

Increasing the sustainability of Higher and Further Education provision in Ireland

Economic review of funding options

Deliverable 3.1: Analysis of relevant EU practices for Higher Education funding systems

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Executive Summary

The AARC Consortium, incorporating AARC, LE Europe and Indecon, were commissioned by EC DG REFORM to provide an analysis of the sustainability of Higher Education and Further Education in Ireland. This report presents a **review of higher education fees and funding options** internationally, and is intended to feed into and support the various other deliverables and reports constituting this research project.

As per the original Terms of Reference, in this report, we undertake a comparison of the tuition fee and student support arrangements adopted in different jurisdictions. In particular, given the three primary options presented as part of the Cassells Review in 2016, and agreed with the Department of Further and Higher Education, Research, Innovation and Science (formerly, the Department for Education and Skills), we identified a number of higher education fees and funding approaches in jurisdictions (both within and outside the European Union) that are either:

- **Predominantly state-funded:** jurisdictions with no explicit tuition fees levied (or only notional tuition fees), possibly combined with a mixture of maintenance grants and loans to provide student support (e.g. **Sweden, Austria**, and to a lesser extent, **Scotland**), or
- **Hybrid models:** jurisdictions where institutions are funded through tuition fees that are either partially or totally administered through the provision of loans alongside Exchequer-funded core grants paid to higher education institutions (HEIs). This fee structure is combined with further maintenance grants and/or loans to support students during their studies (**England, Wales**, and to a lesser extent, **Northern Ireland**).

It is important to note that throughout this analysis of higher education fees and funding, there are **significant differences** in the approaches adopted between jurisdictions (and also within those jurisdictions that have adopted income contingent loan-backed fees and maintenance). These differences relate to the general **system-wide focus** (i.e. whether the primary focus relates to maintenance costs or tuition costs), the **precise characteristics** of funding (means-tested or universal grants and/or loans), but also the **eligibility** and treatment of different groups of students (i.e. level and mode of study).

Balancing the broad range of options contained in the Cassells Review, we have also included analysis of jurisdictions adopting a 'predominantly state-funded' approach (**Sweden and Austria**). This allows for the identification of some important messages in respect of the coverage and sufficiency of higher education funding, the balance of contribution between the individual and the state, as well as some of the outcomes (both positive and negative) associated with predominantly state-funded and hybrid systems.

This independent and broad approach covering the full range of possibilities identified in the Cassells Review adds significant value to the general understanding of the range of options available to Irish policy makers.

The analysis presented in the main report is relatively high-level; however, is supplemented by extensive detail in the Annexes. This is because it is important to consider **all** the different elements of the higher education fees and funding arrangements in each of the relevant jurisdictions and not just the headlines. In particular, some jurisdictions might appear to be largely state-funded (for instance because there are no explicit tuition fees charged to specific groups of students); however, these same jurisdictions may offer only very limited maintenance support. In contrast, other jurisdictions might appear to be associated with a lower level of state funding as a result of high nominal tuition fees, however, offer subsidised maintenance support to a broader population of prospective students resulting in better access and social mobility outcomes. Consideration of the 'whole' offer is critical. In particular,

understanding the entirety of the different systems helps clarify not just how different higher education funding models currently operate – but also how they might operate in Ireland and reflect Irish priorities. This is particularly important given that approximately 40% of the overall Irish population aged between 15 and 64 have third-level education, which increases to approximately 55% amongst the 25 to 34 year old age group.¹

Wider considerations

Covid-19

The impact of the Covid-19 pandemic and the dramatic Government restrictions, both in Ireland and across the world, have not yet been fully comprehended. However, it is clear that these impacts will be hugely significant. There will be changes in how people work, how people are taught and learn, how people socialise, and how and to what extent countries will be open to travelling nationally and/or internationally. The implications for higher education are significant, given in particular the success of the sector in Ireland in recent years in attracting large numbers of international students. While no-one is yet clear about all of the implications, it is inevitable that the model for tertiary education is changing - predominantly through online / blended learning, an increased focus on part-time and flexible learning, and with new additional arrangements needed for the rostering and use of laboratories, lecture halls, classrooms, canteens and entire campus spaces. Higher education institutions will need to adapt and evolve further as the year goes on, and if, or when, further public health challenges emerge.

In terms of the fiscal challenges, higher education institutions will have been very significantly impacted – both by the loss of catering, conference and accommodation income in the 2019-20 academic year, but also the expected loss in tuition fee income from international students in the 2020-21 academic year. All governments face a similar challenge of significantly reduced taxation receipts alongside huge increases in expenditure to support their economies into the recovery period.

