240 (MT) Lone Parents	Yes (as per England)	Yes (as per England)	-	-	Yes (MT) Accommodation			
Adult Dependents Grant	Yes (MT) Max £2,510	Yes (MT) Max: £2,510	Yes (MT) Max £2,515	Yes (as per England)	-	-	-	-	-	-
Childcare Grant	Yes (MT) £149-£225 p.w.	Yes (MT) Max £1,155 p.a.	Yes (as per England)	Yes (as per England)	-	-	Yes	-	-	-
Hardship Grant	Yes	No	Yes	Yes	Yes	Yes	Yes	-	Yes	-
Care Leavers Grant	No	Yes Max £100 p.w.	No	Yes Max £100 p.w.	-	-	-	-	-	-
Travel Grant	No	Yes (MT) Max: £930 p.a.	Yes (MT) Reasonable costs minus first £290	No	-	Accommodation Scholarships available to those moving from remote areas	-	Free public transport pass	-	-
Obligatory Bursaries	Max: £305 p.a. (MT)	No	Max: £305 p.a. (MT)	Max: £305 p.a. (MT)	-	-	-	-	-	-

Source: London Economics

### 2.1.3 Loans for fees and maintenance

In almost all of the countries considered there are some loans available to students to cover either tuition fees, maintenance costs or both. Again, the one country that does not currently offer any loan to full time undergraduate students – either for the purposes of fees or maintenance – is the Irish Republic<sup>23</sup>.

In all other countries there are loans available for the payment of fees and maintenance costs. Summary details of the various levels of loan available to full time students by Home nation are presented in Table 3.

In England, Wales and Northern Ireland, all students are eligible to receive a loan to cover the entire cost of their fees (up to £3,070 per annum (£1,700 if studying in Scotland)) irrespective of household income. For Scottish students attending an institution within another Home nation charging fees, an equivalent fee loan is available as for students normally resident in England, Wales or Northern Ireland.

In addition to the fee loans, students throughout the United Kingdom are entitled to receive loans to cover maintenance (such as food, accommodation etc.) costs. The amount of the maintenance loan available varies on a student's circumstances (living alone, with parents, in London/elsewhere), but can be up to £6,315 per annum during their first year of study. The amount is reduced in the final year of study.

In addition, maintenance loans are means tested. In England, Wales and Northern Ireland, the income taper (related to maintenance loans) is such that for household incomes less than £26,000, a loan of 75% of the maximum is available *rising* to 100% as household income rises to £33,560. This increase in the loan available between these income levels is to substitute for the tapering away of grants as household income increases. The loan available then decreases (to the minimum of 75%) as household income further increases up to £44,000. This loan structure is designed to ensure that the aggregate funding available to students (either through grant or loans) is relatively constant between £26,000 and £33,560 with an increasing proportion available through loans as income rises (reducing beyond £33,560 as the expected level of parental contribution increases). The available loans are displayed in Table 3 overleaf.

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<sup>23</sup> The introduction of a loans system was considered in 2003 alongside the re-introduction of university tuition fees though never came to fruition due to intense opposition.

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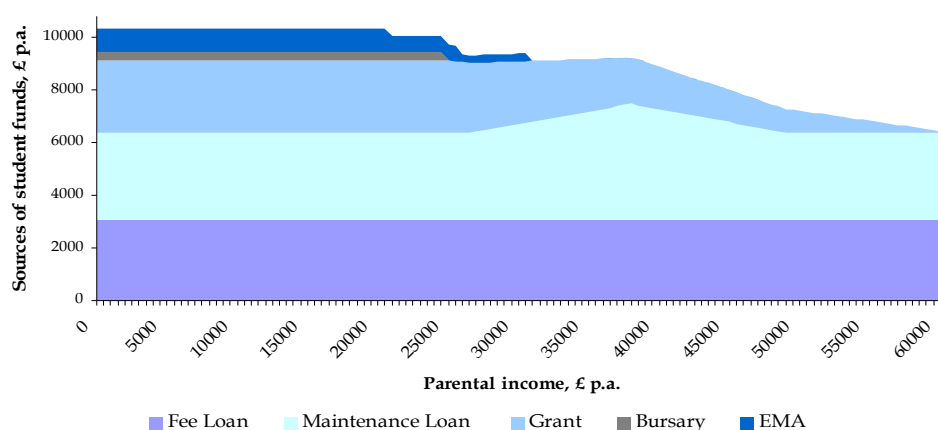
**Table 3: Maintenance Loans 2007/2008 for English, Welsh and Northern Irish domiciled students**

	Living at Home	Living away from home outside London	Living away from home inside London
Maximum Student Loan	£3,495	£4,510	£6,315
75% not income assessed	£2,620	£3,385	£4,735
25% income assessed	£875	£1,125	£1,580

Source: London Economics

We have attempted to illustrate how the proposed eligibility for grants and loans combines according to household income. The amount and source of funding available to students depending on parental income for English, Welsh and Northern Irish students studying in England is presented in Figure 1 below. The total fee and maintenance loan, maintenance grant, bursary and EMA allowance available to students from the poorest backgrounds is approximately £10,000 per annum, falling to approximately £6,300 for students with a household income of £60,000.

Interestingly, for Scottish students, loans are also partially means tested, however only 20% of the loan is available to all students and the remaining 80% related to household income.

**Figure 1: English resident student finances, assuming maximum debt undertaken (non London) in 2008/09**

Source: London Economics based on analysis undertaken by Institute for Fiscal Studies. Note: English domiciled students studying in England. This illustration incorporates the recent changes to the student support arrangements presented in 2008/09 prices. Specifically the graph incorporates the availability of the Education Maintenance Allowance (for 30 weeks per annum), as well as the increased eligibility for maintenance grants (both full and partial).

All loans offered to students in the United Kingdom – irrespective of the country of normal residence or the location of the institution attended – attract a zero real rate of interest meaning that the nominal amount of the loan increases by the rate of inflation only.

All loans are repayable, although all outstanding loans are written off by the Exchequer once a graduate reaches the age of 65 or 25 years post graduation (35 years for Scottish domiciled students), or has a disability that affects their ability to work or in the event of death.

Recent changes to the student support arrangements in England imply that there will now be an option to defer repayment of the student loan for up to 5 years, which can be taken at any point and for one-off or for co-terminous periods during the 25 year repayment period. Any deferment is added to the 25 year period i.e. 3 years deferment means that the life of the loan is extended to 28 years before debt forgiveness is triggered. This will only be available to students graduating in 2012 i.e. those students who enter higher education in 2008/09 and who are enrolled on courses of 3 years or more duration<sup>24</sup>.

The extent of the Exchequer loan subsidy is measured by the Resource Accounting and Budgeting charge (RAB), which calculates the proportion of the nominal loan value that would not be expected to be repaid (in present value terms<sup>25</sup>) – due to the zero real rate of interest subsidy and debt forgiveness after 25 years (35 years for Scottish domiciled students), upon reaching the age of 65 or in the case of permanent disability or death. The Department of Innovation Universities and Skills (DIUS) have responsibility for calculating the RAB charge.

The RAB charge has been recently recalculated by the former Department for Education and Skills (DfES) and stands at 21% for maintenance loans and 33% for fee loans<sup>26</sup> – as it is assumed that maintenance loans and fee loans are paid off sequentially. This implies that for every £1,000 in maintenance loans provided, the Exchequer expects to receive back £790 (in present value terms) over the subsequent 25 years.

The RAB charge has fallen significantly recently due to a change in the assumption about discount rates<sup>27</sup> (the current assumption adopted by

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<sup>24</sup> We have been unable to assess whether the debt repayment holiday applies to students enrolled on 2 year degrees entering higher education in 2008/09 or to student completing their studies in 2012 irrespective of when they commenced university.

<sup>25</sup> 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.

<sup>26</sup> Following the recent change in the student finance arrangements, the RAB charge associated with maintenance and fee loans would be expected to increase due to the fact that students now have the option of deferring their loan repayments for an additional 5 years.

<sup>27</sup> The discount rate is defined as the rate of interest used to convert future cash flows to an equivalent present day value. It is used to account for the declining value of money over time.

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DFES<sup>28</sup> is that repayments should be discounted at 2.2% rather than 3.5% - which essentially increases the present value of loan repayments that are expected to take place in the future) though HM Treasury still quotes the long term discount appropriate for this type of analysis as 3.5%<sup>29</sup>.

In terms of size, the loan amount available to full time students in the United Kingdom is quite generous compared to some countries - especially given the fact that a high proportion of the loan is available to all students and a zero real rate of interest is charged on the entire volume of debt. In particular, a student living away from home in London can obtain over £9,300 per annum in subsidised fee and maintenance loans in their first 2 years of undergraduate study.

Other countries adopt a different approach to maintenance loans with the majority offering loans that attract a (semi)-commercial rate of interest. Taking an example of the United States, there are several loans available to students - some of them direct from the US Department of Education and others from private sector providers (delivered through the higher education institution) but in either case a semi-commercial rate of interest is charged on the loan. The primary loans available in the United States are as follows:

**Table 4: Loans available for fees and maintenance in the United States**

Name of Loan Scheme	Maximum	Interest Rate
Federal Perkins Loan	\$4,000 maximum	5.00%
Direct Stafford Loan (Subsidised)	\$8,500 maximum	6.80%
Direct Stafford Loan (Unsubsidised)	\$20,500 maximum <sup>30</sup>	6.80%
FFEL Stafford Loan (Unsubsidised)	\$20,500 maximum <sup>31</sup>	6.80%
FFEL PLUS Loan	Cost of attendance <sup>32</sup>	8.50%
Direct PLUS Loan	Cost of attendance <sup>33</sup>	7.90%

Source: London Economics

<sup>28</sup> This is now the responsibility of the Department for Innovation, Universities and Skills.

<sup>29</sup> The difference in the interest rate adopted *might* be due to the fact that the appropriate discount rate adopted for valuing the student loan book (which is being sold in the debt capital markets) is based off the yield of the UK index linked Gilt (30 year). At the time of writing this report, the nominal yield on the 4.25% 07/03/2036 was 4.767% implying a real 30 year yield of between 2.0 and 2.5%.

<sup>30</sup> Minus any subsidised loans.

<sup>31</sup> Minus any subsidised loans.

<sup>32</sup> Available to parents of student - minus any other financial aid the student receives.

<sup>33</sup> Available to parents of student - minus any other financial aid the student receives.

Over the course of a four-year degree, the total volume of the loans might amount to \$100,000 (£53,991) though all attract some commercial rate of interest.

In the Australian case, the new (HECS-HELP and FEE-HELP<sup>34</sup>) student finance arrangements offer students a loan of up to AUS\$80,000 (£32,674) over the course of their studies (AUS\$100,000 (£40,843) for students in medicine, veterinary science and dentistry). Although technically to cover fees only, it is clear that these loans are also used to cover maintenance (given the fact that the maximum Commonwealth supported fee contribution is less than AUS\$10,000 per annum).

As previously mentioned, in the United Kingdom, the fees and maintenance loans offered are unique in an international perspective, as they offer an unconditional zero real rate of interest (with no associated loan charge). In all other countries, there is some positive rate of interest charged on the loan – ranging between 5% (US Federal Perkins Loan) and 9.5% (Hungary).

However, there are some slight subtleties associated with some of the other student finance systems in terms of the incentives that are offered to students to pay their tuition fees in advance (and not take out loans in the first instance) or repay their loans early. In particular, in New Zealand, loans are offered with a commercial interest rate; however, if payment is made on time (by the end of the tax year), the interest rate charge is removed. In Australia, even though nominally there is a zero rate of interest charged on loans, there is also a 20% fee associated with setting up the loan. To encourage payment of loans if they have been taken out, in Australia, a 10% ‘bonus’ is provided to students when they repay any element of their loan early. For instance, early repayment of AUS\$1,000 of student loans results in a reduction of a student’s outstanding loan account by AUS\$1,100.

The Netherlands is the one country that offers performance related loans. Specifically, students in the Netherlands receive loans for fees and a supplementary ‘grant’ that are paid back (like a mortgage) with a commercial rate of interest unless the student graduates within 10 years of commencing their studies. In these circumstances, the loans are automatically converted into grants (and written off).

Most countries operate some form of income contingent repayment mechanism that is similar to that adopted across the United Kingdom. In the United Kingdom, all individuals with loans repay 9% per annum on that element of their income that is greater than the £15,000 threshold (income contingent loans). If any element of the outstanding debt remains unpaid 25 years after graduation (35 years for Scottish domiciled students), then there is complete debt forgiveness. This is also the case upon reaching the age of 65, suffering a permanent disability affecting economic productivity or death.

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<sup>34</sup> HECS-HELP and FEE-HELP are the titles of the new student loan system. HECS-HELP refers to the student loan system for those with Commonwealth (subsidised) places while FEE-HELP relates to those without a student learning entitlement and do not receive any government subsidy.

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In Australia, loans are repaid at a staggered rate (ranging between 4% and 8%) on *total* taxable income (which is potentially regressive). In New Zealand, the repayment rate stands at 10% and in Hungary the rate is 8%. In Australia, there are discounts if student contributions are paid in advance, as well as an additional discount if voluntary overpayments are made. In the United States and the Netherlands, loans are not repaid on an income contingent basis but rather as a mortgage style loan. No country in this analysis operated a 'graduate tax' system.

Australia offers debt write off in the case of death only, while the Netherlands offers debt write off for fee loans after 25 years or death; however, maintenance loans are converted into grants if the individual graduates within 10 years of commencing their programme of study. Only in the United States and New Zealand is there no debt forgiveness either after some fixed time period or in the event of death.

A summary of this information is presented in Table 5 overleaf.

Table 5: Summary of Main National Higher Education Fee Loan Systems for full time undergraduates 2007/08										
	England	Scotland	Wales	Northern Ireland	Ireland	Australia	New Zealand	Netherlands	United States	Hungary
Fee Loan Scheme	Yes	No <sup>35</sup>	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Means Tested	No Max £2,765				-	No	No	No	Both	Yes
Rate of Interest	0% real rate of interest				-	0%	0.0% - 6.9%	2% over LT Government Bond yield	5%-8.5%	9.50%
Repayment	Income contingent - 9% of income above threshold (£15,000) Students normally resident in England will have the option (from 2011/12) to defer loan repayment for a period of up to 5 years during the 25-year loan period. Exercising this option will extend the repayment term of the loan by the period for which the loan deferral is exercised				-	Income Contingent - up to 8% of income (4% at £15,581)	Income Contingent - up to 10% of income above threshold (£6,455)	Converted to grant if degree completed within 10 years Mortgage style loan in meantime	Mortgage Style Repayment	Income Contingent - up to 8% of income above threshold
Write off	Age 65/ 25 years post graduation (Scotland 35 years) / permanent disability/death				-	Death	-	25 years	No	Age 40

Source: London Economics

<sup>35</sup> There is no fee loan available to Scottish students studying in Scotland, however, Scottish students studying elsewhere are able to take out a loan to cover their tuition fees.

Table 6: Summary of Main National Higher Education Maintenance Loan Systems for full time undergraduates 2007/08										
	England	Scotland	Wales	Northern Ireland	Ireland	Australia	New Zealand	Netherlands	United States	Hungary
Maintenance Loan Scheme	Yes				No	No	Yes	Yes	Yes	No
Means Tested	Partially Max: £6,315 <£26,000: 75% £33,560: 100% £44,000: 75%	Partially Max: £5,430 80% MT 20% Non MT	As per England - though loans reduced if in receipt of ALG <sup>36</sup>	As per England	-	-	Up to £363 course related costs and up to £54 per week living expenses	Yes Up to approx £2,113 p.a. for three years	Both	-
Rate of Interest	0% real rate of interest				-	-	6.9%	Positive	5%-8.5%	-
Repayment	Income contingent - 9% of income above threshold Students normally resident in England will have the option (from 2011/12) to defer loan repayment for a period of up to 5 years during the 25-year loan period. Exercising this option will extend the repayment term of the loan by the period for which the loan deferral is exercised				-	-	Income Contingent - up to 10% of income	Partially Income contingent	Mortgage Style Repayment	-
Write off	Age 65/ 25 years post graduation (Scot 35 years) / permanent disability/death				-	-	-	25 years	No	-

<sup>36</sup> ALG – Assembly Learning Grant.

## 2.2 Part time Students

### 2.2.1 Fees

We have also assessed how student finance funding arrangements vary according to the mode of attendance of students, although there is significantly less information available in general compared to that for full time students. The available information is presented in Tables 7, 8 and 9.

For part time students studying anywhere in the United Kingdom (of which there are 724,000 English domiciled out of a total of 1,704,000), tuition fees are payable up front unlike their full time counterparts where all tuition fees are deferrable (with loans available to cover those fees). There is generally no maximum fee limit and the specific fee levied is at the discretion of the provider.

There is some recent evidence<sup>37</sup> relating to the size of the fee charged by institutions across the United Kingdom. Survey information collected from part time students in 2005/06 indicates that the average fee paid by students in the United Kingdom was approximately £821 per annum, though this did in part depend on the relative intensity of the course undertaken. For part time students studying more than 75% FTE<sup>38</sup>, the average tuition fee charged was estimated to be £1,037 per annum, while for those students undertaking qualifications between 60 and 74% FTE, the average tuition fee stood at £926. Students undertaking higher education with an intensity of less than 50% FTE were charged approximately £570 per annum.

The full time equivalent fee charged by institutions for part time study ranged between £1,174 and £1,958 per annum, with those studying less than 50% FTE charged the highest amount (on a full time equivalent basis). This research (Callendar, 2006) suggests 'that current fees levels have been set at just above the optimum level that would maximise participation'. Assuming that institutions are attempting to maximize participation, this finding implies that there is probably very little freedom for institutions to charge higher fees to part time students. As such, higher education institutions with a large number of part time students generate a significantly lower per capita fee income per student compared to institutions that provide a high proportion of undergraduate degrees to 'traditional' full time students. For those institutions that currently offer a large proportion of places to part time students, this outcome may make the future provision of part time student places increasingly uneconomic relative to full time provision.

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<sup>37</sup> Callendar, C., Wilkinson, D and MacKinon, K. (2006) Part time Study in Higher Education in the UK: A Survey of Students' Attitudes and Experiences of Part time Study and its Costs 2005/06, Universities UK, London.

<sup>38</sup> Of those part time students responding, approximately 19% indicated that they were studying more than 75% FTE, 14% were engaged between 60 and 74% FTE, 38% were studying between 50 and 59% FTE with the remaining 29% studying at less than 50% FTE.



In Scotland and Wales, under the Part time Fee Waiver Schemes, certain institutions exempt some part time students studying at the institution who are on a low income, receive Social Security benefits or are unemployed from all or part of their course fees. There appears to be no fee exemptions in England or Northern Ireland. We have been unable to assess whether there will be any change in tuition fee arrangements in Scotland following the abolition of the Graduate Endowment for full time Scottish domiciled students.