Given the widespread economic and social challenges facing all stakeholders, there will inevitably be a significant reorganisation of delivery across the entire tertiary education sector. It is essential that the analysis presented here is considered within the economic and fiscal constraints resulting from the pandemic.

Demographic challenges

The changing demographic landscape is expected to lead to an increase in the future demand for higher education in Ireland. According to the Department of Further and Higher Education, Research, Innovation and Science, the number of higher education students is likely to peak at almost 223,000 in 2030 - an increase of 38,000 over 2017 levels – and this will have very significant implications in terms of how and to what extent funding can become available to underpin continuation of excellence in HE provision in Ireland.

This change in demography will also inform what happens next in relation to the future funding of the higher education system in Ireland as the incorporation of projected additional students will create very substantial funding requirements going forward. This challenge – alongside those emerging as a result of the pandemic - may potentially lead to the identification of alternative routes to deliver quality and appropriate skills for the workforce. Linking to some of the other analysis undertaken as part of this project, part of the solution may be to consider a different approach on transitions between second-level and third-level education (currently standing at approximately 65%) or in respect of the nature and timing of delivery. Fundamentally, the wider economic and demographic challenges facing Ireland need to be central to any recommendations made by policy makers.

¹ Central Statistics Office (2019), *Educational Attainment Thematic Report* (Table 2), November 2019 ([link](#))

What is the definition of ‘predominantly state-funded’ higher education?

The definition of ‘predominantly state-funded’ needs to consider both the coverage – in terms of tuition fee support, maintenance support and institutional funding – but also the level of funding across these dimensions. Jurisdictions that are predominantly state-funded (such as **Sweden** or **Austria**) make use of a range of different mechanisms to deliver substantial levels of taxpayer-funded fee and maintenance support to broad groups of students, as well as providing adequate levels of institutional funding.

A number of jurisdictions (such as **Ireland** itself, as well as **Scotland**) appear to be ‘predominantly state-funded’; however, these systems offer state-subsidised (or free) tuition to some specific groups of students (for instance, full-time undergraduates) but not others (e.g. part-time or postgraduate students). Similarly, these jurisdictions offer only modest maintenance grants to small sections of the student body.

At the other end of the spectrum, a more market-orientated approach that offers a balance of contribution between the state and the individual has been adopted in **England, Wales** and **Northern Ireland**.

Funding levels – what is the appropriate unit of resource?

The level of public investment in higher education institutions in Ireland was lower in recent periods than in those jurisdictions operating a predominantly state-funded system (**Sweden** and **Austria**); jurisdictions adopting a ‘mixed-economy’ of hybrid approach (**Scotland** or **Northern Ireland**); or those jurisdictions operating a more ‘market orientated’ hybrid system (**Wales** or **England**). This assessment is based on the estimated costs of higher education delivery in Ireland undertaken by the Higher Education Authority; the historic level of funding that existed in Ireland before the financial crisis in 2008; and the level of comparable funding that occurs in some other state-funded jurisdictions. As a broad indication, the funding gap was estimated to be approximately €2,500 per student per annum; however, it is important to note that there has been a significant increase in higher education funding in the last three years, which has in part reversed the decline that took place between 2008 and 2015.

Comparison of international fees and student support arrangements

Tuition fees

- For full-time undergraduate students, Ireland is not entirely free at the point of entry for all students. **Scotland, Austria** and **Sweden** offer essentially free fees, while **Northern Ireland, Wales** and **England** offer loans to cover the entire tuition fee. In Ireland, the means-tested grant offered to offset the Student Contribution results in a proportion of prospective learners facing up-front direct costs of either €1,500 or €3,000 per annum (depending on reckonable household income).
- There is a much more varied approach in respect of part-time undergraduate fees. In **Scotland, Sweden** and **Austria**, part-time undergraduate students are treated comparably to full-time undergraduates and charged no tuition fee. Part-time students are also treated comparably to full-time students in **England, Wales** and **Northern Ireland**, in the sense that tuition fees are levied – but the levy is supported by loans. In Ireland, there are key differences between the treatment of full-time and part-time students. Whereas full-time students receive an effective tuition fee grant as well as a means-tested grant to cover the Student Contribution, there is no corresponding fee support for part-time students.

Maintenance support

- As with a number of other jurisdictions, maintenance grants play a key feature of undergraduate support in Ireland. Although the *maximum* grants available in Ireland are reasonably large in relative terms, in reality, based on the specific eligibility criteria

and the means-testing applied, **the average level of grant is modest compared to the maintenance support provided in the other jurisdictions** assessed. In addition, the eligibility criteria and means testing of the grants are **relatively complicated** compared to other jurisdictions.

- In general, across the other different jurisdictions assessed, there are government loans to cover students' living expenses; however, the structure and generosity of the loan systems varies significantly. In Ireland, there are no loans available for maintenance support for higher education students. As identified in the Cassells Review, given the costs associated with higher education participation, the relatively modest level of maintenance grants available to students in Ireland may act as a potential deterrent to HE participation.

Higher Education Fees and funding in Ireland – issues to consider

Availability and levels of maintenance support

The maintenance grant support available for full-time students in Ireland is limited (compared to other jurisdictions) and is unlikely to fully cover students' living costs. This may result in unintended consequences, such as excessive term-time working, less effort devoted to learning activity and lower completion rates. In addition, the absence of adequate maintenance support may result in a number of prospective higher education students who have the ability to attend higher education being unable to do so, due to a lack of financial resources.

General design of student support

The eligibility criteria and means testing of maintenance grants and Student Contribution grants in Ireland could be reviewed. Instead of a 'cliff-edge' system, whereby students' eligibility for maintenance grants and Student Contribution grants declines in steep steps (from 100% to 75% etc), a system that allows for gradual tapers might be considered. This would address a number of issues with respect to equity, but also remove any incentives to 'game' the system. Furthermore, certain eligibility criteria for maintenance grants in Ireland are not only means-tested, but dependent on the source of students' reckonable income. Therefore, a review of student support arrangements could be considered.

General complexity

Ireland operates a relatively complicated system of higher education fees and student support compared to the other jurisdictions assessed. In particular, the existence of tuition fees alongside the Student Contribution, a number of different forms of maintenance support, alongside a range of different eligibility criteria have resulted in several layers of complexity. This is likely to leave the key users of the system – prospective students and their families – with information gaps. Irrespective of the final approach adopted in Ireland in respect of higher education fees and funding, consideration should be given to implementing a more straightforward system.

Equity between part-time and full-time study

Unlike most other jurisdictions, in general, the Irish system provides no core financial support for part-time students² (comparable to full-time undergraduate students), and this important form of study could be more integrated into the higher education fees and student support planning frameworks – particularly given the increased focus on part-time flexible learning resulting from the Covid-19 pandemic. There are some jurisdictions (such as **Wales**) that have made significant strides in placing part-time and postgraduate education on the same footing as traditional full-time undergraduate study, and consideration might be given as to how this was achieved.

² Some support for part-time students is provided for those who are unemployed, lone parents or individuals with a disability.

Lessons from other jurisdictions of relevance to Ireland

With the general expansion of higher education participation, all jurisdictions considered in this report have faced similar issues in respect of the delivery of higher education, but also in respect of providing sufficient support to an ever-increasing pool of students.

In response to the challenge, all jurisdictions have adopted very different responses.³ Whereas **Sweden** and **Austria** (and **Scotland** to a lesser extent) have retained or implemented a predominantly state-funded approach, **England** and **Wales** (and to a lesser extent **Northern Ireland**) have moved towards the provision of loans for tuition fees and maintenance. There have been **mixed results**, and there are many lessons to be learnt from the different approaches:

- **Higher education is costly – and the cost must fall between the general taxpayer and those who may directly benefit from higher education.** As such, there will be **trade-offs** between the level and breadth of funding available to support students with the costs of attending higher education.
- **There is no single best practice approach to higher education tuition fees and student support.** All systems have both advantages and disadvantages. Some jurisdictions charge low or negligible tuition fees to prospective students but combine this with modest maintenance support, making access to higher education a significant challenge for prospective students from less well-off backgrounds (often with limited coverage in terms of part-time and postgraduate students). Other jurisdictions have attempted to remedy this access problem through the offer of loans for fees and/or maintenance costs, but this significantly increases the complexity of HE funding, and can result in large loan balances and long-lasting loan repayment burdens for graduates.
- Those jurisdictions that are predominantly state-funded (such as **Sweden** or **Austria**) make use of a range of different mechanisms to deliver substantial levels of taxpayer-funded fee and maintenance support to broad groups of students, as well as providing high levels of institutional funding. In addition to the coverage of these systems, it is important to consider the adequacy of funding across these mechanisms. There is often a **trade-off between extent to which any higher education system is predominantly state-funded and the adequacy of the funding available.**
- **Considering those jurisdictions that offer student loans, it is important to differentiate between the principle of student loans and their application in practice.** The general intention of the provision of student loans is to share the cost of higher education between the beneficiaries of higher education (i.e. students/graduates) and the general taxpayer. However, in practice, income contingent loan repayment systems have often been implemented poorly.
- **Irrespective of the types of student support provided, within reason, the student support system needs to be relatively straightforward and understandable –** to both prospective students and those administering the system. Although higher education fees and funding systems will necessarily be complicated in places, the complexity and inflexibility of some systems has been unnecessarily increased as a result of the number of piecemeal changes made over time. With this in mind, any higher education fees and student support system needs to be developed with the long-term goals of the nation in mind – but also relatively straightforward and easily communicated.