It is interesting to note the different treatment of full time and part time students in the United Kingdom. With the exception of students normally resident in Wales – who are moving to a free fees regime irrespective of the mode of attendance – part time students are asked to contribute to their own education up front while full time students have the option of deferring payment until after graduation or after their income reaches the £15,000 threshold (whichever is the later).

This dichotomous approach to full time and part time undergraduates is even starker in the Republic of Ireland where part time students are charged a fee – although this is tax deductible – whereas their full time counterparts are charged no fee whatsoever (either up front or deferred).

However, in some countries, such as Australia and New Zealand full time and part time students are generally treated in the same way in respect of tuition fees. In these countries, given the fact that tuition fees are levied on the basis of the modules/courses studied in terms of full time equivalencies, the same level of fees are levied on part time students as for full time students. The modular approach eliminates the potential for differential treatment between full time and part time students; however, this needs to be balanced against both the ability of part time students to pay these tuition fees and the adequacy of funding to educate these students in aggregate.

In the United States, there does not appear to be any differentiation between the treatment of full time and part time students.

Table 7: Summary of Main National Higher Education Fee Systems for part time undergraduates 2007/08										
	England	Scotland	Wales	Northern Ireland	Ireland	Australia	New Zealand	Netherlands	United States	Hungary
Tuition Fees Charged	Yes	Yes	Yes	Yes	Yes though tax deductible	Yes	Yes	Yes	Yes	Yes
Fixed/ Differential	Differential	Differential	Differential	Differential	Differential	Differential	Differential	Fixed	Differential	Differential
Maximum/ Cap	No	No	No	No	No	Yes - banded	Yes - banded	Yes	No	No
Indicative Fee Rate	More than 75% FTE: £1,037 60-74% FTE £926 Less than 50% FTE £570 Average across all students: 821 <sup>39</sup>					£1,632- £3,403 <sup>40</sup>	£1,457 - £3,470 <sup>41</sup>		£2,964-£11,464	
Up front/ Deferrable	Up front	Up front <sup>42</sup>	Up front <sup>42</sup>	Up front	-	Deferred - 20% discount for up front payment	Deferred	Deferred	Up front	Up front

Source: London Economics

<sup>39</sup> Callendar, C., Wilkinson, D and MacKinon, K. (2006) Part time Study in Higher Education in the UK: A Survey of Students' Attitudes and Experiences of Part time Study and its Costs 2005/06. Universities UK, London.

<sup>40</sup> The average exchange rate from 01/01/2007 to 08/06/2007 was AUS\$1=£0.40843.

<sup>41</sup> The average exchange rate from 01/01/2007 to 08/06/2007 was NZ\$1=£0.36219.

<sup>42</sup> In Scotland and Wales, there are Part Time Fee Waiver Schemes where certain institutions exempt some part time students studying at the institution who are on a low income, receive Social Security benefits or are unemployed from all or part of their course fees.

### 2.2.2 Grants

There are some means tested grants available to help part time students with tuition fees in England, Wales and Northern Ireland. The maximum value of the grant depends on the intensity of the course:

- Equivalent to 50% and 59% of a FT course: £765 (£590 in Wales)
- Equivalent to 60% to 74% of a FT course: £920 (£710 in Wales)
- Equivalent to 75% or more of a FT course: £1,150 (£880 in Wales)

A means tested Course Grant is also available designed to help with study costs such as books, materials and travel. For 2007/2008, the maximum means tested Course Grant is £250 and is not dependent on the intensity of the course. The joint total value of grants to part time students is capped according to the intensity of the course. In England and Northern Ireland, the household income cut off point for fee grants is £23,146 per annum while the cut off point for the Course Grant is £25,646 per annum. As with full time students, part time students have access to the Access to Learning Fund and Disabled Students Allowances.

Recent work (Callendar et al (2006)<sup>43</sup>) illustrates that only 14% of part time students are eligible for full support with an additional 9% eligible for some partial support. The difference in the availability and structure of full time and part time grants and loans makes it difficult to switch university mode of attendance. The recent changes to the student support arrangements in England apply only to full time students, which will have the effect of further increasing the gap in the way in which full time and part time students are funded. Specifically, while eligibility for a partial grant for full time students has increased to £60,000 per annum, the Course grant is only available to part time students with an income of less than £25,646 per annum.

In Wales, in addition to the Fee Grant described above, the Assembly Learning Grant is available to eligible part time undergraduate students dependent on household income, ranging from £300 up to a maximum of £750 a year. Students from households with incomes of less than £5,605 are eligible for the full grant, while students with an income greater than £16,830 are not eligible for any grant.

There are currently no grants available to part time students in Scotland.

There are no grants available to part time students in the Republic of Ireland, New Zealand or Australia. In the United States, the major sources of Federal Grant (Pell Grant) are available to part time students (though there are some restrictions relating to the intensity of learning in the sense that students must be studying more than 50% FTE to be eligible for the grant). The information

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<sup>43</sup> Callender, C., Wilkinson, D and MacKinnon, K. (2006) Part time Study in Higher Education in the UK: A Survey of Students' Attitudes and Experiences of Part time Study and its Costs 2005/06. Universities UK, London.

in respect to loans and grants is presented in Table 8 overleaf. We have been unable to find any difference in the treatment of students depending on their mode of attendance in the Netherlands.

In general, there is a clear difference between the treatment of full time and part time undergraduate students. In the countries that have recently altered their student finance arrangements on the basis of modules of study (Australia and New Zealand) or who have a long established tradition of the student contributing towards their studies (United States), there appears to be only a minimal discernable difference between part time and full time study. For instance, in New Zealand, part time students are treated in a similar way to their full time counterparts in almost every respect with the exception of the volume of loans available<sup>44</sup>.

However, in many of the other countries considered, especially where there has been a relatively strong tradition of full time study, student finance arrangements appear to have been designed with only full time students in mind. The schemes for full time students appear comprehensive and attempt to balance the need for additional institutional funding and maintaining participation and access. The arrangements for part time students on the other hand are significantly more piecemeal in their construction and substantially less generous.

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<sup>44</sup> Part time students pay the same fees as their full time counterparts and are able to access the tuition fee and course-related costs elements of the Student Loan Scheme (not living expenses). Part time student enrolled for fewer than 32 weeks in a programme of study are able to access the tuition fee component of the Student Loan Scheme only. See next section for full details.

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Table 8: Summary of Main National Higher Education Grant Systems for part time undergraduates 2007/08

	England	Scotland	Wales	Northern Ireland	Ireland	Australia	New Zealand	Netherlands	United States	Hungary
Fee Grant	Yes	No	Yes	Yes	No	No	No	Yes (Not MT)	Yes (MT)	
Means Tested (MT)	Yes 50-59% of FTE:£765 60-74% of FTE:£920 75+% of FTE:£1,150	-	Yes 50-59% of FTE:£590 60-74% of FTE:£710 75+% of FTE:£885	Yes 50-59% of FTE:£765 60-74% of FTE:£920 75+% of FTE:£1,150	-	-	-	Combined fees and maintenance performance related loan Max: £1,901 p.a. Loan converted to grant after 10 years if degree completed	Combined Pell grant for fees and maintenance: Max: £2,187 for families with household income less than £13,497	
Maintenance Grant	Yes Max: £250 p.a.	No	Yes Max: £750 p.a.	Yes Max: £250 p.a.	No	No	Yes (MT) £79 p.w.			
Means Tested	Yes Inc <£15,344: £1,400 Inc >£25,646: £0 (Combined fee and course grant)	-	>50% FTE Inc <£5,605: £750 Inc. >£16,830: £0	Yes Inc <£15,344: £1,400 Inc >£25,646: £0 (Combined fee and course grant)	-	-	Yes	Supplementary Grant also available (MT) – Max £2,651 if individual income less than (£7,139)		
Special Support Grant	-	-	-	Yes		-	Yes		Yes (MT) Max: £2,159	
Disabled persons grant	Yes > 50% FTE	Yes >50% FTE	Yes	Yes	Yes		Yes (MT)			
Parents Learning Allowance	No		Yes	No	No		No			

Table 8: Summary of Main National Higher Education Grant Systems for part time undergraduates 2007/08

	England	Scotland	Wales	Northern Ireland	Ireland	Australia	New Zealand	Netherlands	United States	Hungary
Adult Dependents Grant	No		No	Yes	No	-				
Childcare Grant	No		No	No	No	-	Yes			
Hardship Grant	No	Yes	Yes	Yes	Yes	Yes	Yes			
Care Leavers Grant	No		No	No	-	-	-			
Travel Grant	No		No	No	No	Accommodation Scholarships available to those moving from remote areas	No			
Bursaries	No	No	No	No	No	No	No			

Source: London Economics

### 2.2.3 Loans

In general, there are no loans available for fees in the United Kingdom, with the exception of students undertaking initial teacher training on a part time basis in England, Wales and Northern Ireland, where the terms of the loan are the same as that for their full time counterparts

In Scotland, part time and distance-learning students in higher education with an income up to and including £15,367 (£17,367 if married or civil partnership agreement) can apply for a maintenance loan of £500 in each year of their course to help meet study-related costs (compared to £4,400 per annum for full time undergraduate Scottish students living away from home outside London).

The loan structure in the other countries assessed varies. As with fees, the student funding systems in Australia and New Zealand offer some loans to part time students. In Australia, all the loans that are available to full time students appear to be also available to part time students – with the exception of Overseas Study HELP (OS-HELP) – as long as they are fee paying students or Commonwealth Supported Students making a student contribution.

In New Zealand, student loans are available to part time students studying more than 32 weeks per annum, in which case they are able to access the tuition fee and course-related costs elements of the Student Loan Scheme (not living expenses). Part time students enrolled for fewer than 32 weeks in a programme of study are able to access the tuition fee component of the Student Loan Scheme only. Part time students in the United States are generally treated in the same way as their full time counterparts, though there is in general a restriction on eligibility for those that are engaged in study less than half intensity of a full time equivalent.

There are no loans available for part time students in the Republic of Ireland and we have been unable to assess the impact of the current proposed legislative changes on part time students in Hungary.

Table 9: Summary of Main National Higher Education Loan Systems for part time undergraduates 2007/08										
	England	Scotland	Wales	Northern Ireland	Ireland	Australia	New Zealand	Netherlands	United States	Hungary
Fee Loan Scheme	No <sup>45</sup>	No	No <sup>29</sup>	No <sup>29</sup>	No	Yes	Yes	Yes	Yes	No
Means Tested	-	-	-	-	-	No	No	No	Partially	-
Rate of Interest	-	-	-	-	-	0%	0.0% - 6.9%	2% over LT Government Bond yield	5%-8.5%	-
Repayment	-	-	-	-	-	Income Contingent - up to 8% of income (4% at £15,581)	Income Contingent - up to 10% of income above threshold (£6,455)	Converted to grant if degree completed within 10 years Mortgage style loan in meantime	Mortgage Style Repayment	-
Write off	-	-	-	-	-	Death	-	25 years	No	-
Maintenance Loan Scheme	No	Yes Max: £500	No	No	No	No	Yes	Yes	Yes	No
Means Tested	-	Yes - if income less than £15,367 and >50% FTE	-	-	-	-	Up to £363 course related costs No allowance for living expenses	Yes Up to approx £2,113 p.a. for three years	Partially	-
Rate of Interest	-	0% real rate of interest	-	-	-	-	6.9%	Positive	5%-8.5%	-

<sup>45</sup> Applies to part time Initial Teacher Training only.



Table 9: Summary of Main National Higher Education Loan Systems for part time undergraduates 2007/08										
	England	Scotland	Wales	Northern Ireland	Ireland	Australia	New Zealand	Netherlands	United States	Hungary
Repayment	-	Income contingent - 9% of income above £15,000	-	-	-	-	Income Contingent - up to 10% of income	Partially Income contingent	Mortgage Style Repayment	-
Write off	-	Age 65/ 35 years post graduation / permanent disability/death	-	-	-	-	-	25 years	No	-

Source: London Economics

## 3 Participation Rates

### 3.1.1 General Participation Rates in the UK

There is no single way of measuring participation in higher education. In each of the countries considered in this analysis, an alternative measure is adopted. We therefore present information on participation as measured in that specific system and outline the definition adopted.

In the Table 10 below, we present the most recent evidence relating to participation in each of the Home nations within the United Kingdom.

In England, the measure used to track participation in higher education – the Higher Education Initial Participation Rate (HEIPR) – measures the percentage of those individuals in each year group aged between 18 and 30 entering higher education for the first time (English-domiciled attending a UK institution on a full time or part time basis). In 2005/06, the HEIPR stood at 42.8% compared to 40.2% in 2001/02.

**Table 10: Participation Rates in Higher Education in the United Kingdom**

	2001/02	2002/03	2003/04	2004/05	2005/06
HEIPR (England) <sup>46</sup>	40.2%	41.2%	40.3%	41.3%	42.8%
API (Scotland) <sup>47</sup>	51.5%	48.9%	48.9%	46.4%	47.1%
API (Northern Ireland) <sup>48</sup>	45.6%	46.0%	44.2%	44.6%	
Participation in Wales <sup>49</sup>		26.6%	26.5%	26.4%	

Source: Department for Education and Skills (England), Department for Education and Learning (Northern Ireland and Scottish Executive (Scotland)

In Scotland, the Age-Participation Index (API) is used to assess participation rates, which estimates the number of young Scots aged under 21 who enter a full time (only) higher education course for the first time in that year taken as a percentage of the entire population of 17 year olds. This measure of

<sup>46</sup> The Higher Education Initial Participation Rate (HEIPR) is used to measure progress on the Government's goal of increasing participation towards 50% of 18-30 year olds in higher education by 2010. The HEIPR sums the percentages of each single year of each age group who enter higher education (English-domiciled attending a UK institution on a full time or part time basis) for the first time in each year of age between 18 and 30.

<sup>47</sup> The Scottish Age Participation Index (API) for a given year is defined as the number of young Scots aged under 21 who enter a full time HE course for the first time in that year taken as a percentage of the population of 17 year olds at 31 December in the same year. In simple terms it is an estimate of the share of 17 year olds in the population who, can be expected to enter HE for the first time before their 21<sup>st</sup> birthday.

<sup>48</sup> NI participation in HE is defined as the number of under 21 full time new entrants to HE in NI, GB or the Republic of Ireland/18 year olds in NI population.

<sup>49</sup> Proportion of 18 and 19 year olds in higher education.

participation indicates that participation has actually fallen in the last 5 years. The most recent estimate (for 2005/06) indicates that 47.1% of young people in a particular cohort enter higher education, which is more than 4 percentage points lower than in 2001/02.

The Northern Irish measure of higher education participation is similar to that for Scotland and is defined as the number of under-21 year old full time new entrants to higher education in Northern Ireland, Great Britain or the Republic of Ireland as a proportion of 18 year olds in the Northern Irish population. Since 2001/02, the participation rate has fallen from 45.6% to 44.6% (in 2004/05). There is no equivalent information on higher education participation in Wales. However, we have been able to retrieve some basic information on participation of Welsh domiciled students. In particular, we know that approximately 26.4% of the cohort of 18 and 19 year olds and approximately 17.5% of 20-24 year olds are registered in higher education.

### 3.1.2 Participation by student characteristics

We have been able to disaggregate the headline participation information according to the specific characteristics of participation in each of the Home nations. In Table 11 below, we present some information on participation for students normally resident in England. In the first two rows, we illustrate the total number of part time and full time students who are normally resident in England studying in institutions based in England. In the third row, we present information on the total number of full time and part time students entering higher education. According to this measure, the number of new entrants has increased by almost 40,000 over the 5 year period.

<b>Table 11: Participation Rates amongst English domiciled students</b>					
	<b>2001/02</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>
Full time Students	882,000	912,000	936,000	954,000	980,000
Part time Students	709,000	731,000	745,000	733,000	724,000
New Entrants (FT and PT)	244,000	255,000	257,000	268,000	283,000
FTE (HEFCE funded)	1027,000	1059,000	1071,000	1080,000	1104,000
HEIPR (Male)	36.6%	37.1%	35.6%	36.5%	37.6%
HEIPR (Female)	44.0%	45.4%	45.3%	46.3%	48.2%
HEIPR (Full Time)	35.1%	35.6%	34.6%	35.0%	36.6%
HEIPR (Part Time)	5.2%	5.6%	5.7%	6.3%	6.1%
<b>HEIPR</b>	<b>40.2%</b>	<b>41.2%</b>	<b>40.3%</b>	<b>41.3%</b>	<b>42.8%</b>

Source: Department for Education and Skills Departmental Report 2006

There has been an increase of almost 100,000 full time students since 2001/02 (equivalent to 11%) but an increase of only 15,000 part time students over the

same period (equivalent to 2%). Approximately 42% of all students in higher education are part time students.

We replicate the aggregate HEIPR from Table 10 in the final row of Table 11. However, it is also possible to illustrate how the HEIPR varies depending on the characteristics of the student population. The HEIPR for males trails the HEIPR for their female counterparts by 10.6 percentage points and this gap between the sexes in England has increased over the last 5 years. Only 37.6% of men in the 18-30 year old cohort entered higher education in 2005/06 compared to 36.6% in 2001/02 (a 1 percentage point increase). For women, the proportion of women entering higher education has increased from 44.0% to 48.2% of the cohort over the same period (4.2 percentage points).

Of the 42.8% of the 18-30 year old cohort entering higher education, 36.6% (of 42.8%) enter higher education on a full time basis with the remaining 6.1% (of 42.8%) entering on a part time basis. In 2001/02, the equivalent estimates stood at 35.1% and 5.2% (of 40.3%), which implies that the proportion of part time entrants to higher education has increased from 12.9% to 14.3% of the total number of new entrants.

We present some of the equivalent information relating to Scotland in Table 12 below. The first major difference between Scotland and England is there is a significantly lower proportion of students in part time education. In Scotland there are approximately 35% of students that are undertaking higher education on a part time basis (compared to approximately 42% in England). As with students normally resident in England, there is a gap in participation rates between men and women. As with England, the gap between men and women has marginally increased over the past 5 years. In 2001/02 45.8% of the male cohort entered higher education compared to 57.4% of women (11.6 percentage point gap) compared to 40.1% of men and 53.5% in 2005/06 (a 13.4 percentage point gap).