³ Again, in addition to the range of detailed information on the *current* funding approaches in all jurisdictions covered in Section 3 and Annex 2, in Annex 3, Annex 4 and Annex 5, we provide more in-depth country specific case studies on the *evolution* of higher education fees and funding in England, Wales and Scotland (respectively).

- **Language and information are important:**
 - Describing higher education 'quality' in terms of simple measures such as contact hours, staff-student ratios or through the lens of league tables etc has resulted in higher education becoming commoditised or transactional, rather than being a key driver of economic growth and wellbeing.
 - In general, there is a lack of clarity in respect of higher education fees and funding. Providing students and their families with **accurate information** on the range of public student support measures available; who *currently* pays for higher education; the potential *balance of contributions* under alternative funding systems; where the *actual costs* of higher education are incurred; what the *benefits* are; and *who* receives those benefits; is hugely important.
- **Unintended consequences**
 - There may be **unintended long-term consequences** associated with any changes to the existing funding arrangements in Ireland that need to be considered. Changing the balance of contribution may result in students becoming 'consumers', which may come at a significant cost for higher education institutions, but also has consequences on staff wellbeing. Similarly, changes in funding arrangements may erode collaboration within and between institutions in Ireland. Therefore, any potential amendments to the Irish system need to be clearly and carefully communicated to the wide range of stakeholders in higher education in Ireland. It is vital that the financial consequences of any possible changes (in terms of the costs to relevant stakeholders) are fully assessed and considered prior to implementation.
- **Need for Reform**
 - Given the issues facing the sustainability of funding for higher education in Ireland, and the very high levels of participation in the higher education sector, reforms will be required. These are needed to ensure value for money and the most effective use of resources. The reforms will be needed regardless of the funding method chosen and will require the need for flexibility in the higher education sector to adjust to the skill needs of the economy and to the implications arising from Covid-19.

Aim of the report and caveats

The views presented here are the opinions of the authors based on our interpretation of the available evidence. The analysis is not intended to direct the Irish Government towards a particular course of future action. Instead, we provide an independent assessment of higher education fees and funding arrangements in Ireland compared to a number of other jurisdictions of relevance.

We identify the key strengths and weaknesses associated with the range of systems. However, having considered the material presented, and acknowledging the fact that alternative approaches are available to achieve the same aim. Accepting the fact that the Covid-19 pandemic will result in a fundamental reshaping of the higher education sector (in Ireland and elsewhere), it is the prerogative of Irish Government to determine the nature of any changes (if any) required to better reflect the national ambition, and how these changes might be implemented.

We make no judgement in respect of the appropriateness of any of the fees and funding systems adopted in those jurisdictions of potential relevance to Ireland. Similarly, we do not provide recommendations or direction in respect of equity, fairness, or the appropriate balance of contribution, as these are considerations for the Irish Government. Rather, we provide an unbiased assessment of the strengths and weaknesses associated with the different approaches, alongside potential lessons for policy makers going forward.

1. Introduction

The AARC Consortium, incorporating AARC, LE Europe and Indecon, were commissioned by EC DG REFORM to provide an analysis of the sustainability of Higher Education and Further Education in Ireland. This report presents an **economic review of higher education fees and funding options** internationally, and is intended to feed into and support the various other deliverables and reports constituting this research project.

As per the original Terms of Reference, in this report, we undertake a comparison of the tuition fee and student support arrangements adopted in different jurisdictions of relevance to Ireland. In particular, given the three primary options presented as part of the Cassells Review in 2016, and agreed with the Department of Further and Higher Education, Research, Innovation and Science (formerly, the Department for Education and Skills), we identified a number of higher education fees and funding approaches in jurisdictions (within and outside the European Union) that are either:

- **Predominantly state-funded:** jurisdictions with no explicit tuition fees levied (or only notional tuition fees), possibly combined with a mixture of maintenance grants and loans to provide student support (e.g. **Sweden, Austria** and, to a lesser extent, **Scotland**), or
- **Hybrid models:** jurisdictions where institutions are funded through tuition fees that are either partially or totally administered through the provision of loans alongside Exchequer-funded core grants paid to higher education institutions (HEIs). This fee structure is combined with further maintenance grants and/or loans to support students during their studies (**England, Wales** and to a lesser extent, **Northern Ireland**).

It is important to note that throughout this analysis of higher education fees and funding, there are significant differences in the approaches adopted **between** countries, but also significant variation **within** countries. Although there is some reliance on the long-standing experience of England, Scotland, Wales and Northern Ireland in relation to the adoption of income contingent loan-backed tuition fees, there are **very significant differences** between them in respect of their current approach to higher education fees and funding.

These differences relate to the general **system-wide focus** (i.e. whether the primary focus relates to maintenance costs or tuition costs), the **precise characteristics** of funding (means-tested or universal), but also the **eligibility** and treatment of different groups of students (i.e. level and mode of study).

Balancing the broad range of options contained in the Cassells Review, we have also included detailed analysis of jurisdictions adopting a 'predominantly state-funded' approach (**Sweden** and **Austria**). This allows for the identification of some important messages in respect of the coverage and sufficiency of higher education funding, the balance of contribution between the individual and the state, as well as some of the outcomes (both positive and negative) associated with predominantly state-funded (and hybrid) systems.

The analysis presented in the main report is relatively high-level; however, this is supplemented by extensive detail in the Annexes. This is because it is important to consider **all** the different elements of the higher education fees and funding arrangements, and not just the headlines. In particular, some jurisdictions appear to be largely state-funded (for instance because there are no explicit tuition fees charged to certain groups of students); however, these jurisdictions may offer only modest maintenance support. In contrast, other jurisdictions appear to be associated with a lower level of state funding as a result of high nominal tuition fees, however, offer generous maintenance support to a broader population of prospective students. Understanding the entirety of the different systems will help to clarify not just how

exactly different higher education funding models currently operate – but also how they might operate in Ireland and reflect the priorities in the Irish context. This is particularly important given that approximately 40% of the overall Irish population aged between 15 and 64 have third-level education, which increases to approximately 55% amongst the 25 to 34 year old age group.⁴

Wider considerations

Covid-19:

The impact of the Covid-19 pandemic and the dramatic Government restrictions, both in Ireland and across the world, have not yet been fully comprehended. However, it is clear that these impacts will be hugely significant. There will be changes in how people work, how people are taught and learn, how people socialise, and how and to what extent countries will be open to travelling nationally and/or internationally. The implications for higher education are significant, given in particular the success of the sector in Ireland in recent years in attracting large numbers of international students. While no-one is yet clear about all of the implications, it is inevitable that the model for tertiary education is changing predominantly through online / blended learning, an increased focus on part-time and flexible learning, and with new additional arrangements needed for the rostering and use of laboratories, lecture halls, classrooms, canteens and entire campus spaces. Higher education institutions will need to adapt and evolve further as the year goes on, and if, or when, further public health challenges emerge.

In terms of the fiscal challenges, higher education institutions will have been very significantly impacted – both by the loss of catering, conference and accommodation income in the 2019-20 academic year, but also the expected loss in tuition fee income from international students in the 2020-21 academic year. All governments face a similar challenge of significantly reduced taxation receipts alongside huge increases in expenditure to support their economies into the recovery period.

Given the widespread economic and social challenges facing all stakeholders, there will inevitably be a significant reorganisation of delivery across the entire tertiary education sector. It is essential that the analysis presented here is considered within the economic and fiscal constraints resulting from the pandemic.

Demographic challenges

The changing demographic landscape is expected to lead to an increase in the future demand for higher education in Ireland. According to the Department of Further and Higher Education, Research, Innovation and Science, the number of higher education students is likely to peak at almost 223,000 in 2030 - an increase of 38,000 over 2017 levels – and this will have very significant implications in terms of how and to what extent funding can become available to underpin continuation of excellence in HE provision in Ireland.