**Table 12: Participation Rates amongst Scottish domiciled students**

	2001/02	2002/03	2003/04	2004/05	2005/06
Full time (total)	170,320	172,130	176,010	177,305	-
Part time (total)	102,305	94,890	95,860	99,400	-
API (Male)	45.8%	42.8%	43.8%	41.3%	41.0%
API (Female)	57.4%	55.2%	54.2%	51.9%	53.5%
API (All)	51.5%	48.9%	48.9%	46.4%	47.1%

Source: Scottish Executive

There is no breakdown of participation by gender for students normally resident in Northern Ireland; however, from the information that is available, the composition of students in Northern Ireland is similar to that of Scotland. Less than 35% of students attend higher education on a part time basis while

in Wales, the make up of the student population is very similar to England. More than 46% of students normally resident in Wales are part time students.

In Wales, the participation gap in higher education between males and females is repeated. Amongst 18 and 19 year olds, approximately 23% of males are registered in higher education compared to 30% of females. The 7 percentage point gap has increased in size since 2001/02 when the gender gap stood at 5.2 percentage points.

This information is presented in Table 13 below.

<b>Table 13: Participation and participation rates amongst Northern Ireland and Welsh Domiciled Students</b>					
	2001/02	2002/03	2003/04	2004/05	2005/06
<b>Northern Ireland</b>					
Full time (total)	40,944	42,360	43,566	45,182	-
Part time (total)	23,164	22,328	23,338	24,045	-
Northern Ireland API	45.6%	46.0%	44.2%	44.6%	-
<b>Wales</b>					
Full time (total)	53,422	54,815	56,605	-	-
Part time (total)	47,317	49,781	49,447	-	-
Participation in Wales (M+F)	26.6%	26.5%	26.4%	-	-
Participation in Wales (F)	30.1%	29.7%	30.0%	-	-
Participation in Wales (M)	24.9%	23.6%	23.0%	-	-

Source: Department for Education and Lifelong Learning Northern Ireland

### 3.1.3 Participation by Social Class

In this section we present some information on participation by social class where available. In Table 14, we illustrate the participation rates for different types of student. In 1997/98, 24.9% of pupils from social classes IIIM, IV and V entered higher education, while in 2003/04 this proportion had only increased to 28.6 percentage points (using a slightly different measure)<sup>50</sup>. Similarly, an alternative measure of higher education participation amongst individuals living in 'lower participation areas' has only increased by 1 percentage point between 1997/98 and 2003/04.

**Table 14: Participation by student characteristics (England)**

	State Schools	Social Classes IIIM, IV, V	Socioeconomic groups 4-7	Lower Participation Areas
1997/98	81.8	24.9		12.1
1998/99	85.0	25.1		12.3
1999/00	84.9	25.3		12.4
2000/01	85.7	25.4		12.5
2001/02	86.0	25.8		13.1
2002/03	87.2		28.4	13.3
2003/04	86.8		28.6 <sup>51</sup>	13.9
2004/05	87.2		28.7	14.4

Source: Department for Education and Skills and HESA

In Table 15 overleaf, we present information on entry rates for the four Home nations according to some socioeconomic characteristics. The proportion of students entering higher education from state schools is 2.6 percentage points lower in England than in Scotland and 8.5 percentage points lower than in Wales, while the proportion of students entering from the 4 lowest socioeconomic groupings is 1.1 percentage points lower in England than in Scotland, 2.9 percentage points lower than in Wales and 10 percentage points lower than in Northern Ireland.

<sup>50</sup> Over this period the gap between participation rates amongst high and low socioeconomic groupings in England decreased by 2.8 percentage points (full time undergraduates aged less than 25). See <http://www.dfes.gov.uk/research/data/uploadfiles/RB806.pdf> for more details.

<sup>51</sup> The participation rate for individuals from low socioeconomic classes stood at 25.8% in 2003/04. See [http://www.scotpho.org.uk/web/site/home/Lifecircumstances/Education/Datapagesofeducation/education\\_highered.asp](http://www.scotpho.org.uk/web/site/home/Lifecircumstances/Education/Datapagesofeducation/education_highered.asp) for more information.

**Table 15: Percentage of young full time first degree entrants from under-represented groups 2004/05**

	England	Nth Ireland	Wales	Scotland
State Schools	85.4	99.9	93.9	88.0
From NS-SEC classes 4, 5, 6 and 7	27.6	37.6	30.5	28.7

Source: HESA

Finally in this section, we consider part time participation rates by age of entrant. In the first row, we present the proportion of entrants that are defined as being young or mature. For instance in Scotland, of those entering higher education to undertake a part time undergraduate degree, 5.6% are young (under 25) with the remaining 94.4% defined as mature students.

**Table 16: Percentage of young part time first degree entrants from under-represented groups: 2004/05**

Proportion	England	Nth Ireland	Wales	Scotland
Young	5.6%	2.1%	17.5%	5.6%
Mature	94.4%	97.9%	82.5%	94.4%
Of those students that are young, proportion from low participation areas				
Young	17.7%	3.8%	26.7%	17.0%
Of those students that are mature, proportion from low participation areas				
Mature	8.0%	2.2%	14.0%	9.4%

Source: HESA

For young part time undergraduate students, 17.7% in England are from low participation areas, compared to 3.8% in Northern Ireland, 26.7% in Wales and 17.0% in Scotland. In contrast, of those mature students entering higher education for the first time, only 8.0% of students in England are from low participation areas, compared to 2.2% from Northern Ireland, 14.0% from Wales and 9.4% from Scotland.

It is clear that the socioeconomic characteristics of young and mature part time entrants are significantly different from each other.

### 3.1.4 Applications and Acceptances in the UK

In Table 17 below, we present some information from UCAS on the number of applications and acceptances by UK resident students. Although the number of applications has increased steadily since 1997, it is clear that the introduction of differential tuition fees in England, Wales and Northern Ireland have had an impact on potential student behaviour. There was an increase in applications by 8% between 2004 and 2005 when the full details of the new student finance regime were documented and a subsequent fall in the number of applications between 2005 and 2006 by 16.2%. However, the latest information from UCAS (March 2007) indicates that there has been a partial recovery in the numbers of student applying for university places (by 4.6% compared to 2006).

It is difficult to assess the impact of the introduction of differential fees on applications to higher education institutions given the fact that the information presented is in terms of absolute numbers rather than proportions of the appropriate cohort. However, it appears highly improbable that there has been a reduction in the size of the total cohort of individuals that might enter higher education (by 16%) and that this has independently coincided with the first year of differential fees.



**Table 17: Application Rates by Socioeconomic Group**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Higher managerial and professional	-	-	-	-	-	71,054	69,700	70,059	69,631	63,982
Lower managerial and professional	-	-	-	-	-	99,404	100,465	102,737	105,698	90,061
Intermediate occupations	-	-	-	-	-	51,002	49,803	50,500	52,423	42,215
Small employed and own account workers	-	-	-	-	-	24,535	24,616	24,663	25,394	22,715
Lower supervisory and technical	-	-	-	-	-	15,559	16,540	16,054	16,348	14,071
Semi-routine occupations	-	-	-	-	-	43,485	44,834	45,789	50,563	40,283
Routine occupations	-	-	-	-	-	19,905	19,243	19,358	20,392	17,355
Unknown	-	-	-	-	-	76,910	84,767	84,174	104,181	81,821
Grand Total	398,327	389,588	388,691	389,091	399,645	401,854	409,968	413,334	444,630	372,503

Source: UCAS

Note: We do not provide a breakdown of applications by socioeconomic grouping between 1997 and 2001 as the classification of socioeconomic grouping changed between 2002 and 2002 making annual comparisons difficult.

We also provide some information on the change in applications by socioeconomic class between 2002 and 2006<sup>52</sup>. Overall since 2002 there has been a 10.5% reduction in the number of applications for higher education. This has been mirrored by falls in applications from each individual socioeconomic grouping (with the exception of “unknowns”). Applications from households describing themselves as ‘higher professional’, ‘lower professional’ and ‘intermediate occupations’ were down 11.38% between 2002 and 2006, while applications from households describing themselves as within socioeconomic groups 4-7 were down 8.75%.

Similar statistics are presented in relation to acceptances in Table 18 below. Accepted applications from households describing themselves as ‘higher professional’, ‘lower professional’ and ‘intermediate occupations’ were down 21.93% between 2002 and 2006, while applications from households describing themselves as within socioeconomic groups 4-7 were down 18.64%.

One interesting change that has occurred between 1997 and 2006 relates to the proportion of applications to higher education that are not converted into acceptances. In particular, although there has been a marginal increase in the proportion of acceptances to applications since 1997 (76.1% to 77.5%), the rate reached 82.5% in 2002 – falling significantly between 2005 and 2006.

It is difficult to assess whether any of the change in application rates and acceptances is due to changes in any of the particular student finance regimes. It may be the case that a particular cohort is substantially smaller than its predecessor, though given the magnitude of the reduction in applications (especially), this explanation is difficult to support<sup>53</sup>.

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<sup>52</sup> We present information in relation to 2002 for consistency given the fact that there was a change in the classification of socioeconomic status in 2002.

<sup>53</sup> In 2001, there were approximately 6.504 million individuals aged between 16 and 24 in the United Kingdom. By 2005, the size of the cohort had increased to approximately 7.083 million (an increase of 8.9%).

Table 18: Acceptances by Socioeconomic Group

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Higher managerial and professional						61,419	59,472	59,679	59,670	48,529
Lower managerial and professional						83,476	83,113	84,628	87,107	66,823
Intermediate occupations						42,112	40,576	40,790	42,222	30,649
Small employed and own account workers						20,056	19,992	19,881	20,668	15,926
Lower supervisory and technical						12,830	13,457	13,114	13,454	10,030
Semi-routine occupations						34,647	35,254	35,516	38,866	29,309
Routine occupations						15,855	15,183	15,199	16,062	12,577
Unknown						61,330	66,895	65,488	82,195	75,386
Grand Total	303318	298220	303065	308718	325472	331,725	333,942	334,295	360,244	289,229
Ratio of Acceptances to Applications	0.76	0.76	0.78	0.79	0.81	0.82	0.81	0.81	0.81	0.77

Source: UCAS

Note: We do not provide a breakdown of acceptances by socioeconomic grouping between 1997 and 2001 as the classification of socioeconomic grouping changed between 2002 and 2003 making annual comparisons difficult

### 3.1.5 Cross Border Movements

In this section, we present some information on the changes in the cross border movement of students between the Home nations since 2000. Although none of the particular changes that may have occurred between 2000 and 2006 can be specifically attributed to the differences or changes in the student finance regimes, there are trends displayed in the data that are difficult to explain otherwise.

In Table 19 below, the rows present information on the change in the proportion of students from a particular country applying for higher education places in each of the Home countries. The first row illustrates that there has been a small reduction in the proportion of English students applying for places in England with a corresponding increase in the proportion of English domiciled students applying for places in Scotland (and no change in those applying for courses in Wales or Northern Ireland).

Table 19: Change in Cross Border Applications between 2000 and 2006				
Institution Location ►	England	NI	Scotland	Wales
Student Domicile ▼				
England	-0.4	0.0	0.3	0.0
NI	0.4	2.9	-3.3	0.0
Scotland	-5.4	-0.1	5.6	-0.1
Wales	-11.2	0.0	0.1	11.1

Source: London Economics estimate based on UCAS data

The significant change in applications behaviour that has occurred since 2000 is associated with students normally resident in Wales and Scotland.

For Welsh domiciled students, 11.2 percentage points fewer students apply for higher education places in England (in 2006 compared to 2000) with a corresponding increase in applications for Welsh based higher education institutions. A similar outcome occurs in relation to students normally resident in Scotland – with a 5.4 percentage point reduction in the proportions applying for places in England and a 5.6 percentage point increase in those electing to apply for a university place at home. Following the abolition of the Graduate Endowment in Scotland and the removal of tuition fees in Wales, this trend might be expected to continue.

However, there is a slight difference in application behaviour and where students actually attend university. Although the proportion of English based students applying for places in England has decreased, the actual proportion attending English based universities has increased.

Scottish and Welsh students are significantly more likely to actually attend higher education institutions in their home countries. Scottish students are 1.6 percentage points more likely to attend university in Scotland in 2006 (compared to 2000) while the proportion of Welsh domiciled students studying in Wales has increased by 10.5 percentage points since 2000.

**Table 20: Change in cross border acceptances between 2000 and 2006**

<b>Institution Location ►</b>	<b>England</b>	<b>NI</b>	<b>Scotland</b>	<b>Wales</b>
<b>Student Domicile ▼</b>				
<b>England</b>	0.7	0.0	-0.3	-0.4
<b>NI</b>	4.6	-1.9	-2.4	-0.3
<b>Scotland</b>	-1.5	0.0	1.6	-0.1
<b>Wales</b>	-10.3	0.0	-0.2	10.5

Source: London Economics estimate based on UCAS data

### 3.1.6 General participation rates in other countries

In this section we provide some information on general participation rates in the other countries under consideration.

In Table 21, we present information on the net entry rate into higher education both in the United Kingdom (as a whole) and the other countries in this analysis between 2000 and 2004. The information illustrates that between 2000 and 2004, net entry rates into type A<sup>54</sup> higher education in the United Kingdom (as a whole) increased by 6 percentage points (from 46% to 52%). However, the net entry rate in the United Kingdom was significantly lower than in all of the other countries in the analysis with the exception of the Republic of Ireland and is one percentage point lower than the OECD as a whole.

<sup>54</sup> Tertiary type A courses are defined as being largely theory-based and are designed to provide sufficient qualifications for entry to advanced research programmes and professions with high skill requirements, such as medicine, dentistry or architecture. Tertiary type A programmes have a minimum cumulative theoretical duration (at tertiary level) of three years' full time equivalent, although they typically last four years or more. These programmes are not exclusively offered at universities. Conversely, not all programmes nationally recognised as university programmes fulfil the criteria to be classified as tertiary type A. Type B courses are defined as being typically shorter than those of tertiary type A and focus on practical, technical or occupational skills for direct entry into the labour market, although some theoretical foundations may be covered in the respective programmes. They have a minimum duration of two years' full time equivalent at the tertiary level. These definitions are derived from the OECD *Education At A Glance* 2006 book and are based on the International Standard Classification of Education (ISCED) 1997 classification.

Australia and New Zealand have the highest net entry rates of the countries considered, despite the fact that these countries have had extensive student contribution schemes for many years. The United States has seen the greatest increase in net entry rates over the four years for which data exists – and this is despite having the highest average level of fees levied on students.

**Table 21: Entry Rates into Higher Education: 2000-2004**

	2000			2004		
	M	F	All	M	F	All
Australia	52	66	59	65	74	70
Hungary	60	70	65	61	76	68
Ireland	29	34	31	39	50	44
Netherlands	48	54	51	52	61	56
New Zealand	-	-	-	-	-	89
United Kingdom <sup>55</sup>	42	49	46	-	-	52 <sup>56</sup>
United States	37	49	43	56	71	63
<b>OECD Average</b>	<b>40</b>	<b>47</b>	<b>44</b>	<b>48</b>	<b>59</b>	<b>53</b>

Source: OECD Education at a Glance 2006: Type A entry rates

### 3.1.7 Australia

Recent domestic estimates from Australia indicate that student numbers have increased by 1.3% between 2004 and 2005. In addition to this, the Equivalent Student Full Time Loan (EFTSL) increased by almost 2% between 2004 and 2005 – indicating that there has been a slight trend towards full time participation in higher education. However the rate of increase of student participation has occurred on the back of substantial increases in overseas students. Between 2003 and 2005, domestic student numbers have essentially remained constant with no year illustrating more than a one-percentage point increase in student numbers compared to the preceding year.

### 3.1.8 Ireland

The proportions of young people from the 17-19 years old cohort entering higher education in Ireland have been increasing since 1980, from 20% in 1980 to 54% in 2003 (Type A and Type B). Between 1998 and 2003, participation of young people from families whose father was in semi-skilled or unskilled occupations increased faster than other groups, albeit from a low base.

<sup>55</sup> The gender breakdown relating to the United Kingdom is not available for 2004.

<sup>56</sup> This net entry rate is not an equivalent measure to the Higher Education Initial Participation Rate discussed previously in this chapter.

Between 1998 and 2003 the participation rates of the children of semi-skilled and unskilled fathers have increased faster than any other group, but having started from a much lower base, participation still lags behind other social groups. For professional workers the participation rate rose from 72% to 89%, for managerial & technical it actually fell from 54% to 53%, for other non-manual it rose from 35% to 43%, for skilled manual from 44% to 56%, for semi-skilled from 36% to 57%, and for unskilled from 20% to 28%.

### 3.1.9 Netherlands

Participation at university level continued to increase between 2004 and 2005. The most recent information available indicates that university participation has continued to increase and was approximately 1-2 percentage points higher than in 2004.

The most comparable metric used in the Dutch education system measures the proportion of 17-22 year olds participating in full time or part time education. The full time education participation rate has increased from 44.7% in 1990 to 59.7% in 2005. The part time participation rate in higher education decreased from 10.5% in 1990 to 8.6% in 2005 – with the major decline taking place since 2003.

### 3.1.10 New Zealand

In New Zealand, the measure of participation used domestically is the percentage of the population aged 15 and over who were enrolled at any time during the year. The total participation rate (across the entire population) stands at 14.2%, which is 43% higher than in 1999 and 3.3% higher than in 2004. The participation rate amongst the male population stands at 12.9% while for women the participation rate for women is 15.4%.

### 3.1.11 United States

In the United States, there has been a steady increase in the proportion of young people attending higher education. For 18 and 19 year olds, the proportion of the cohort entering higher education has increased from 44.7% to 49.3% between 2000 and 2005. There is no equivalent information relating to different ethnic sub groups; however it is possible to consider the participation gaps by ethnic origin if considering the participation rate amongst 18 and 19 year olds in *secondary or higher* education. In particular, the proportion of white student participation in any form of education has risen from 61.2% to 64.4% between 2000 and 2005, while the equivalent measure for Afro Caribbean students has increased from 57.2% to 60.5% (no narrowing of the gap) and from 49.5% to 50.1% for Hispanic students (a widening of the gap against both the white and Afro-Caribbean population<sup>57</sup>).

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<sup>57</sup> Source: National Center for Education Statistics.

## 4 Funding

In this section, we present some of the available and comparable information on university funding domestically to illustrate the effect of the most recent student finance reforms on students, graduates, institutions and the Exchequer, as well as presenting some international evidence on the funding of higher education.

### 4.1.1 Funding in England

Under the previous student finance system (pre differential fees), the annual revenues allocated to higher education institutions in England stood at approximately £5.79 billion<sup>58</sup>. Approximately £5.27 billion of this came from the Exchequer, with the remaining £520 million coming from students in the form of up front tuition fees. The other primary resource flows related to the taxpayer subsidy provided by the Exchequer to graduates resulting from the subsidy associated with the zero real rate of interest on income contingent loans and debt forgiveness after 25 years. This is presented in Table 22 below and related **only** to funding for teaching and does not incorporate funding for capital or research.

**Table 22: Flows of funding between universities, students, Exchequer and graduates under the 2003–04 (base) system**

Payments to ►	Universities	Students	Exchequer	Graduates
Payments from ▼				
Universities				
Students	£520m			
Exchequer	£5,270m			£1,030m
Graduates				
<b>Net Payments to</b>	£5,790m	-£520m	-£6,300m	£1,030m

Source: Institute for Fiscal Studies (2005)

In essence, under the student finance arrangements prior to the introduction of differential fees, the Exchequer provided 90% of the resources available to institutions with student providing the remaining 10%.

<sup>58</sup> Only funding for teaching, **not** capital or research.



Under the current system, the flows of resources have changed significantly and this is presented in Table 23 below.

<b>Table 23: Flows of funding between universities, students, Exchequer and graduates under the current system of student finance</b>				
<b>Payments to ►</b>	<b>Universities</b>	<b>Students</b>	<b>Exchequer</b>	<b>Graduates</b>
<b>Payments from ▼</b>				
<b>Universities</b>		£70mn		
<b>Students</b>				
<b>Exchequer</b>	£4,820mn	£870mn		£1,900mn
<b>Graduates</b>	£2,130mn			
<b>Net Payments to</b>	<b>£6,880mn</b>	<b>£940mn</b>	<b>-£7,590mn</b>	<b>-£230mn</b>

Source: Institute for Fiscal Studies (2005)

Under the previous system (before the introduction of differential fees), higher education institutions in England were in receipt of £5,790mn in annual funding compared to an expected £6,880mn under the current system – an increase of more than £1,000m per annum. There will be a differential impact depending on the nature of the university and its student profile. Although all universities have the right to charge students the maximum fee (of £3,070 per annum), this is linked with the obligation to provide bursaries to those students from the poorest backgrounds. Institutions whose student profile is less prosperous are obliged to contribute relatively more per capita than those institutions whose students are from backgrounds that are economically better off.

Students are also significantly better off during the course of their studies (by approximately £940mn through the removal of up front fees and the increase in grants, subsidised loans, increase in threshold for repayments and loan write off arrangements).

The additional funding for students and institutions comes from the Exchequer and graduates. Specifically, although graduates are now in receipt of larger loans for fees and maintenance than was previously the case (and as a result receive a greater subsidy from the Exchequer), the increase in graduate payments to higher education institutions is also greater. Rather than being a net beneficiary (to the order of £1,000m annually), graduates are now net contributors (by £230m).

The Exchequer contributes less directly to universities in England but more to both students and graduates. The Exchequer now is expected to contribute approximately £1,290 million per annum more than was previously the case.

The recent changes to student support arrangements in England (wider eligibility for maintenance grants and a loan repayment deferral option) are estimated to cost the Exchequer an additional £400m per annum on top of the

costs presented here. The beneficiaries will be both students (additional maintenance grants) and graduates (option to defer loan repayment).

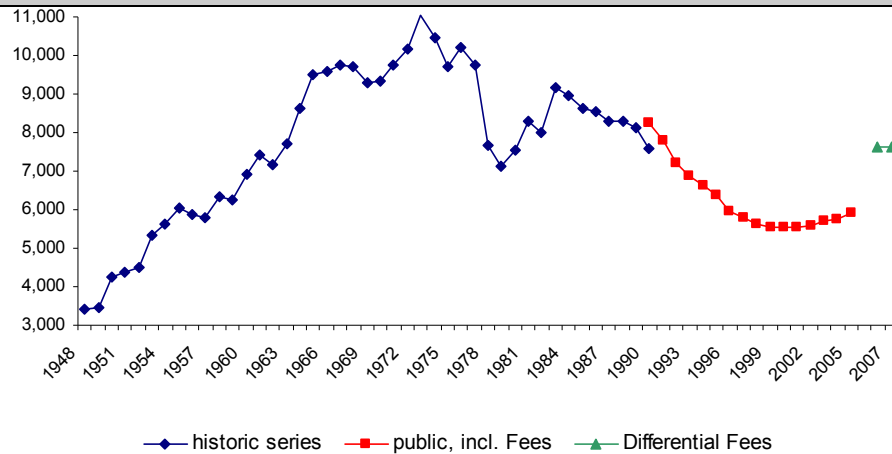
However, the impact of these changes will also have an effect on higher education institutions – depending on their student profile. The bursary that is currently available to students from the poorest backgrounds – and is payable by institutions – will now be more widely available (to those students with household incomes of between approximately £17,000 and £25,000 per annum). This implies that those institutions that admit a large number of students from poorer socioeconomic groups may be disproportionately affected by these reforms.

Overall, as a result of the various changes in student finance and support arrangements, higher education institutions in England appear to be better off under these reforms in terms of the resource allocation per full time student. The per capita student funding available to higher education institutions is presented in Figure 2 below. The figure illustrates the gradual decline in full time per capita funding suffered by institutions since 1973 and the potential recovery of funding levels under differential fees to the levels achieved in 1990.

The Institute for Fiscal Studies (2005) have estimated that the reforms student finance reforms introduced in the academic year 2006/07 will increase the spending per head available to institutions by approximately 30% (assuming that the number of students remains constant).

However, these findings need to be moderated by the fact that this analysis only applies to full time students. Some institutions with a disproportionately large number of part time students may not be affected in the same way as institutions that offer the bulk of places to students who are young and attending on a full time basis. The discrepancy between the funding arrangements applied to full time and part time students has been exacerbated by the recent decision to extend grant eligibility and loan deferment options to full time students only.

**Figure 2: University Funding per full time student: 1948-2007 (2006/07 constant prices)**



Source: Institute for Fiscal Studies 2005

### 4.1.2 International Comparisons

Placing these reforms in an international context, between 1995 and 2003, there has been a 20% change in expenditure on higher education in the United Kingdom (as a whole) coupled with a 20% increase in the number of students. With the exception of Australia, per capita funding has risen at a slower rate than in any other country included in this analysis. This is presented in Table 24 overleaf.

**Table 24: Change in expenditure on educational institutions (all activities) and student numbers (1995, 2003)**

	Change in expenditure	Change in the number of students	Change in expenditure per student
<b>Australia</b>	125	133	94
<b>Hungary</b>	182	170	107
<b>Ireland</b>	163	134	121
<b>Netherlands</b>	112	109	103
<b>New Zealand</b>	111	-	-
<b>United Kingdom</b>	120	120	100
<b>United States</b>	133	121	110
<b>OECD Average</b>	146	138	106

Source: Education at a Glance (2006)

Note: Index of change between 1995 and 2003 (GDP deflator 1995=100, 2003 constant prices).

In all the other countries in the analysis, with the exception of the Netherlands, there has been a greater increase in student numbers between 1995 and 2003; however, this has been combined with significant additional financial resources to compensate for this. The United States has seen an equivalent increase in the proportion of students attending higher education institutions as the UK (approximately 20%); however, the increase in resources available has increased by 33% over the period – compared to 20% in the United Kingdom.

### 4.1.3 Funding by Activity

In Table 25 overleaf, we present some information (relating to 2003/04) from the OECD on the expenditure patterns in different countries on higher education and the components of higher education activities.

The evidence illustrates that according to any measure, the United States resources higher education to a significantly greater extent than any other country in the OECD, even when the general economic activity of the country is taken into account.

**Table 25: Annual expenditure per student in Higher Education on core services, ancillary services and R&D in equivalent UK Sterling converted using PPPs for GDP (2003), based on full time equivalents**

	Core educational services	Ancillary services (transport, meals, housing provided by institutions)	R&D at tertiary institutions	Total	£ per student per capita GDP
Australia	4,275	401	2,034	6,711	0.50
Hungary	3,242	481	915	4,639	-
Ireland	3,907	-	1,145	5,053	0.31
Netherlands	4,508	-	2,762	7,272	-
New Zealand	-	-	-	4,777	-
United Kingdom	4,938	-	1,479	6,418	0.45
United States	10,569	1,097	1,356	13,022	0.65
<b>OECD Average</b>	<b>4,205</b>	<b>236</b>	<b>1,760</b>	<b>6,087</b>	

Source: London Economics' calculation and OECD Education At A Glance

Note: Denominated in UK Sterling. Converted from US Dollars at a rate of 1GBP=USD\$1.9854 and HM Treasury GDP Deflators.

On average, contributions from public and private sources (in UK Sterling) for core educational activities are approximately £10,569 per student per annum in the United States compared to £4,938 per annum in the United Kingdom. It is interesting to note that the United Kingdom appears to spend a significantly greater proportion of university funding on research based activities (though this is particularly concentrated in a relatively small proportion of institutions). Compared to the United States, the UK spends more on research activities per full time equivalent student compared to the States but less than 50% on core educational services relative to the United States.

In terms of the expenditure per capita GDP, higher education expenditure approximates £0.65 per student per capita. In the United Kingdom, prior to the most recent student finance reforms, this equivalent estimate stood at £0.45 per student per capita. The impact of the student finance reforms will be to increase the total public and private contribution by approximately £2,700

per annum<sup>59</sup> (in those institutions currently subject to differential fees) – of which 42% will in the form of the public subsidy for loans for fees and the remaining element from private contributions to tuition fees.

This increase in private and public contributions to higher education will bring the resources available to higher education institutions (as a whole) for core teaching and research activities more in line with those levels achieved in Sweden, Denmark and Norway and ahead of countries such as Australia and the Netherlands – though clearly there may be a differential impact on institutions depending on the degree to which they might be considered research or teaching orientated.

#### 4.1.4 The recipients of public expenditure on higher education

The previous section highlights the flow of resources to the various activities undertaken by institutions internationally. In this section, we present some information on the relative proportions of public funding that are paid directly to institutions compared to the resources available to students through grants, scholarships and loans. This information is presented in Table 26.

**Table 26: Direct public expenditure and public subsidies for households and other private entities as a percentage of total public expenditure on education and GDP, for tertiary education (2003)**

	Direct Expenditure to Institutions	Financial Aid to Students			Total
	Research and Teaching	Grants/Scholarships	Loans	Total	
Australia	65.0	13.5	21.5	35.0	100.0
Hungary	85.3	14.7	-	14.7	100.0
Ireland	86.2	13.8	-	13.8	100.0
Netherlands	74.1	12.1	13.7	25.9	100.0
New Zealand	56.6	13.7	29.8	43.4	100.0
United Kingdom	75.3	1.6	23.2	24.7	100.0
United States	82.2	13.9	3.9	17.8	100.0
<b>OECD Average</b>	83.1	9.8	7.1	16.6	100.0

Source: OECD Education at a Glance 2006

<sup>59</sup> This estimate does not take into account the recent abolition of the Graduate Endowment in Scotland (for Scottish domiciled students studying in Scotland) or the proposed elimination of fees in Wales (for Welsh domiciled students studying in Wales).

Although the information is from 2003 (the latest comparable data available), it is interesting to note that the United Kingdom allocates a greater proportion of public expenditure to students in the form of loans (and grants) than most other countries with the exception of Australia, New Zealand and the Netherlands. This is likely to have increased significantly following the introduction of differential fees and recent announcements relating to grant eligibility and loan repayment deferral options.

In the case of these first two countries (Australia and New Zealand), the longevity of the 'student pays' concept is partially responsible for this while the relatively generous grants system accounts for the situation in the Netherlands. Since the introduction of differential fees in the United Kingdom, it is likely that the relative expenditure direct to institutions and students will converge to those levels in Australia and New Zealand.

Finally, Table 27 presents some information on the relative contribution of households, the Exchequer and other private and international sources to the funding of the higher education sector. This table reflects the student finance arrangements existing in each of the countries in 2003 and illustrates that the fact that in Australia and the United States private households contribute the greatest proportion of aggregate higher education resources of any of the countries considered – though much of this resource appears to be fed back to students in the form of grants and scholarships.

At the other extreme, in the Republic of Ireland, households contribute only 13% of higher education funding compared to 83% from the Exchequer; however, of the proportion of public expenditure being allocated for student support activities, the Republic of Ireland has the lowest incidence.

**Table 27: Contribution to Tertiary Education Funding (%), 2003**

	Households	Public Services	Other Private Sources	International
Australia	32	54	13	
Hungary		85	15	
Ireland	13	83	1	3
Netherlands	12	80	8	
New Zealand	26	74		
United Kingdom	26	66	7	1
United States	34	48	19	

Source: OECD Education at a Glance 2006

There appears to be some relationship between the household contributions to higher education funding and the public allocation of resources for student support activities – though crucially the nature of the households contributing and in receipt of resources will differ dramatically. The

implication is that increased private contributions to higher education need not necessarily harm participation rates or access provided that support arrangements are appropriately balanced with increasing revenues to institutions.



## 5 Individual elements of student finance regimes

In this final section we provide an economic analysis of some of the contributory elements of the current student finance package in the United Kingdom and explain how particular changes to individual components might affect students, graduates, institutions and the Exchequer more generally.

The changes that might occur relate only to those funding systems that currently incorporate those relevant elements though we do attempt to illustrate where various changes in student finance arrangements in one specific system may have cross border or spillover effects.

It is important to remember that we have been unable to find any methodologically robust evidence that establishes a causal relationship between one particular student finance regime and student participation or access in a particular country; however, we present our expectation of what might happen if specific changes to existing student finance regimes were implemented based on economic theory.

### 5.1.1 What is the effect of introducing a positive real rate of interest on loans?

Although many of the countries considered as part of this analysis offer loans for fees and or/maintenance to full time students (and in some cases part time students), the imposition of commercial interest rates on loans, *ceteris paribus*, would have a negative impact on participation. There is little doubt that introducing commercial interest rates on loans for maintenance and fees would reduce the economic benefits associated with higher education qualification attainment. The result of the introduction of a real rate of interest will reduce the demand for higher education.

The extent to which participation might fall is measured by the price elasticity of demand<sup>60</sup>. There are no specific measures in the United Kingdom of the price elasticity of demand for higher education<sup>61</sup> but any evidence that does

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<sup>60</sup> The price elasticity of demand measure the percentage change in quantity demanded following a percentage change in the price of a good. If there is a 10% increase in the price of a good that results in a less than proportionate reduction in the quantity demanded of that good, then the good in question is described as inelastic. If the change in quantity demanded is greater (in proportionate terms) than the initial change in price, then the good is defined as being elastic. The change in the quantity demanded is made up of two elements - the substitution effect and the income effect. The substitution effect is always negative following an increase in price - and reflects the fact that the good in question is worse value for money than used to be the case. The income effects reflect the change in demand for the good at every price resulting from the erosion of purchasing power following the increase in prices. For 'normal' goods, this reinforces the substitution effect while for 'inferior' goods, the income and substitution effects operate in different directions.

<sup>61</sup> The estimation of the impact of raising private contributions to Further Education fees on participation and funding is currently being assessed by the (former) DfES.

exist indicates that higher education is not particularly sensitive to changes in price and it is probable that individuals from lower socioeconomic groups are more sensitive to changes in price than individuals from higher socioeconomic groups. The introduction of a positive real rate of interest on loans would have an effect along the same lines as the impact on participation and access following the introduction of up front fees.

Recent work undertaken by the Institute for Fiscal Studies assessed the higher education proposals put forward by the three main political parties before the 2005 General Election. There was some variation between the proposals put forward by the three political parties and this allows us to exploit some of these differences and to illustrate the likely impact of possible changes to the student finance regime.

In particular, the Conservatives proposed removing differential top up fees; capping maintenance grants (at approximately 50% of the current level); and introducing a real rate of interest on student loans.

The expected debt that students might be expected to graduate with was estimated to be lower under the Conservative proposal than under the current system. However, the effect of the positive real interest rate means that the value of the debt increases over time in real terms. The estimates indicate that with positive real rates of interest it would take male graduates coming from families with incomes below £35,000 longer to repay their debts than under the current system (around 21 years compared to 17 years). By contrast, it would take less time for male graduates coming from families with incomes of £35,000 or more to repay their debts than would be expected under the current system (around 15 years compared to 17 years currently).

Low earning females are equally affected under positive real rates of interest as for low earning males. Women with earnings less than £32,000 per annum would be expected to require an additional 1-2 years to repay their debt than under the current system (23 years compared to 22 years under the current system).

Looking at the amount of debt that might be written off under a system with positive real rates of interest, there are important impacts on the financial position of the Exchequer. Under the current higher education system of student finance, for the average male graduate, the total volume of loan written off represents between 1.1% and 1.4% of the original debt on graduation. With a positive real rate of interest, the amount that the average male graduate fails to repay represents between 2.6% and 9.1% of the original debt on graduation. For women, under the current system of zero real rates of interest, the average outstanding debt as a proportion of the original loan lies between 17.3% and 23.0%. With positive real rates of interest, the average amount outstanding would represent between 40.2% and 89.7% of the original debt (per student).

The biggest impact of positive real rates of interest affects individuals at the bottom quintile of the lifetime earnings distribution. The imposition of a

positive real rate of interest would be expected to increase the average proportion of the original debt outstanding, especially for those coming from families with low incomes. This is the case for men, but is even more marked for women, for whom the average outstanding debt after 25 years is more than 100% of the original face value of the debt at all family income levels.

If part time students were made newly eligible for loans for tuition fees and maintenance at a commercial rate on the same terms as full time students, there might be an *increase* in higher education participation from this group, as access to loans may remove some of the credit constraints faced by potential part time students that currently exist<sup>62</sup>.

It is difficult to assess the impact of changing the interest rate on loans for students on the Exchequer<sup>63</sup> and on institutions. The removal of the loan subsidy on maintenance loans might be expected to reduce the contribution of the Exchequer by approximately £1,000m per annum<sup>64</sup>. However, it appears to be clear that there will be a negative impact on students and graduates – especially at the bottom end of the income distribution.

Although there is no ‘direct’ effect on institutions, it is likely that there will be an indirect effect associated with the introduction of positive real interest rates depending on the student profile of the higher education institution. Given the expected change in the economic circumstances of students, it is probable that there would be (at least in the first year or two) a reduction in the demand for higher education as the net economic benefits from qualification attainment fall. Those universities that provide education and training to individuals from lower socioeconomic classes and flexible modes of study may see applications to their institutions fall – unless other changes to the student finance regime are introduced to negate these expected effects.

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<sup>62</sup> If loans for tuition fees and maintenance at a commercial rate were available to part time students on the same terms as full time students, given the current debt forgiveness arrangements, the increased availability of loans might increase the overall cost of the loan subsidy to the Exchequer. A large proportion of part time students are mature students. As such, they are likely to spend less time in the labour market before reaching age 65 or spending 25 years in the labour market post graduation, which are two automatic cut off points for debt repayment. It is likely that part time students will see a greater proportion of loans with commercial interest rates written off by the Exchequer than for full time students.