This change in demography will also inform what happens next in relation to the future funding of the higher education system in Ireland as the incorporation of projected additional students will create very substantial funding requirements going forward. This challenge – alongside those emerging as a result of the pandemic - may potentially lead to the identification of alternative routes to deliver quality and appropriate skills for the workforce. Linking to some of the other analysis undertaken as part of this project, part of the solution may be to consider a different approach on transitions between second-level and third-level education (currently standing at approximately 65%) or in respect of the nature and timing of delivery. Fundamentally, the wider economic and demographic challenges facing Ireland need to be central to any recommendations made by policy makers.

⁴ Central Statistics Office (2019), *Educational Attainment Thematic Report* (Table 2), November 2019 ([link](#))

1.1 Structure of this report

In Section 2, we provide an overview of **predominantly state-funded higher education systems** to understand the concept of a ‘predominantly state-funded’ higher education system – and whether this equates to as having an ‘adequately funded’ higher education system. We also consider the balance of contribution and economic benefits associated with higher education systems in different jurisdictions, as well as some of the potential strengths and weaknesses of different systems. Using a range of information sources and approaches, we provide a broad estimate of the **unit of institutional resource** required in Ireland to ensure an ‘adequately funded’ higher education system (either in terms of cost of delivery, historic benchmarks, or international comparisons).

In Section 3, we provide a comparison of higher education fees and student support arrangements in the different jurisdictions – focusing on ‘typical’ full-time undergraduate students (with comparable information on undergraduate part-time students and postgraduate full-time and part-time students in Annex 2). We focus on **Ireland, Sweden, Austria, Scotland, Wales, Northern Ireland** and **England**.

Through a **review of the different higher education reforms** that have taken place in **England** (Annex 3), **Wales** (Annex 4) and **Scotland** (Annex 5), we have also presented a jurisdiction-by-jurisdiction approach to understand the **evolution** of the higher education fees and funding arrangements. As per the Terms of Reference, this incorporates the **rationale** for any amendments undertaken in each jurisdiction; an identification of **best practice**; and an assessment of the **challenges** and medium-term impacts associated with implementing changes. Throughout these case study analyses, we also present the potential lessons for Irish policy makers.

Section 4 presents some overall conclusions from the analysis and issues for potential consideration.

Aim of the report and caveats

The views presented here are the opinions of the authors based on our interpretation of the available evidence. The analysis is not intended to direct the Irish Government towards a particular course of future action. Instead, we provide an independent assessment of higher education fees and funding arrangements in Ireland compared to a number of other jurisdictions of relevance.

We identify the key strengths and weaknesses associated with the range of systems. However, having considered the material presented, and acknowledging the fact that alternative approaches are available to achieve the same aim. Accepting the fact that the Covid-19 pandemic will result in a fundamental reshaping of the higher education sector (in Ireland and elsewhere), it is the prerogative of Irish Government to determine the nature of any changes (if any) required to better reflect the national ambition, and how these changes might be implemented.

We make no judgement in respect of the appropriateness of any of the fees and funding systems adopted in those jurisdictions of potential relevance to Ireland. Similarly, we do not provide recommendations or direction in respect of equity, fairness, or the appropriate balance of contribution, as these are considerations for the Irish Government. Rather, we provide an unbiased assessment of the strengths and weaknesses associated with the different approaches, alongside potential lessons for policy makers going forward.

2. High-level comparison of higher education fees and funding regimes

Key points for policy makers

What is the definition of ‘predominantly state-funded’ higher education?

The definition of ‘predominantly state-funded’ needs to consider both the **coverage** – in terms of tuition fee support, maintenance support and institutional funding – but also the **level** of funding across these dimensions. Jurisdictions that are predominantly state-funded (such as **Sweden** or **Austria**) make use of a range of different mechanisms to deliver **substantial levels of taxpayer funded fee and maintenance support to broad groups of students**, as well as providing **adequate levels of institutional funding**.

Benefits and costs of higher education and balance of contribution

The earnings and employment gains from higher education achieved by Irish graduates are amongst the highest in the EU (Annex 1). Compared to a private rate of return of 13-15% across the EU, the private rates of return associated with HE qualification attainment in **Ireland** were estimated to be between 32% and 57% (depending on gender). Other EU jurisdictions broadly described as predominantly *and* adequately state-funded for which comparable information exists (**Austria** or **Denmark**) post a public rate of return of approximately 3-6% for females and 5-9% for males. This compares to 12-17% in Ireland. In Ireland, both the individual and the Exchequer accrue significant benefits from the acquisition and provision of higher education⁵.

Levels of funding – what is the appropriate level of resource?

Ignoring the wider costs of higher education (such as student support), the level of public investment in higher education institutions in Ireland has been lower in recent years⁶ than in those jurisdictions operating a predominantly state-funded system (Sweden and Austria or to a lesser extent, Scotland); or jurisdictions adopting a ‘mixed-economy’ or hybrid approach (Wales and England or to a lesser extent Northern Ireland). This assessment is based on the estimated costs of higher education delivery in Ireland undertaken by the Higher Education Authority; the historic level of funding that existed in Ireland before the financial crisis in 2008; and the level of comparable funding that occurs in predominantly and adequately state-funded jurisdictions. As a broad indication, the institutional funding gap in Ireland was estimated to be approximately €2,500 per student per annum; however, it is important to note that there has been a significant increase in higher education funding in the last three years, which has in part reversed the decline that took place between 2008 and 2015.

2.1 Cross-country comparison of higher education funding trends over time

In Table 1, we present a high-level assessment of different higher education systems across Europe undertaken by the European Universities Association (EUA) in 2019.⁷ The analysis presents a **historic** assessment of the real-terms change in public funding experienced by **higher education institutions**, as well as information on the change in the number of academic and non-academic staff over the period. The EUA analysis also provides an indication as to whether the change in the level of public investment received by higher

⁵ See Annex 1 for more information.

⁶ It is important to note that there has been a significant increase in higher education funding in the last three years, which has in part reversed the decline that took place between 2008 and 2015.

⁷ See [link](#) to country reports and [link](#) to main report.

education institutions has exceeded the underlying rate of economic growth and the growth in student numbers.

While it provides a useful starting point for making cross-country comparisons, it is important to note several **caveats** associated with the EUA's analysis.

First, it does not cover all aspects of higher education funding in the different jurisdictions, as it only considers the funding provided to institutions, and does not include the funding allocated to students (e.g. in the form of maintenance support) or institutional funding from non-public sources (e.g. in the case of Ireland, it excludes the funds contributed by employers through the National Training Fund).⁸

Second, using recent information from the Irish Department of Further and Higher Education, Research, Innovation and Science (and also acknowledged in the EUA report itself), since the publication of the Cassells Review in 2016, there has been a significant increase in the level of investment in Irish higher education institutions by the Exchequer. The analysis of historical funding levels may not be representative in the Irish context, as the start point for some of the comparisons coincides with the largest banking crisis and recession in Irish history. At the time of the Cassells Review, there had been a 20% reduction in higher education funding in Ireland (between 2008 and 2015). However, considering more recent economic developments, analysis provided by the Irish Government illustrates that there has been a significant programme of re-investment into the higher education sector over the past five years (since 2015). In particular, the 2020 Budget proposed an increase in planned current Higher Education spending by over 30% compared to 2015, corresponding to €450 million increase in monetary terms (from €1.42 billion to €1.87 billion). Planned current spending in 2020 (of approximately €1.8 billion) represents the restoration of the peak level of expenditure on higher education achieved in 2008, while a major programme of capital expenditure is also underway.

According to the EUA, the analysis suggests that Irish higher education institutions have experienced a real-terms decline in public funding of 22.5% since 2008 (despite an increase in real-terms funding since 2016). Much of the same evidence was highlighted as part of the Cassells Review in 2016. At the other end of the spectrum, in both **Sweden** and **Austria**, the higher education systems are characterised by being predominantly state-funded, but also relatively well funded, with real-terms funding increases between 2008 and 2019 standing at between 25% and 36% respectively. Funding increases have exceeded economic growth over the period, but also the growth in student numbers.

In **Scotland** and **Northern Ireland**, the higher education sectors are under significant financial strain, and have experienced real-terms declines in funding of between 15% and 18% since 2008. Notably, these two jurisdictions have resisted or reversed the introduction of loan backed tuition fees, but the level of direct public funding has not kept pace with student numbers. In **Northern Ireland**, the fact that there has been no increase in higher education funding in real-terms has resulted in universities in Northern Ireland having to take corrective action themselves, primarily through reducing their undergraduate student intakes and staff numbers in order to maintain provision. Similarly, in **Scotland**, there has been a decline in the number of students over the period, and in respect of the financial health of institutions, there is a high degree of variability. Currently, approximately half of all Scottish higher education institutions are operating with deficits, so that the system is facing significant challenges to its sustainability and competitiveness.