<sup>63</sup> The introduction of positive real interest rates and the removal of the current taxpayer subsidy on loans (running at approximately 21% of the nominal face value of the loan) is a benefit for the Exchequer assuming that students are equally likely to repay loans. However, this needs to be traded off against the total value of loans that will be written off after 25 years, which will increase if positive real interest rates are introduced on loans. In essence, there is no guarantee that the cost to the Exchequer of providing loans would change following an imposition of a commercial interest rate on loans and in fact may be a less efficient means of allocating scarce Exchequer resources.

<sup>64</sup> Institute for Fiscal Studies: Higher Education Funding Policy, 2005: Table A3. This estimate incorporates the fact that following the imposition of commercial interest rates, there would be a lower incidence of loan take up.

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### 5.1.2 What is the effect of removing fees?

Removing tuition fees is one of the fundamental options that are available to policy makers though this approach would completely eliminate the current quasi-‘market’ for university courses and institutions. This approach has been adopted by the Welsh Assembly (from 2008/09) and the Scottish Executive (in 2007).

The primary impact of abolishing fees (either across the United Kingdom as a whole for particular students within the United Kingdom) would be to generate an additional economic benefit to those students (newly eligible for free fees) – assuming that there were no other changes to the current system.

There is no doubt that reducing the cost of attending higher education would increase demand for higher education at all income levels and it is likely that those from the poorest backgrounds would gain the most (proportionately). Graduates would complete their studies with a lower level of debt and the combination of these factors would likely reduce the credit constraints that often face students from lower socioeconomic classes – further raising the rate of participation and the degree of widening participation.

However, assuming that the vast majority of institutions currently charge the maximum fee permissible, without government intervention, it is likely that there will be a revenue shortfall faced by institutions. In addition to this impact on all institutions, there is likely to be a further differential effect on institutions depending on the characteristics of their student body. Institutions that traditionally offer a relatively high number of places to individuals from lower socioeconomic groups or flexible modes of attendance through widening participation activities may well see a disproportionately large increase in the number of students applying for places and entering these institutions – assuming that there are no supply constraints impacting on these institutions.

Assuming all institutions (in England) are compensated fully following the removal of differential fees by the Exchequer, estimates indicate that the cost to the Exchequer of removing differential fees in England (under the assumption that all universities charge the top fee) is approximately £800m per annum, equivalent to 10% of the total Exchequer funding of higher education in England. This estimate is in part mitigated by the fact that the RAB charge associated with fee loan repayments would be removed. Currently the RAB charge stands at 33% for fee loans. Assuming that universities in England charge £3,070 per student per annum, this implies that the approximately £1,023 of the annual fee loan will not have to be subsidised/written off. This change in student repayments will reduce the impact of removing fees on the Exchequer.

Given the removal of fees in Wales (for Welsh domiciled students) and the Graduate Endowment in Scotland (for Scottish domiciled and EU students), it is probable that student behaviour will change significantly. In section 3 of this report, we have already illustrated that between 2000 and 2006, the

proportion of Welsh and Scottish students electing to apply and study in England will fall as the economic incentives associated with remaining 'at home' increases.

### 5.1.3 What is the effect of raising the cap or removing it entirely?

The Higher Education White Paper *The Future of Higher Education* proposals from January 2003 indicated that the new fees levied by universities on students would be set at £3,000 per annum (starting in 2006/07) rising by the rate of inflation annually to maintain their value in real terms. In addition, this cap would be maintained for the duration of the current parliament.

Currently, the vast majority of higher education institutions charge the maximum fee possible with some of these institutions demanding a complete removal of the cap. Given the fact that there is a real absence of variation in pricing within the university sector, the fundamental rationale for introducing differential fees (to reflect the diversity of the university sector) has been side-stepped.

In the absence of any other mitigating measures, the elimination of the current fee cap would have a negative effect on student participation and access. The increase in costs faced by students would reduce the economic benefit associated with attaining higher education qualifications and reduce the demand for higher education at all income levels. This would be more keenly felt by students from less well off backgrounds who might already face significant credit constraints when considering higher education participation.

Even though some countries included in this analysis have no fee cap (for instance, the United States) it does not necessarily imply that removing the fee cap would adversely affect all students if appropriate counter measures were also introduced (such as the recent reforms in England relating to the increase in eligibility for maintenance grants, the increased availability of the EMA and the option to defer loan repayments). This re-iterates the point made about considering the student finance package as a whole rather than single elements of the finance package in isolation.

The introduction of increased (though deferred) fees in 2006/07 alongside increased grants for the poorest students and extended loans with a 25 year write off *should* not have had (in theory) a significant on either participation or access. Although still too early to say overall, it does appear to have had an impact on the behaviour of some students in terms of cross border applications and university entry. Although there has been a recent dip in applications (in absolute terms), this is relative to a substantial increase in applications ahead of the introduction of differential fees. If there were to be an increase in the cap on fees, to avoid a reduction in participation and access, this would have to be combined with an increase in the grant available to the poorest students and/or an increase in a volume of subsidised loans available to students.

Depending on how any removal of fee cap were to operate, there is likely to be a change in circumstances faced by institutions – though the precise impact is somewhat unclear.

If there is an increase in the fee cap to a level where only a proportion of institutions charge a tuition fee at the annual maximum with the remainder charging a fee somewhere between the current cap and the new cap, then it is probable that there will be some differential impact depending on the nature of the university and their student profile.

There is currently no fee cap on the tuition fee charged to part time students and given the willingness and ability of part time students to pay for higher education, it does not seem likely that tuition fees for part time students will increase if the current fee cap for full time students is removed. Given the fundamentally different student finance packages available to full and part time students, it is also unlikely that a significant number of students that would have entered higher education on a full time basis would enter on a part time basis to avoid higher tuition fees. As such, the gap in resources available to institutions associated with full time and part time attendance may widen – making it increasingly uneconomic to facilitate part time study. Clearly institutions with a large number of part time students will be most affected by this possibility.

Assuming that there is no change in the number of students entering higher education in England, estimates indicate that under the previous system of higher education funding, funding per full time student stood at approximately £4,860 per annum. This compares with £5,997 currently (£3,070 cap) and £8,220 under a £5,000 per annum fee cap (IFS - unpublished).

It is important to remember that not all institutions are the same and some institutions attract students who are significantly more sensitive to the pricing of higher education. Institutions that attract students from these backgrounds may possibly see a noticeable reduction in funding as a result of a disproportionately large fall in student numbers following the removal of the cap.

Any reduction in taxpayer subsidy following a removal of the fee cap needs to be offset against the increased funds that might be associated with widening participation activities. The Exchequer provides approximately £38.7 million for the purposes of widening participation amongst full time students (and £53.6 million for part time students), as well as £184.2 million for improving retention amongst full time students in higher education (£55.7 million for part time students). This would probably need to increase following the removal of any fee cap.

Overall – it is difficult to assess the actual outcome of raising the fee cap without considering the other changes to the student finance package that might accompany the raising or removal of the fee cap.



### 5.1.4 What is the effect of extending the current system of student finance to part time students?

If the entire student package available to full time students were extended to part time students, then this should benefit students in a strict theoretical sense though there are strong caveats.

Work undertaken for the Royal Society of Chemistry<sup>65</sup> in 2005 on the impact of the introduction of differential fees indicates that the entire package of student finance reforms should increase the benefits of higher education for an average student (no distinction between full time and part time) to a greater extent than the associated increase in costs associated with university attendance. However, this research assumes that the rate of return (or the economic payoff from attaining higher education qualifications) over a lifetime is the same for full time students as for part time students and between young and mature students. Clearly, it is not.

The greatest difference between the treatment of full time and part time student relates to the limited proportion of part time students eligible for grants and the absence of subsidised loans. Given the large number of part time students in higher education in the United Kingdom, and the fact that the economic benefits associated with part time qualification attainment will be less than for full time students (because part time students generally participate in the labour market for a shorter period than their full time counterparts), implies that part time students may be less receptive to a package of reforms that possibly increases tuition fees without associated grants and loans.

However, the fact that fees are (in general) paid up front by part time students in the UK and not currently limited by a fee cap, might mean that the equivalent system that applies to full time students is an improvement on the current up front payment of fees.

Research relating to part time study in 2005/06 in England indicates that the average fee paid by part time students was £832 per annum, with extra costs of approximately £560 per annum relating to childcare/ travel etc. When sponsorship, fee waivers, grants etc had been deducted, the average part time student was paying £950 per year out of his or her own pocket. As indicated in section 2 of this report, only 14% of part time students are eligible for full fee grants with an additional 9% eligible for partial grants.

To put this in perspective, full time students from households with an income of less than £17,910 receive the full fee grant<sup>66</sup>, while in terms of loans, the income taper is such that for household incomes less than £26,000, 75% of the full maintenance loan is available. Approximately 31% of part time students

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<sup>65</sup> The economic benefit associated with higher education qualifications: A report to the Royal Society of Chemistry and Institute of Physics by PricewaterhouseCoopers LLP, February 2005.

<sup>66</sup> £25,000 from 2008/09.

had a household income of less than £25,000 per annum, with a further 17% indicating household income stood between £25,000 and £35,000 per annum. Part time and mature students would be disproportionately likely to be able to avail of fee grants and loans were the system extended to part time students.

As previously mentioned it is probable that those institutions with large numbers of mature and part time students would be positively affected by the extension of the current reforms for full time students to part time students – however, this is crucially dependent on ensuring that the perception of increasing fees, grants and loans is properly managed and that the institutions that might be particularly affected are not supply constrained.



## 6 Conclusions

### Complexity of current student finance arrangements

The student finance system for full time students in the UK is exceptionally complicated. The combination of differential fees, fee loans, maintenance loans, fee grants, maintenance grants, bursaries and the Education Maintenance Allowance make the entire package almost impossible to understand. The fact that some of these grants and loans are means tested; eligibility for fees, grants and loans are often dependant on age; intensity of study; year of study; the location of study; the region of normal residence of the student and the date of entry to (or graduation from) higher education institutions makes the total number of funding permutations available to the student almost beyond comprehension.

There is a strong argument in favour of streamlining the current student finance arrangements especially if widening participation in higher education remains a goal for government. Although the information relating to student finance arrangements is publicly available, it is clear that without detailed analysis of the various systems of funding available across the United Kingdom, students are liable to make decisions that are (at best) not in their best interest and might lead to lower completion rates from HE or (at worst) may have the effect of dissuading potential students from entering higher education in the first instance.

### Reform must entail a whole system approach

The entire system of student finance arrangements has undergone a number of changes since the original presentation of the Higher Education White Paper in January 2003. Since the actual introduction of differential fees in 2006/07, there have been a number of further changes to student finance arrangements. These have included the elimination of the Graduate Endowment for Scottish students in Scottish higher education institutions (June 2007); the extension of income eligibility thresholds for maintenance grants; the extended eligibility for EMA; and repayment holidays for English domiciled students (July 2007). In addition, the Welsh Assembly Government has already announced (in January 2004) that it would eliminate differential fees for Welsh students normally resident in Wales from 2008/09.

Irrespective of the impact of these reforms on students, graduates, institutions or the Exchequer, there is a real danger of making an already complicated system even more intractable and incomprehensible to a representative user.

We believe that there needs to be a whole system approach when considering student finance arrangements. Rather than tinkering with individual elements of the arrangements, it is necessary to stand back and consider what the ultimate aims and objectives of the funding system are and whether they can be delivered efficiently by government.

Although potentially well intentioned, there is a real risk that making marginal alterations to the current system of student funding will make the system so complicated that the result will be to dissuade students from either entering higher education or claiming their entitlements as well as being impossible for providers to administer.

## Proposed reforms

The second point in relation to considering a whole system approach relates to the assessment current student finance arrangements and any changes to the system that might occur in the future.

The Government has an obligation to assess the fee cap on differential fees. There is some disagreement amongst stakeholders on whether the fee cap should be raised with some institutions claiming that raising (or eliminating) the cap is necessary to compete in a global higher education market. A number of other institutions and student groups claim that raising the cap will deter participation and access.

On its own, raising the cap will deter participation and access. However, combining an increase in the cap with a number of other adjustments to the current arrangements – such as the introduction of a fee grant to cover any increase in fees paid and financed through the increase in fees – might have no effect whatsoever on participation and access (as illustrated in some other countries).

In other words, consideration of the fee cap should not be the only focus of policy makers and stakeholders. There are a number of elements in the current student finance arrangements that are potentially more influential in determining the behaviour of students (the interest rate subsidy or the principal of fee deferral) or important when attempting to balance the needs of (potential) students, graduates, institutions and the Exchequer.

## Treatment of part time students

Irrespective of the degree of complexity of current (and proposed) student finance arrangements for full time students, the system as a whole does aim at overcoming both the lack of financial resources that affect some students, as well as the credit constraints that often deter full time students from the poorest backgrounds from attending higher education.

However, this is not the case when considering the student finance arrangements for part time students. In general, fees must be paid up front and there is little in the way of grant income available to those attending higher education on a part time basis. In addition, income thresholds underpinning part time eligibility for grants are significantly less generous than for their full time counterparts and there are essentially no subsidised loans available to part time students.

Part time students make up a significant proportion of the student population in the United Kingdom. There are more than 900,000 part time students in

higher education (725,000 English, 100,000 Scottish, 50,000 Welsh and 25,000 Northern Irish) – equating to approximately 42% of the entire student population.

The different treatment of part time students is undoubtedly affecting participation. For students normally domiciled in England, while the Higher Education Initial Entry Rate (HEIPR) rose overall between 2004/05 and 2005/06 overall and for men, women and full time students, the HEIPR for part time students fell.

In addition to the difference in student finance arrangements having an impact on the decision to enter higher education, there is also the possibility that the different treatment of full time students and part time students dissuades students from changing their mode of attendance during their studies and contributes to non-completion rates.

Almost 30% of students state that they considered dropping out of their undergraduate degree because of financial pressures<sup>67</sup>. However, for full time students, the option of completing their degree on a part time basis does not overcome the financial pressures they potentially face. Although there is the possibility of combining paid employment with part time study, the loss of eligibility for fee and maintenance loans, maintenance grants, bursaries and the option to defer fees makes the part time study option particularly unappealing. The high marginal rate of withdrawal of student support is likely to be responsible for at least some of the incidence of non completion in higher education.

### **Incentives exist to specialise in full time provision**

Educating and training part time students is more resource intensive than for full time students (per capita FTE). At the same time, the resource available for training full time students significantly exceeds that of part time students (per FTE). Institutions that have a high proportion of their student body attending on a full time basis have a clear resource advantage over those institutions with a large number of part time students. In addition to this, there is a clear incentive for institutions to specialise in providing higher education to full time students wherever possible.

The structure of student finance arrangements and the way in which they affect different institutions – based on the fact that institutions have different student profiles – may have an effect progress towards increasing or widening participation.

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<sup>67</sup> A third of full-time students and one in four part-time students had considered dropping out of their course at some point. Of those who thought about dropping out, around 30 per cent of fulltime and 18 per cent of part-time students said that they had done so for financial reasons (*ie* around one in ten of all students). Fulltime students were around twice as likely to feel that the main contributor to dropping out was financial difficulties.

## **Annex Current Student Finance Arrangements**

In this Annex, we present some information on the individual student finance regimes operating in the countries under consideration. This provides a detailed analysis of the summary Tables presented in the main report containing the main elements of the various student finance regimes.

### **A1.1 England – Full time students**

#### **A1.1.1 Fees**

There have been several changes to the student finance arrangements since the initial proposals set out in the Higher Education White Paper (January 2003).

Students studying in England are now charged a maximum fee of £3,070 per annum (2007/08), which is deferred. The fees charged are set by the university and can vary for any reason between zero and the maximum amount; however, any fee in excess of £2,765 must be matched by an obligatory student bursary from the institution (to a maximum of £305). Any university charging a fee greater than the previous up front fee (£1,225) must ensure that certain access targets are met (determined in conjunction with the Office for Fair Access - OFFA).

#### **A1.1.2 Grants**

##### **A1.1.2.1 Maintenance Grants**

The maximum grant available to students stands at £2,765 (2007/08). It is means tested and is unavailable to students with a household income in excess of £38,330. Students from households with an income of less than £17,910 receive the full grant, while households with an income between these amounts receive a partial grant<sup>68</sup>. The structure of the grant implies that although technically for maintenance purposes, it covers the entire cost of tuition that may be levied by the university (along with the additional university funded bursary). From 2008/09, students with a household income of less than £25,000 will be eligible for the full grant, while students coming from households with an income of less than £60,000 will be eligible for a partial grant.

##### **A1.1.2.2 Special Support Grant**

The Special Support Grant covers extra course-related costs such as books, equipment, travel or childcare. The amount of support, the income assessment arrangements and the payment arrangements are the same as for

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<sup>68</sup> The median household income in England in 2004/05 stood at £18,100 before housing costs.

the Maintenance Grant. This grant is means tested and is available to students if, during the academic year, they are 'a prescribed person' under the Income Support or Housing Benefit regulations (single parents, other student parents if they have a partner who is also a student, and students with qualifying disabilities, etc.). If eligible to receive a Special Support Grant, the student will not be eligible to receive a Maintenance Grant.

#### **A1.1.2.3 Educational Maintenance Allowance**

The Education Maintenance Allowance provides an income of up to £30 per week throughout the academic year (approximately 30 weeks per year) for those students with a household income of less than £20,817. Students with a household income of between £20,818 and £25,521 receive £20 per week while students with a household income of between £25,522 and £30,810 receive £10 per week. Students with household incomes in excess of £30,811 have no entitlement to the allowance. Originally the EMA was available to those students aged between 16 and 19, but this has now been extended to five years (post 16) to incorporate entry into higher education.

#### **A1.1.2.4 Access to Learning Fund**

This Fund provides additional financial assistance to students on a low income or in financial hardship in order to stay in higher education. It may be used for specific course and/or living costs, emergency payments, or to a student that requires financial help to remain in his/her course. Assistance from the Access to Learning Fund is additional to the standard student finance package, not a substitute for it.

#### **A1.1.2.5 Disabled Students Allowance**

A variety of allowances are available to cover the extra costs incurred in studying the course as a direct result of the disability, mental health condition or specific learning difficulty:

- Specialist equipment allowance of up to £4,905 for the whole course
- Non-medical helper's allowance of up to £12,420 each year<sup>69</sup>
- General disabled students' allowance of up to £1,640 each year
- Travel allowance of costs incurred to attend the university or college course as a result of the disability.

There is also a Disability Living Allowance available and possibly additional support from the Access to Learning Fund.

#### **A1.1.2.6 Parents Learning Allowance**

This is to help full time students with dependent children with course-related costs, up to £1,435 a year, depending on the student's income and that of the

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<sup>69</sup> This is scheduled to increase to £20,000 per annum in 2008/09.

dependants (husband, wife or partner). This grant is means tested and the student must be in full time study and have dependent children.

#### **A1.1.2.7      Adult Dependants Grant**

This is to help full time students with a dependant partner or another adult (usually family but not children), up to £2,510 a year, depending on the student's income and that of their dependants. This grant is means tested.

#### **A1.1.2.8      Childcare Grant**

The Childcare Grant provides additional financial assistance to students with children. The grant can cover up to 85% of childcare costs during term and holidays, up to £148.75 per week for one child, and up to £255 per week for two or more children. This means tested grant is available to full time students with dependent children in 'prescribed' childcare. The grant is not available to students (or his/her spouse/partner) in receipt of the childcare Working Tax Credit from HM Revenue & Customs.

### **A1.1.3      Loans**

#### **A1.1.3.1      Loans for Fees**

A loan is available to students to cover university tuition fees, ensuring that students do not have to pay any fees during the course of their study. The amount available to each student is equal to the amount of the tuition fee charged for the academic year (see above). The loans are in essence 'interest-free', though the amount repayable does increase in line with inflation (a zero real rate of interest). These loans are available to all students in higher education who start their course in 2007 (and existing students who were eligible for a student loan for tuition fees in 2006).

#### **A1.1.3.2      Loans for Maintenance**

Loans are also available to help students to cover living costs. The amount varies on a student's circumstances (living alone, with parents, in London/elsewhere), but can be up to £6,315 per annum. The amount is reduced in the final year. As with loans for fees, these loans attract a zero real rate of interest. 75% of the maximum loan is available to all students irrespective of their household income, while 25% is means tested. The income taper is such that for household incomes less than £26,000, a loan of 75% is available rising to 100% as household income rises to £33,560. The loan available then decreases (to the minimum of 75%) as household income further increases to £44,000.

**Table 28: Maintenance Loans in England 2007/2008**

	Living at Home	Living away from home outside London	Living away from home inside London
Maximum Student Loan	£3,495	£4,510	£6,315
75% not income assessed	£2,620	£3,885	£4,735
25% income assessed	£875	£1,125	£1,580

Source: Department for Education and Skills

### **A1.1.3.3 Overseas study maintenance loan boost**

A temporarily higher maintenance loan value is available to students studying abroad for a period, up to a maximum loan value of £5,375 (reduced for a final year student). This loan is not means tested; however, the student must be studying abroad for at least 50% of one academic quarter (a term) as part of their course.

### **A1.1.4 Repayment and Debt Forgiveness**

Repayment of any of the loans discussed above commences after the student graduates from the course and is employed with a salary in excess of £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. Any part of a student loan left unpaid 25 years after the end of the course will be written off, as it will if the graduate becomes disabled and unable to work, or in the event of death. From 2011/12 (students entering higher education in 2008/09) will have the option to defer the repayment of their student loan for a period of up to 5 years (which can be exercised in one five year period or a combination of five single year periods). The loan repayable will increase during the deferment period by inflation. The period for which the loan will be 'live' will increase by the number of years for which the loan deferment has been exercised. For instance, if loan repayments have been deferred for 3 years, then the period of time until debt forgiveness is triggered increases from the standard 25 years to 28 years.



## **A1.2 England - Part time Students**

### **A1.2.1 Fees**

For part time students studying in England, tuition fees for part time courses must be paid up front and are set by the university/college - and there is no minimum or maximum amount - though some institutions may allow payment by instalments.

### **A1.2.2 Grants**

#### **A1.2.2.1 Fee Grant**

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:

- Equivalent to 50% to 59% of a full time course: £765
- Equivalent to 60% to 74% of a full time course: £920
- Equivalent to 75% or more of a full time course: £1,150

This grant is means tested. The applicant must be a part time higher education student studying at least 50% of an equivalent full time course. Students with an income of greater than £23,146 are ineligible for any fee grant. There is no age limit for eligibility.

#### **A1.2.2.2 Course Grant**

A course grant is also available designed to help with study costs such as books, materials and travel. For 2007/2008, the maximum course grant is £250 and is not dependent on the intensity of the course. The joint total value of grants to part time students is capped according to the intensity of the course. Again, this grant is means tested. The applicant must be a part time higher education student studying at least 50% of an equivalent full time course. As with the Fee Grant, there is no age limit.

#### **A1.2.2.3 Access to Learning and Disabled Students Allowance**

Part time students are also eligible for the Access to Learning grant and Disabled Students Allowances. Currently, the maximum non-medical helper's allowance for part time students is £9,315 each year (compared to £12,420 for full time students), which is expected to increase to £15,000 in 2008/09 (compared to £20,000 per full time student).

### **A1.2.3 Loans**

In general, there are no loans available to part time students. However, part time initial teacher training students are eligible for the same loans for fees and for maintenance as their full time counterparts.



## **A1.3 Wales – Full time students**

### **A1.3.1 Fees**

Full time students studying in Wales are charged a maximum fee of £3,070 per annum (2007/08), which is deferred. From 2008/09, students normally resident in Wales will be exempt from tuition fees at Welsh universities.

### **A1.3.2 Grants**

#### **A1.3.2.1 Tuition Fee Grant**

A student grant of up to £1,845 per annum is available to Welsh students electing to study at a college in Wales. The grant amount is dependent upon what the individual college charges for the course attended. The grant is not means-tested. Eligible new students who normally live in Wales and choose to study in Wales are eligible. Students normally resident in Wales but studying elsewhere in the UK are not eligible for this grant.

#### **A1.3.2.2 Assembly Learning Grant**

The Assembly Learning Grant is a grant available to eligible undergraduate students dependent on household income, up to a maximum of £2,765 a year. However, up to £1,225 of the Assembly Learning Grant will substitute (and thus reduce the available amount) of an element of the Student Loan for Maintenance. This grant is means tested. It is not available to students from households with an income above £38,325, and households with an income below £17,920 receive the maximum amount. If eligible to receive a Special Support Grant, the student will not be eligible to receive an Assembly Learning Grant.

#### **A1.3.2.3 Special Support Grant – *as per England***

#### **A1.3.2.4 Financial Contingency Funding**

Financial Contingency Funding is used by institutions to pay grants that provide financial help to eligible students whose access to higher education might be inhibited by financial considerations or who, for whatever reason, including physical or other disabilities, face financial difficulties associated with living costs.

#### **A1.3.2.5 Disabled Students Allowance – *as per England***

#### **A1.3.2.6 Parents Learning Allowances– *as per England***

#### **A1.3.2.7 Adult Dependents Grants**

This is to help full time students with a dependant partner or another adult (usually family but not children), up to £2,515 a year, depending on the student's income and that of the dependants. This grant is means tested. Student must be in full time study and have a dependent adult.

#### **A1.3.2.8 Childcare Grant – *as per England***

**A1.3.2.9 Travel Grant**

The grant for travel costs available is equal to the amount of reasonable costs incurred, less the first £290. If the student must take out medical insurance, a grant for this cost is also available for this cost, equal to the amount of the premium. This grant is means tested. The grant is available to full time students attending a course in medicine or dentistry and have to attend for clinical training at a place in the UK other than the normal place of attendance, or full time students that attend an educational institution outside the UK for at least the majority (50%+) of any academic quarter continuously as part of the course.

**A1.3.3 Loans****A1.3.3.1 Loans for fees**

The loans available for fees cover the entire tuition fee levied by the institution minus any grant that has been received. The characteristics of the loan in terms of the interest rate charged, the repayment thresholds and rate at which the loan is repaid is the same as that for England.

**A1.3.3.2 Loans for maintenance – *as per England*****A1.3.3.3 Overseas study maintenance loan boost – *as per England***

## **A1.4 Wales – Part time students**

### **A1.4.1 Fees**

For part time students studying in Wales, tuition fees for part time courses must be paid up front and are set by the university/college - and there is no minimum or maximum amount - though some institutions may allow payment by instalments. Under Part time Fee Waiver Schemes, certain institutions exempt some part time students studying at the institution who are on a low income, are on Social Security benefits or are unemployed, from all or part of their course fees. As with full time students, from 2008/09, students normally resident in Wales will be exempt from top-up fees at Welsh universities.

### **A1.4.2 Grants**

#### **A1.4.2.1 Fee Grant**

A fee grant is available to help part time students with tuition fees. An individual must be enrolled on an undergraduate course studying at least 50% of an equivalent full time course. The grant is means tested.

#### **A1.4.2.2 Assembly Learning Grant**

The Assembly Learning Grant is a grant available to eligible part time undergraduate students dependent on household income, from £300 up to a maximum of £750 a year. This grant is means tested. To qualify, household income must be £16,830 or less a year. The student must be taking an undergraduate degree course of study equivalent to 30-59 credits, normally live in Wales and be studying in a publicly funded HE institution or with a sponsored organisation or third party provider.

#### **A1.4.2.3 Financial Contingency Funding**

Financial Contingency Funding is used by institutions to pay grants that provide financial help to eligible students whose access to higher education might be inhibited by financial considerations or who, for whatever reason, including physical or other disabilities, or face financial difficulties associated with living costs.

#### **A1.4.2.4 Additional Fee Support Scheme**

If the fee grant received does not cover the tuition fees charged, the student may seek extra money from the college through the Additional Fee Support Scheme.

#### **A1.4.2.5 Disabled Students Allowance – as per full time students**

### **A1.4.3 Loans**

In general, there are no loans available to part time students. However, part time initial teacher training students are eligible for the same loans for fees and for maintenance as their full time counterparts.

## A1.5 Scotland – Full time students

### A1.5.1 Fees

Scottish domiciled and EU students, studying at an institution in Scotland, are entitled to free tuition. The Student Awards Agency for Scotland will pay the tuition fees in full, up to £1,735 (£2,760 for medicine), depending on individual circumstances. Students must not already hold a qualification at HNC or HND level (or above), for which he/she received support from UK public funds. For those not eligible for free tuition (because of previous study rules), the standard rate of fees is set at £1,225 per annum in 2007-2008.

Up to June 2007, Scottish domiciled students attending Scottish higher education institutions paid a Graduate Endowment - a once-off fixed amount - at the end of their degree. The Graduate Endowment was set at the beginning of their degree course. The endowment in 2006/07 was £2,289, which increases by the rate of inflation for students starting in future years.

Students had the following options for paying the Graduate Endowment:

- pay in one lump sum by cheque when requested;
- pay part of it by cheque and apply for a student loan for the remainder; or
- apply for a student loan for the full amount.

Students did not have to pay the Graduate Endowment under certain conditions<sup>70</sup>. Specifically, students did not have to pay the endowment if they were: a 'mature' student; eligible for the Lone Parents' Grant or the Disabled Students' Allowance; on an HNC or HND course or transferred to the degree course directly from an HNC or HND started before 2001-2002; took less than two academic sessions to complete the degree course immediately after completing an HNC or HND; took less than three academic sessions to complete their degree course in all other circumstances; on a course that attracted an income-assessed Scottish Executive Health Department bursary; failed to meet the requirements to be accredited with a degree; studied for a degree in a publicly-funded higher education institution before; were studying at a UK institution outside Scotland; or studied part time.

In June 2007, the Scottish Executive announced that Scottish domiciled (and EU-non UK) students would no longer have to pay the Graduate Endowment. The announcement was with immediate effect and applied to both existing students and those entering higher education in the future.

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<sup>70</sup> The SAAS estimates that 50% of graduates to be exempt because of their personal circumstances during their course.

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## A1.5.2 Grants

### A1.5.2.1 Young Students Bursary

This is only available to 'young' Scottish students studying in Scotland. The amount available depends on family income subject to the following eligibility criteria

- Eligible for help with tuition fees.
- Scottish domiciled and studying in Scotland.
- Under 25 before the first day of the first academic year of course.
- Not married, or entered a civil partnership agreement on the first day of the first academic year of course.
- Have not supported oneself from earnings or benefits for any three years before the first day of the first academic year of course.
- Taking a full time course of higher education (HNC, HND, degree or an equivalent course) or taking a PGDE or PGDipCE course.

The bursary is paid instead or as part of the maintenance loan. The maximum value of the bursary is £2,510 a year if family income is £18,360 or less a year. The bursary tapers away to zero for a family income over £32,515 a year.

Young and mature Scottish students on full time higher education courses at UK institutions outside Scotland can apply for the **Students' Outside Scotland Bursary (SOSB)** of up to £2,045, which is available for all eligible Scottish students from low-income families. The bursary is paid instead of part of the loan so it reduces the amount of loan required. 'Young' students may also be eligible for the **Additional Loan** of up to £575

The maximum bursary is £2,045 a year where family income is £18,360 or less a year. The bursary falls to £1,525 a year as family income increases (to £22,000) and is not available where family income is over £32,515 a year and your living-cost support will be entirely through a student loan.

### A1.5.2.2 Supplementary Grant: Dependents Grants

This grant is available to full time students with a husband/wife or a civil partner, up to the value of £2,510 for the full academic year. This grant is means tested and based on the income of annual income received by the individual's husband/wife/partner.

### A1.5.2.3 Lone Parents Grants

This grant is available to parents that are single, widowed, divorced, separated or in a dissolved civil partnership that is bringing up children alone. The Lone Parents' Grant gives £1,240 to lone parent students, with at least one dependent child, for the full academic year. This grant is means tested. In addition, the student must be in full time study, have dependent children and be a lone parent.

**A1.5.2.3 Childcare Grant for Lone Parents**

The Childcare Grant for Lone Parents is an extra grant for students who are receiving the Lone Parents' Grant, and who have to pay all or part of the cost for registered or formal childcare (up to £1,155 a year). This grant is means tested. In addition, the student must be in full time study, have dependent children and be a lone parent.

**A1.5.2.4 Care Leavers Grant**

A grant of up to £100 a week is available to help with accommodation costs over the long holiday, if the student was previously in care. An individual is eligible if the student was in care on their 16th birthday, or afterwards for at least three months and is under 21 at the start of the course, or were in care when he/she finished their compulsory schooling.

**A1.5.2.5 Disabled Students Allowance**

The DSA is available to students with a disability to cover certain extra expenses which arise from studying a course. Three allowances make up the DSA:

- the basic allowance: up to £1,640 per academic year;
- an allowance for large items of equipment: up to £4,905 in total; and
- an allowance for non-medical personal help: up to £12,420 per academic year.

Additional help may be available to cover tuition fees, living costs and extra travel expenses incurred. This grant is not means tested and is available to students with a disability or learning difficulty. Applications must be supported with a needs assessment report from an authorised organisation.

**A1.5.2.6 Travel Expenses**

The SAAS can also help with the cost of daily travel to the college or university each day, up to a maximum of £3 a day (£3.50 if studying in the London area), and £930 per annum. If the student lives away from their home, including abroad, the SAAS may also pay the cost of travel between their home and term-time address at the start and end of each term or semester. This is means tested and applies to Scottish and EEA and Swiss domiciled students.

**A1.5.2.7 Hardship Funds**

Hardship funds are available to students studying at Scottish publicly-funded institutions who, for whatever reasons, have financial difficulties that might prevent him/her from gaining access to further or higher education, or continuing their course.

### A1.5.3 Loans

#### A1.5.3.1 Loans for living costs

Students studying in Scotland or elsewhere in the UK can apply for a student loan for living costs, up to a maximum loan value of £5,430 (if living away from home and studying in London), £4,400 (if living away from home) and £3,485 (if living in their parents' home), with the amounts reduced for a final year student. Part of the loan is means-tested while part is income-assessed. Students must be studying on a qualifying full time course; ordinarily resident in Scotland at the relevant date; not be in breach of any obligation to repay any loan; and be under 50 on the first day of the first academic year or be aged 50 to 54 and plan to return to employment after completing the course. If it is the case that an individual has received a Young Persons Bursary, then the available loan will be reduced by this amount.

#### A1.5.3.2 Loans for Tuition Fees

Students that are not eligible for free tuition may apply for a loan to defer the payment of the fees. A student studying at a UK institution outside Scotland is liable to pay up to £3,070 p.a. for tuition fees, for which he/she may apply to the SAAS for a loan to defer paying the fees until after he/she finishes the course. The maximum loan value available is equal to the full amount of fees charged by the institution.

Repayment of the loan commences after the student graduates from the course and is employed with a salary in excess of £15,000 per annum. Repayments are paid at the level of 9% of the graduate's earnings, automatically deducted at source from gross salary, before tax is deducted. Any part of a student loan left unpaid 25 years after the end of the course will be written off, as it will if the graduate becomes disabled and unable to work, or in the event of death.

The repayment terms for these loans, as with any loan to cover the Graduate Endowments are the same as those discussed for English full time students.

## **A1.6 Scotland – Part time students**

### **A1.6.1 Fees**

For most part time students studying in Scotland, tuition fees must be paid up front and are set by the university/college - and there is no minimum or maximum amount.

Under Part time Fee Waiver Schemes, certain institutions exempt some part time students studying at the institution who are on a low income, are on Social Security benefits or are unemployed, from all or part of their course fees. This fee waiver is means tested and applies to unemployed/low income part time degree students studying at a Higher Education Institution (HEI) or HNCs and HNDs courses at universities or colleges in Scotland.

### **A1.6.2 Grants**

#### **A1.6.2.1 Hardship Funds**

Hardship funds are available to students studying at Scottish publicly-funded institutions who, for whatever reason, have financial difficulties that might prevent him/her from gaining access to further or higher education, or continuing their course. Additional help may be available through Benefits and Tax Credits.

#### **A1.6.2.2 Disabled Students Allowance**

The DSA is available to students with a disability to cover certain extra expenses which arise from studying a course. Three allowances make up the DSA:

- the basic allowance: Part time students may claim for help in proportion (e.g. 50%) to the full time equivalent of up to £1,640 per academic year;
- an allowance for large items of equipment: up to £4,905 in total; and
- an allowance for non-medical personal help: Part time students may claim for help in proportion (e.g. 50%) to the full time equivalent of up to £12,420 per academic year.

Additional help may be available to cover tuition fees, living costs and extra travel expenses incurred.

### **A1.6.3 Loans**

#### **A1.6.3.1 Loans for part time and distance-learning students**

Part time and distance-learning students in higher education with an income up to and including £15,367 (£17,367 if married or civil partnership agreement) can apply for a loan of £500 in each year of their course to help meet study-related costs.

This loan is means tested, based on the student's income and that of his/her husband, wife's or civil partner's income if applicable. In order to be eligible for a part time loan, the student must: be on a course of higher education (up



to and including first degrees); not already have a degree qualification; be under 50 on the first day of the academic year your course begins; or be aged 50 to 54 and are going to return to work after completing the qualification; meet the independent status conditions; be ordinarily resident in the UK, the Channel Islands or the Isle of Man for the three years immediately before the first day of the first academic year of the course and ordinarily resident in Scotland on the same date; not have previously failed to repay a loan; and be on a course that they can get a loan for.

## **A1.7 Northern Ireland – Full time students**

### **A1.7.1 Fees**

Fees charged vary by university and course (set by the university), but are capped at a maximum of £3,070 for 2007/08. Tuition fees for students on higher education courses at College of Agriculture, Food and Rural Enterprise (CAFRE) are capped at £1,225 for the 2007/08 academic year. Northern Ireland students attending courses at publicly funded colleges in the Republic of Ireland will not have to pay tuition fees, as the fees will be paid by the Irish Government. However individual colleges make an additional charge for registration (€800 in 2006/07).

### **A1.7.2 Grants**

#### **A1.7.2.1 Maintenance Grants**

The maximum grant available to students stands at £3,265 (2007/08). It is means tested and is unavailable to students with a household income in excess of £38,330. Students from households with an income of less than £17,910 receive the full grant.

#### **A1.7.2.2 Special Support Grant – *as per England***

#### **A1.7.2.3 Support Funds**

Support Funds are available through the college to provide help for students on lower income who may need extra financial support for their course and to stay in higher education. The value of the assistance depends on the student's circumstances. More specifically the fund:

- can meet particular course and living costs which are not already being met from other grants;
- can help if students are in financial hardship;
- can provide emergency payments for unexpected financial crises; and
- can help students who may be considering giving up their course because of financial problems.

The following groups of students are a priority for help from the Support Funds:

- Students with children, especially lone parents
- Other mature students, especially those with existing financial commitments
- Students from lower income families
- Disabled students who are not in receipt of DSA
- Students who have been in care
- Students from Foyers or who are homeless

- Students in their final year

**A1.7.2.4      Disabled Students Allowance – *as per England***

**A1.7.2.5      Parents Learning Allowance – *as per England***

**A1.7.2.6      Adults Dependent grant – *as per England***

**A1.7.2.7      Childcare Grant – *as per England***

### **A1.7.3      Bursaries**

Northern Irish universities and colleges that charge maximum fees of £3,070 are obliged to provide additional financial assistance to students who receive the full £3,265 Maintenance Grant or SSG. The value can be between £305 and £5,000 per year depending on the student's circumstances. Financial help can take a variety of forms (including cash or discounted accommodation costs).

### **A1.7.4      Loans**

**A1.7.4.1      Loans for Fees – *as per England***

**A1.7.4.2      Loans for Maintenance – *as per England***

**A1.7.4.3      Overseas study maintenance loan boost – *as per England***

### **A1.7.5      Repayment and Debt Forgiveness**

Repayment of any of the loans discussed above commences after the student graduates from the course and is employed with a salary in excess of £15,000 per annum. Repayments are paid at the level of 9% of the graduate's earnings, automatically deducted at source from gross salary, before tax is deducted. Any part of a student loan left unpaid 25 years after the end of the course will be written off, as it will if the graduate becomes disabled and unable to work, or in the event of death.

## **A1.8 Northern Ireland – part time students**

The regulation in respect to fees and loans are the same as those for England with the exception of Support Funds.

### **A1.8.1.1 Support Funds**

Support Funds are available through the college to provide help for students on lower income who may need extra financial support for their course and to stay in higher education. The value of the assistance depends on the student's circumstances. More specifically the fund:

- can meet particular course and living costs which are not already being met from other grants
- can help if students are in financial hardship
- can provide emergency payments for unexpected financial crises and
- can help students who may be considering giving up their course because of financial problems

The following groups of students are a priority for help from the Support Funds:

- Students with children, especially lone parents
- Other mature students, especially those with existing financial commitments
- Students from lower income families
- Disabled students who are not in receipt of DSA
- Students who have been in care
- Students from Foyers or who are homeless
- Students in their final year

## A1.9 Australia – Full time students

Following the recommendations of a wide-ranging review of Australia's higher education system conducted in 2002, the Commonwealth Government initiated a major reform of the policy framework for higher education in Australia.

The most significant change has been the replacement of the Higher Education Contribution Scheme (HECS) with a new system of student loans covering tuition fees, maintenance and overseas study, called the Higher Education Loan Programme (HELP). The new system was put in place on the 1<sup>st</sup> of January 2005. This accompanied a new system of Student Learning Entitlements (SLE), which gave all eligible Australian citizens, New Zealand citizens and holders of permanent visas access to seven years equivalent full time study.

### A1.9.1 Fees

Higher education providers may offer domestic students either a 'Commonwealth supported place' or a 'Fee paying place'. Domestic students are Australian citizens, New Zealand citizens or holders of a permanent visa. All other students are considered overseas students.

Commonwealth supported students only pay for part of the cost of the place (called their 'student contribution'). The Australian Government pays a grant to the higher education provider, up to 75% of the total cost of provision. Student contributions are set by the higher education provider, within ranges allowed by the Australian Government, up to a max of AUS\$8,333 per annum for the top band courses. The majority of undergraduate places are Commonwealth supported.

There is a limit in the number of years a student may study in a Commonwealth Supported Place (CSP). Known as Student Learning Entitlement (SLE), students may only study in a Commonwealth Supported Place for a maximum of 7 years full time with a 1 year additional grace period (totalling 8 years) or 16 years part time. Once these SLE points are used, students are no longer entitled to CSPs, and must take either a post-graduate FEE-HELP loan (if available) or undertake a FULL-FEE place (see later sections on loans).

Fee-paying students pay the full cost of the college place (the 'tuition fee'), which is set by the higher education provider. Generally, higher education providers may not have more than 35% of the domestic places in an undergraduate course of study as fee-paying places.

The level of tuition fees varies according to the student's status and course. Fees are generally deferred though it is optional to pay tuition fees up front rather than defer payment (20% discount for paying the student contribution up front). Overseas students must pay the entire tuition fee up front.

Fee levels are variable within subject bands as follows:

**Band 1: AUS\$0 - \$4,996**

Humanities, Behavioural Science, Social Studies, Foreign Languages, Visual and Performing Arts

**Band 2: AUS\$0 - \$7,118**

Accounting, Administration, Economics, Commerce, mathematics, Statistics, Computing, Built Environment, Health, Engineering, Science, Surveying and Agriculture:

**Band 3: AUS\$0 - \$8,333**

Law, Dentistry, Medicine and Veterinary Science

**National Priorities Band: AUS\$0 - \$3,998**

Education and Nursing

Not all units in a given course of study fall within the same contribution band. For example, if enrolled in a Bachelor of Nursing, it may be possible to undertake some units of study that are classified as 'science' and some that are classified as 'nursing'. Therefore, the provider can set the student contribution for the science units up to the maximum for Band 2 and for the nursing units up to the maximum for the National Priorities Band.

Individual institutions may not waive the tuition fees to a non-Commonwealth supported student, but it may grant an Exemption scholarship or a scholarship that pays all or part of your tuition fees.

## A1.9.2 Grants

### A1.9.2.1 Commonwealth Learning Scholarships

The Commonwealth Learning Scholarships (CLS) programme provides financial support to eligible undergraduate students to assist with the costs associated with higher education. There are two types of scholarships available under the CLS programme.

#### 1. Commonwealth Education Costs Scholarships (CECS)

CECS will provide students with approximately AUS\$2,000 per year for up to four years to assist with education expenses. The scholarship amount is indexed annually. To be eligible, students must be full time undergraduate students who are from a low socioeconomic background.

#### 2. Commonwealth Accommodation Scholarships (CAS)

CAS will provide students with approximately AUS\$4,000 per year for up to four years to assist with accommodation expenses. The scholarship amount is indexed annually. To be eligible, students must be full time undergraduate students who are from a low socioeconomic background and who have had to move from a regional or remote area to undertake higher education in the course and at the provider of their choice.

#### **A1.9.2.4 Higher Education Disability Support Program**

The Higher Education Disability Support Program consists of three components:

- (a) Additional Support for Students with Disabilities;
- (b) Regional Disability Liaison Officers (RDLO); and
- (c) Performance-based disability support funding.

These grants are not means tested. Higher education providers must obtain evidence of the student's disability and support need and must undertake a needs assessment process, in accordance with the higher education provider's usual procedures.

### **A1.9.3 Loans**

#### **A1.9.3.1 Higher Education Loan Programme (HECS-HELP) - Commonwealth supported students**

HECS-HELP is available to eligible Commonwealth supported students. It helps students pay their student contribution for a unit of study in which they are enrolled as a Commonwealth supported student. The amount available is up to the full value of the student contribution. HECS-HELP loan is available for all or part of the student's fee contribution. There is no obligation to start repaying debt until an individual's repayment income is above the minimum threshold for compulsory repayment. Loans incur a 20 per cent loan fee, and are indexed to the consumer price index (CPI) but are otherwise interest free. Voluntary repayments of AUS\$500 or more, receive a 10% bonus.

#### **A1.9.3.2 Higher Education Loan Programme (FEE-HELP) - Fee paying students**

FEE-HELP is available to fee-paying students enrolled in eligible higher education courses of study at eligible higher education providers. The scheme offers all eligible students an income contingent loan facility to pay their undergraduate **or** postgraduate fees in courses in public or eligible private higher education institutions. Students are able to access a loan up to the amount of the full tuition fee charged for the course they are undertaking, to a limit of AUS\$80,000 for all courses except medicine, veterinary science and dentistry, for which the FEE-HELP limit is AUS\$100,000. Loans incur a 20 per cent loan fee, and are indexed to the consumer price index (CPI) but are otherwise interest free. Voluntary repayments of AUS\$500 or more, receive a 10% bonus.

#### **A1.9.3.3 Overseas Study HELP (OS-HELP)**

OS-HELP is a loan scheme that assists eligible students to undertake some of their study overseas. It is not available to students undertaking their whole course outside Australia. OS-HELP can be used to for expenses such as airfares, accommodation, and other travel or study expenses. Students may receive up to AUS\$5,196 per six-month study period for one or two overseas study periods (in 2007). These loans are designed to help with a range of

expenses such as airfares, accommodation and other travel costs. Loans incur a 20 per cent loan fee, and are indexed to the consumer price index (CPI) but are otherwise interest free. Voluntary repayments of AUS\$500 or more, receive a 10% bonus.

### A1.9.4 Repayment and Debt Forgiveness

The repayment terms of Australian student loans are similar to that of the UK (repayment occurs only when income is above the minimum repayment threshold, which was AUS\$38,148 in the 2006–07 financial-year). The rate of student loan repayment is presented below; however, the repayment scheme is such that repayment is based on the entire salary, not just that component of salary above a particular threshold.

Below AUS\$38,149	- 0.0%;
AUS\$38,149–\$42,494	- 4.0%;
AUS\$42,495–\$46,838	- 4.5%;
AUS\$46,839–\$49,300	- 5.0%
AUS\$49,301–\$52,994	- 5.5%
AUS\$52,995–\$57,394	- 6.0%
AUS\$57,395–\$60,414	- 6.5%
AUS\$60,415–\$66,485	- 7.0%
AUS\$66,486–\$70,846	- 7.5%
AUS\$70,847 and above	- 8.0%

Debts are written off in the event of death only.

### A1.10 Australia – Part time students

The funding system in Australia does not appear to differentiate between full time and part time students. All eligible students are allocated ‘ordinary’ Student Learning Entitlement (SLE) to the value of 7 equivalent full time student load (EFTSL) which entitles each individual to 7 years of equivalent full time study as a Commonwealth supported student (14 years part time). Each module of study is associated with a EFTSL irrespective of whether the module is undertaken full time or part time.

### A1.11 New Zealand – Full time Students

There have been a number of significant changes in higher education tuition fee policy in New Zealand since 1990. From a low benchmark (fees of less than NZ\$300 per annum in 1989), tuition fees for domestic students in New Zealand have risen steadily since. In 1990, a flat standard tertiary fee for full time and full-year students of NZ\$1,250 was introduced briefly, but was abolished one year later in the 1991 Budget. It was replaced by a system that allowed tertiary institutions to set their own fees, free from any constraints of



government control and was coupled with the Equivalent Full Time Student (EFTS) based funding model.

Over the course of the 1990s, tuition fees rose by an average of 13% per year.<sup>71</sup> In view of the upward trend in tuition fees, the Government instituted a fee freeze for the years 2001, 2002 and 2003. Since 2003, the fee freeze has been removed and the Government instituted a new system in the 2003 Budget: the Fee and Course Costs Maxima (FCCM) Policy. This new policy allows institutions the freedom to decide what tuition fees to charge students, but these fees must not be above a range of fee maxima, differentiated by subject area. There is also a 5% Annual Fee Movement Limit (AFML) to limit an institution increasing their fees more than 5% per annum towards the fee maxima.

### A1.11.1 Fees

Since 2004, the Government has set maximum tuition fee rates that Tertiary Education Organisations (TEOs) can charge learners, differentiated by course subject area. The Fee/Course Costs Maxima (FCCM) for 2007 in dollars per Equivalent Full time Student (EFTS) varies from NZ\$3,736 for Arts degrees; to NZ\$9,582 for Medicine. TEOs may increase fee/course costs by a maximum of 5% per year provided the increase does not take the fee/course costs over the maxima.

**Table 29: Fee/Course Costs Maxima (FCCM) for 2007 in dollars per Equivalent Full time Student (EFTS) units**

A	Arts, Advanced Studies for Teachers, Health Therapies, Humanities, Languages, Social Sciences, General Education	NZ\$3,736
B	Architecture, Quantity Surveying (non-degree), Computer Science, Fine Arts, Design, Music and Performing Arts, Health Related Professions, Trades 1, Medical Imaging, Occupational Therapy, Physiotherapy, Clinical Psychology	NZ\$4,311
C	Architecture, Quantity Surveying (degree), Engineering, Technology, Health Sciences, Midwifery, Speech Language Therapy, Medical Laboratory Science, Audiology	NZ\$4,983
G	Veterinary	NZ\$9,582
H	Specialist Large Animal Science	NZ\$4,983
I	Teaching: Early Childhood Education, Teaching: Primary, Teaching: Secondary	NZ\$3,736

<sup>71</sup> New Zealand Fee Maxima Reference Group (2003) *Fee Maxima Reference Group Report*

[http://www.minedu.govt.nz/web/downloadable/dl8058\\_v1/fee-maxima-reference-group-report.pdf](http://www.minedu.govt.nz/web/downloadable/dl8058_v1/fee-maxima-reference-group-report.pdf)

**Table 29: Fee/Course Costs Maxima (FCCM) for 2007 in dollars per Equivalent Full time Student (EFTS) units**

J	Business, Accountancy, Office Systems/Secretarial, Management, Law	NZ\$4,024
L	Agriculture and Horticulture (non-degree), Osteopathy, Science, Nursing	NZ\$4,311
M	Agriculture and Horticulture (degree), Optometry, Dental Therapy	NZ\$4,983
N	Pharmacy Professionals, Dietetics	NZ\$4,983
O	Medical Radiation Therapy (MRT)	NZ\$4,983
P	Trades 2	NZ\$4,311
Q	Veterinary Science Undergraduate (years 3, 4, 5)	NZ\$9,582
R	Dentistry	NZ\$9,582
S	Foreign-Going Nautical	NZ\$4,983
S	Medicine years 2-3	NZ\$9,582
S	Medical Undergraduate (years 4-6)	NZ\$9,582

Source: New Zealand Ministry of Education

## A1.11.2 Grants

### A1.11.2.1 Student Allowance

The Student Allowance is a weekly payment to help with living costs while studying full time. The amount of Student Allowance that is available depends on a student's personal situation, but up to NZ\$178.49 per week for a student aged 25 or over, living away from home.

The grant is means tested. To be eligible for the Student Allowance, a student needs to be

- 18 or over (some 16-17 year olds can also get it) and
- studying full time (or limited full time with approval) and
- at secondary school or on a tertiary course approved by the Tertiary Education Commission
- a New Zealand citizen, permanent resident or refugee.

### A1.11.2.2 Accommodation Benefit

As part of the Student Allowance, students receive an Accommodation Benefit to help with accommodation costs if they

- live away from home to study or
- have a dependent partner.

The Accommodation Benefit rates are set amounts that are non-taxable. The rate received is based on the region in which the student's education provider is located (if classes attended in person), or the region the student is resident in (if studying extramurally).

#### **A1.11.2.3 Student Allowance Transfer Grant**

This grant is a payment to help if the student has a partner and/or child(ren) who are dependents and the individual is expected to be in hardship during the stand-down imposed when Student Allowances cease.

This grant is means tested. A student may be eligible for receipt if

- the student is transferring from a Student Allowance to a benefit, and
- the student has a child or children in their care, or
- the student has a partner (no children) and the couple's combined income in the stand-down week not more than
  - NZ\$360.00 before tax, and
- the individual's cash assets are not more than
  - NZ\$1,449.34 if the student has a partner (with or without children), or
  - NZ\$1,142.09 if the student is single with one child, or
  - NZ\$1,226.85 if the student is single with more than one child, and
- the student has no other means of support.

#### **A1.11.2.4 Unemployment Benefit Student Hardship**

This is a weekly payment to help meet living costs while looking for full time work during the study break, and is worth up to NZ\$255.65 per week. To qualify the student needs to actively look for full time work and register with Student Job Search. The student can't receive it when working full time or studying full time.

#### **A1.11.2.5 Children's Subsidy**

The Children's Subsidy helps pay childcare costs for children under 5. How much support is available depends on weekly gross income and how many children are dependent. This grant is means tested. The student must be on an approved course and the child has to attend the childcare or pre-school service at least 3 hours a week.

#### **A1.11.2.6 Disability Allowance**

The Disability Allowance helps with the extra costs the student, their partner or child have because of a disability that is likely to last at least 6 months. The amount of support depends on costs incurred. This grant is means tested. To qualify the student's weekly income before tax must be under set limits.

**A1.11.2.7 Child Disability Allowance**

The Child Disability Allowance pays a set amount to people who are caring for a child with a disability at home. The child must be under 18, need constant care and attention and be financially dependent on the student. The Child Disability Allowance doesn't depend on the student's income or costs of care.

**A1.11.2.8 Away from Home Allowance**

If a student is 16 or 17, and does not qualify for the Student Allowance and live away from home to study on a tertiary or training course, the parents may qualify for an Away from Home Allowance to help with the extra costs of supporting their child.

**A1.11.3 Loans****A1.11.3.1 Student Loans**

Student Loans are available to full time students, in which case they are able to access all components of the Student Loan Scheme including tuition fees, course-related costs, and living costs.

Students can borrow up to the Fee Maxima for tuition fees, NZ\$1,000 per loan account for course-related costs and up to NZ\$150.00 a week for living costs (up to 200 weeks). The loans are not means tested. There is a requirement that borrowers are living in New Zealand for 183 or more consecutive days per annum. For a full interest write-off, the individual must be either:

- a full time, full-year student studying for a minimum of 32 weeks or more in any 52 week period, or
- a part time or part-year student with income under the full interest write-off threshold (NZ\$27,699 for the 2007 tax year).

Interest is levied on the loan amount, but once the 183-day requirement is met, interest charged from the first day of the qualifying period will be written off after the end of the tax year. If not, for the tax year 1 April 2006 to 31 March 2007 (2007 tax year) the interest rate is 6.9%.

**A1.11.4 Repayment/ Debt Forgiveness**

If annual income is over the threshold (NZ\$17,784 for the 2007/2008 tax year) the student must make repayments to the loan until the loan is fully repaid. The repayment rate is 10% of all income above the threshold.

## **A1.12 New Zealand – Part time Students**

### **A1.12.1 Loans**

#### **A1.12.1.1 Student Loans**

Student Loans are available to part time students studying more than 32 weeks per annum, in which case they are able to access the tuition fee and course-related costs elements of the Student Loan Scheme (not living expenses). Part time student enrolled for fewer than 32 weeks in a programme of study are able to access the tuition fee component of the Student Loan Scheme only.

There is a requirement that borrowers are living in New Zealand for 183 or more consecutive days (about 6 months). For a full interest write-off, you must have been a part time or part-year student with income under the full interest write-off threshold (NZ\$27,699 for the 2007 tax year). Interest is levied on the loan amount, but once the 183-day requirement is met, interest charged from the first day of the qualifying period will be written off after the end of the tax year. The interest rate charged is 6.9%.

## **A1.13 Netherlands – Full time students**

### **A1.13.1 Fees**

Students in higher education pay tuition fees to the institution. The statutory rate for tuition fees for all full time courses during the 2006/07 academic year is €1,538. The level of statutory fees is fixed by law and is adjusted each year in line with the family-spending index. If a study entitlement expires or a student registers for a second study programme, the level of fees still to be paid will be decided by the individual higher education institution. In any event, the fees charged by the institution may not amount to more than twice the statutory amount. It is optional to pay tuition fees up front rather than defer payment.

### **A1.13.2 Grants**

#### **A1.13.2.1 Performance Related Grants**

The 1996/97 academic-year saw the introduction of performance-related grants for new students in higher education. For the nominal duration of the course, students are entitled to a grant in the form of a provisional loan. Subsequently, they are entitled to take out a full interest-bearing loan for a period of three years. Until 2004/05, performance was assessed for the first time at the end of the initial year of study: by that time the student had to have obtained at least 50 per cent of the available credits for his/her loan to be converted into a grant. This system was abolished on 1 September 2004.

The second assessment (or, under the WSF 2000, the degree term) takes place after a period of ten years; by then the student must have obtained a degree. The provisional loan is converted into a non-repayable grant if the student meets the performance requirements. From 2000 onwards, the performance-

related grants system also covers a public transport pass for students. This grant is performance related. The upper age limit for applying for student finance is 30. Students who have turned 30 are entitled to a student loan for a further four years only.

In 2005, the standard university grant available to students living away from home stood at €2,796 per annum (and €912 per annum for university students living at home).

### **A1.13.3      Loans**

#### **A1.13.3.1      Student Loan Scheme**

Students are able to borrow a sum equivalent to their tuition fees. The loan is interest-bearing (positive real rate of interest) and is subject to a ceiling. This loan is not means tested and is not related to parental income.

#### **A1.13.3.2      Supplementary Grants**

In addition to the loan for fees, maintenance loans are available subject to the supplemental income of the individual (approx €10,500 per annum). The maximum maintenance loan available in 2005 stood at approximately €3,900 per annum.

#### **A1.13.3.3      Interest bearing Loans**

As discussed in the previous section, students are also entitled to avail of interest bearing loans for a period of three years. The maximum size of these loans stood at €3,108 per annum.

### **A1.13.4      Repayment/ Debt Forgiveness**

For the Student Loan Scheme, the repayment period is 25 years with a maximum of 5 twelve-month deferrals is permitted, depending on the individual's personal circumstances. The size of the monthly instalments is income-related. The debt outstanding at the end of the 25 year repayment period will be waived.

## **A1.14      Netherlands – Part time students**

Part time students are treated in the same way as their full time counterparts.

## **A1.15      Republic of Ireland – Full time students**

The most significant recent development in the Irish higher education sector came in 1995 with the announcement of the Free Fees Initiative. The Free Fees Initiative abolished tuition fees for all eligible students, irrelevant of household income. Eligible students pay no tuition fees, either up front or deferred.

In May 2003, the government proposed the reintroduction of college fees for the wealthy and a new student loan scheme. According to the plans, students from 'wealthy' families could be asked to pay college fees of €4,000 (£2,800) a year for arts degrees and up to €8,000 (£5,600) for medicine and veterinary

courses. The new fee structure was intended to reflect the cost of the course and the earning power of those who graduate in that particular discipline. However, the Government decided not to proceed with the plan.

### **A1.15.1 Fees**

Under the Free Fees Initiative, the Exchequer meets the tuition fees of eligible students who are attending approved third-level courses. However, the tuition fee payable does not include the charge payable by students to the Colleges towards the cost of registration, examination and student services (€800 in 2006/07). Eligible students are third-level students who:

- (a) are first-time undergraduates (and are not repeating the year); and
- (b) hold E.U. nationality or official refugee status and have been ordinarily resident in an E.U. Member State for at least three of the five years preceding their entry to an approved third level course.

The course must be of a minimum of two years duration. For those not qualifying for the Free Fees Initiative and who have to pay tuition fees, it is possible to claim tax relief on Third Level Tuition Fees.

### **A1.15.2 Grants**

#### **A1.15.2.1 Higher Education Grants Scheme**

The HEG Scheme covers full time undergraduate courses of not less than two years duration pursued in the University/Institute of Technology sector or third-level institution, which is maintained or assisted by recurrent grants from public funds in Ireland and other EU Member States (with certain exceptions). The amount received depends on household income and the number of dependant children, ranging from grants of 'Full Maintenance and Full Fees' to 'Part Tuition Fees (50%) only', with values in the range €310 to €3,110. These grants are means tested. The course must be a full time approved course. To be eligible for a grant under this scheme, a student must: be at least 17 years of age on 1 January; have been ordinarily resident in the administrative area of the Local Authority for the previous year; have fulfilled the Leaving Certificate examination attainment condition for the purposes of this Scheme; conform to the income limits in respect of the 2006/2007 academic year; hold EU or Swiss nationality or have official permission to remain in the State.

#### **A1.15.2.2 Vocational Education Committees' Scholarship Scheme**

This scheme provides means tested scholarships to eligible students who are pursuing approved courses. The amount received depends on household income and the number of dependant children, ranging from grants of 'Full Maintenance and Full Fees' to 'Part Tuition Fees (50%) only', with values in the range €310 to €3,110. The VEC Scheme is generally aimed at students who hold a National Certificate or National Diploma and are: progressing to approved degree courses in third level institutions, including Universities and Institutes of Technology; pursuing Higher National Diploma courses in



Northern Ireland; progressing to approved degree courses in Northern Ireland; and those progressing to approved degree courses in third-level Institutions in other EU member states. The eligibility criteria are the same as for Higher Education Grants Scheme.

#### **A1.15.2.3 Maintenance Grants Scheme for Students attending Post Leaving Certificate (PLC)**

PLC Scheme covers approved Post Leaving Certificate courses of at least one-year duration run in approved PLC Centres throughout the country. These grants are means tested. The course must be a full time approved course. To be eligible for a grant under this scheme, a student must: be at least 16 years of age on commencement of the course; have been ordinarily resident in the administrative area of the Local Authority for the previous year; have fulfilled the Leaving Certificate examination attainment condition for the purposes of this Scheme; conform to the income limits in respect of the 2006/2007 academic year; hold EU or Swiss nationality or have official permission to remain in the State.

#### **A1.15.2.3 Special Rates of Maintenance Grants for Disadvantaged Students**

The Special Rates of Maintenance Grant, more commonly known as the "Top-Up" Grant, is aimed at tackling under-representation by disadvantaged students in further and higher education. For the academic year 2006/2007 the grant was €5,970 for students residing more than 15 miles from college and €2,390 for students resident within 15 miles of college. This is equivalent to a "top-up" of €2,860 and €1,145 respectively, for eligible students, on the ordinary maintenance grant.

This grant is means tested. Eligibility is determined by reference to a lower income threshold, to that in the ordinary maintenance Schemes, and that, in addition to other requirements, the reckonable income includes specified long-term social welfare payments. The total reckonable income for the "Top-Up Grant" for the 2006/2007 academic year - based on the 2005 tax year - must not exceed €16,748.

#### **A1.15.2.4 Fund for Students with disabilities**

The aim of this fund is to assist students with disabilities in third level institutions and PLC colleges to participate in further and higher education. Grants are provided for students who have serious sensory, physical and/or communicative disabilities. Assistance and/or equipment provided includes:

- Assistance: Personal Assistant; Sign Language Interpreter; Notetaker;
- Services: Transport, i.e. for students with a physical disability who cannot avail of public transport; Photocopying; Additional tuition, i.e. for students with learning difficulties - e.g. dyslexia;
- Equipment: Computers with specialised software, i.e. for students with a visual disability; Tape recorders and other items of assistive technology



A recent comprehensive and professional assessment on the nature and extent of the disability, and a professional recommendation on the equipment most appropriate for the needs of the student is necessary.

#### **A1.15.2.5 Student Assistance Fund**

The Student Assistance Fund is intended to tackle educational disadvantage by providing financial support to disadvantaged students who require additional financial support to enable them to fully benefit from their third-level studies. The Fund is administered by the individual colleges and is means tested.

#### **A1.15.2.6 The Millennium Partnership Fund for Disadvantage**

The Fund supports students from disadvantaged areas attending further or higher education courses. Partnership Companies and Community Groups manage the fund locally and is means tested.

### **A1.15.3 Loans**

There are no loans available to full time students in Ireland

## **A1.16 Republic of Ireland – Part time students**

### **A1.16.1 Fees**

Fees are payable, however tax relief at the standard rate of tax is available for tuition fees paid in respect of students attending part time courses approved for tax relief.

### **A1.16.2 Grants**

There are no grants paid in respect of attendance at part time or evening courses.

### **A1.16.3 Loans**

There are no loans paid in respect of attendance at part time or evening courses.

## **A1.17 United States – Full time Students**

### **A1.17.1 Fees**

Tuition fees are set by individual institutions. For the 2005-2006 academic year, the following were the average annual tuition costs by type of institution:

- Two-year, Public Community Colleges: \$2,191
- Four-year, Public Institutions: \$5,491
- Four-year, Private Institutions: \$21,235

There are no strict conditions for whether fees should be paid in advance or deferred. This depends on an individual's eligibility for different loan types.

Unlike the UK, institutions in the US have the freedom to set their fees and make autonomous decisions about aid. Judgments can be made institutionally about income and financial aid as well as the academic and diversity profile of students, and institutions allocate grant aid from their own operating or endowment budgets. This varies significantly, according to type of institution and its market position. Some institutions may discount their tuition by as much as 30% to attract specific students desirable to their institution. It is worth noting, after receiving federal, state and institutional aid packages, the 'net price' to the student or family, i.e. the out-of-pocket cost, may be far less than the published tuition rate. The average net price at public four-year colleges and universities in 2003, for instance, was \$1,800; at private universities, it was just over \$10,000 (College Board, 2003, Trends in College Pricing). Once the need of a student has been calculated, the financial aid office at the student's institution prepares a financial aid package to meet as much of this need as possible, through federal grants and loans (if eligible) plus work-study and institutional grants. Currently about 70% of American college students receive some sort of financial aid in this manner, a proportion that has increased over time as college costs have increased.

### **A1.17.2 Grants**

#### **A1.17.2.1 Federal Pell Grant**

Pell Grants are the foundation of federal student financial aid, to which aid from other federal and non-federal sources might be added. Available almost exclusively to undergraduates, eligible students will receive between \$400 and \$4,050 (in 2006-07). Pell grants are means tested for students from families with an annual income below \$25,000.

In addition, students must be a US citizen or eligible non-citizen; show that they have financial need; prove that they are qualified to enroll in postsecondary education; must be enrolled or accepted for enrollment as a regular student working toward a degree or certificate in an eligible program; and must meet satisfactory academic progress standards set by the postsecondary school the student is or will be attending.

**A1.17.2.2 State Support**

Almost all states in the US have means-tested financial assistance programs. For example, in Illinois the state grant is called the Monetary Award Program (MAP); this has a maximum award of about \$4,500 per annum. However, state financial aid schemes vary widely. It is instructive to note that 80% of the total volume of state financial aid comes from five states: Illinois, Pennsylvania, New York, New Jersey and California; thus students' access to state financial aid is highly dependent on where they live. Furthermore, states can select the type of aid they wish to provide and thus prioritise which students they support. States with large conurbations have a greater need for graduates than rural states, and thus tend to provide higher levels of financial support aimed at increasing the total number of graduates, rather than subsidising those who would go to university irrespective of state financial aid. In general, rural states offer lower levels of financial aid, and this is more likely to be merit-based aid.

**A1.17.2.3 Federal Supplemental Educational Opportunity Grant**

This grant is available for undergraduates with exceptional financial need and priority is given to Federal Pell Grant recipients. The annual award limit is between \$100 and \$4,000.

**A1.17.2.3 Academic Competitiveness Grant (ACG)**

These grants are available to undergraduates receiving Pell Grants who are US citizens enrolled full time in their first or second academic year of study. The annual award limit for first academic year students is up to \$750 and \$1,300 for second academic year students.

**A1.17.2.4 National Science and Mathematics Access to Retain Talent Grant**

Available to undergraduates receiving Pell Grants, who are US citizens enrolled full time in their third or fourth academic year of an eligible degree program majoring in physical, life, or computer sciences, engineering, technology, mathematics or a critical-need foreign language and have at least a 3.0 cumulative GPA. The annual award limit is up to \$4,000 for each of the third and fourth academic years.

**A1.17.3 Loans****A1.17.3.1 Federal Perkins Loans**

Interest charged on this loan is 5% for both undergraduate and graduate students; payment is owed to the school that made the loan. The amount actually received depends on financial need, amount of other aid, and availability of funds at the institution. Annual Award Limit stands at \$4,000 for undergraduate students; \$6,000 for graduate and professional degree students. This loan is means tested (both undergraduate and postgraduate). The nominal lender is the higher education institution. Therefore, all loans are repayable to the school or its agent with up to 10 years to repay, depending on amount owed.

**A1.17.3.2 Direct Stafford Loan (Subsidised)**

The US Department of Education pays any interest while the borrower is in higher education and during grace and deferment periods. There is a fixed rate of 6.8 percent for loans first disbursed on or after July 1, 2006. The annual award limit stands at between \$3,500 and \$8,500, depending on the level of study. The loan is means tested.

Undergraduate and graduate students are eligible and must be enrolled at least half-time and have financial need. The ultimate lender is the US government and loans are repayable for a period between 10 and 25 years, depending on amount owed and type of repayment plan selected.

**A1.17.3.3 FFEL Stafford Loan (Subsidised)**

The US Department of Education pays any interest while the borrower is in higher education and during grace and deferment periods. There is a fixed rate of 6.8 percent for loans first disbursed on or after July 1, 2006. The annual award limit stands at between \$3,500 and \$8,500, depending on the level of study. The loan is means tested.

Undergraduate and graduate students are eligible and must be enrolled at least half-time and have financial need. The ultimate lender is a bank, credit union or other participating private lender. Loans are repayable for a period between 10 and 25 years, depending on amount owed and type of repayment plan selected.

**A1.17.3.4 Direct Stafford Loan (Unsubsidised)**

The borrower is responsible for interest during life of the loan. To be eligible, the individual must be at least a half-time student and financial need is not a requirement for receipt of the loan. There is a fixed rate of 6.8 percent for loans first disbursed on or after July 1, 2006. The annual award limit available is between \$3,500 and \$20,500 (less any subsidised amounts received for the same period), depending on grade level and dependency status.

The ultimate lender is the US government and loans are repayable for a period between 10 and 25 years, depending on amount owed and type of repayment plan selected.

**A1.17.3.5 FFEL Stafford Loan (Subsidised)**

The borrower is responsible for interest during life of the loan. To be eligible, the individual must be at least a half-time student and financial need is not a requirement for receipt of the loan. There is a fixed rate of 6.8 percent for loans first disbursed on or after July 1, 2006. The annual award limit stands at between \$3,500 and \$20,500, depending on the level of study. The loan is means tested.

Undergraduate and graduate students are eligible and must be enrolled at least half-time and have financial need. The ultimate lender is a bank, credit union or other participating private lender. Loans are repayable for a period

between 10 and 25 years, depending on amount owed and type of repayment plan selected.

#### **A1.17.3.6 FFEL Plus Loan/ Direct PLUS Loans**

These loans are available to parents of dependent undergraduate students who are enrolled at least half-time. The PLUS Loan Program is now also available to graduate and professional degree students. Financial need is not a requirement. Fixed rate at 8.5 (7.9% Direct PLUS) percent for loans first disbursed on or after July 1, 2006. PLUS Loans are unsubsidised and the borrower is responsible for interest during the life of the loan. The maximum amount is cost of attendance minus any other financial aid the student receives.

### **A1.18 United States – Part time Students**

Part time students are treated in the same way as their full time counterparts.

### **A1.19 Hungary – Full time Students**

#### **A1.19.1 Fees**

Tuition fees need to be paid up front. The Ministry for Education and Culture set the average level of tuition fees at 105,000 HUF (approx. £300) for a year. Even though institutions are allowed to deviate by 50% from this sum, it appears that institutions have chosen not to do so.

There are fee exemptions to (i) the top 15% of students, (ii) PhD students, (iii) those in post-secondary vocational training, and (iv) those from less well off socioeconomic backgrounds. In addition, the bottom 15% of students at the end of their first year of study are transferred to courses with no state subsidy at all.

#### **A1.19.2 Grants**

There are no grants available to students.

#### **A1.19.3 Loans**

Students are able to borrow a sum up to the total amount of their tuition fees. The loan is interest-bearing (9.5% at the time of writing the report) and is subject to revision every half year. The loan is means tested and is unrelated to parental income. Repayment commences after the student graduates from their course. The repayment rate is set at 8% of earnings, and debt forgiveness takes place when the individual is 40 years old.

### **A1.20 Hungary – Part time Students**

We were unable to discover any information on student finance arrangements for part time students in Hungary.



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