⁸ A full illustration of the contribution of the Irish Exchequer to the higher education sector is available in the Higher Education Authority's 2017-18 Key Facts and Figures publication ([link](#))

Table 1 Cross-country comparison of higher education funding and demographics over time

Public funding of public universities 2008 – 2019	Ireland	England	Wales	Scotland	Northern Ireland	Sweden	Austria
Funding increase							
<i>in real-terms</i>	-22.5%	8.1% ⁽¹⁾	-52.3% ⁽²⁾	-17.7% ⁽¹⁾	-15.4% ⁽³⁾	25.4%	36.0%
> than economic growth?	No	No	No	No	No	Yes	Yes
> than student growth?	No	No	No	No	No	Yes	Yes
Total expenditure (FTE students) ⁽⁴⁾	\$9,102 ⁽⁵⁾	\$18,405 ⁽⁶⁾				\$11,137	€13,596
Increase in							
... student numbers	29.1%	10.6%	6.3%	-6.0%	6.7%	4.3%	20.1%
... academic staff	-2.0%	21.0%	13.0%	15.0%	-2.0%	28.0%	6.0% ⁽³⁾
... non-academic staff	-13.0%	12.0%	3.0%	6.0%	-14.0%	2.0%	8.0% ⁽³⁾

Note (1) Including loans (2) 2010-11 to 2017-18 (3) 2010-11 to 2018-19 (4) LE Europe analysis of OECD Total expenditure on core current activities by educational institutions per FTE student, by level of education (2016) in equivalent US\$ converted using PPPs [Figure C1.1 ([link](#))] *excluding* R&D. Note that in Austria, R&D expenditure stands at approximately 35% of core service expenditure, whilst in the UK and Sweden, the corresponding estimates are 29% and 119% respectively. In Ireland, R&D expenditure as a proportion of core *and* ancillary expenditure stands at approximately 45% (5) The estimate of expenditure for Ireland provided by the OECD in 2016 (\$9,102) equates to approximately €8,223 using the same standard exchange rate as elsewhere in this report; however, this does not take into account relative purchasing power. Accounting for differences in purchasing parity, funding levels in Ireland are equivalent to approximately €7,374 per student. (6) No breakdown is available for the different Devolved Administrations of the United Kingdom and the estimate provided relates to England.

Source: European Universities Association ([link](#) to country reports and [link](#) to main report)

Higher education institutions in **Wales** are in a period of transition. Following the Diamond Review in Wales (see Section A4.1), the long-term decline in direct public funding to Welsh higher education institutions has ceased (although it is still more than 50% lower than in 2010). However, the package of reforms announced in response to the Diamond Review – predominantly focused on the re-organisation of student support – is still in its early stages. Although there are promising signals in respect of student numbers, it is still too early in the process to indicate whether Welsh higher education institutions are on a sustainable footing.

Higher education institutions in **England** are also in a period of transition. Although real-terms funding has increased by approximately 8% since 2008 following the near trebling of tuition fees backed by income contingent loans, there has been a significant increase in the number of students following the removal of student number controls. However, the political environment is such that higher education fees and funding have become a significant policy issue, and the (recent) Augar Review of higher education fees and funding (see section A3.1.5) recommended a 19% reduction in tuition fees. For a sector that has avoided substantial cuts during an extended period of austerity, higher education institutions are now facing significant uncertainty.

2.2 What does 'predominantly state-funded' mean?

This analysis needs to describe the breadth of options presented in the 2016 Cassells Review, which range from 'predominantly state-funded' to a more 'hybrid approach' where a balance exists between the higher education recipient and the state in respect of cost contributions. However, 'predominantly state-funded' is not a straightforward concept to define, and it essentially depends on the scope of analysis – or what 'part' of the higher education landscape is being considered.

Using information from Eurydice (2019)⁹, in a number of Scandinavian countries (Norway, Sweden, Denmark, Finland), southern European countries (Greece, Malta and Turkey) and central European countries (Germany, Austria, Poland, Czech Republic and Slovakia), there are essentially **no tuition fees** levied on full-time undergraduate home-domiciled students.¹⁰

Focusing on this narrow definition would result in these jurisdictions being characterised as being predominantly state-funded; however, in most cases, this state-funding *only* applies to full-time students or undergraduate students.¹¹ In other words, the **coverage** of state-funding is a key characteristic in defining 'predominantly state-funded'.

Turning to maintenance support, there is a similar degree of ambiguity. Of those countries offering significant tuition fee support for full-time undergraduate students, only Austria, Greece and the Czech Republic (and Ireland¹²) offer student support in the form of maintenance grants *only* (i.e. no loans). Although Sweden offers universal grants to more than three quarters of all higher education students, these grants only make up approximately 1/3rd of the student support available, with the remaining 2/3rds available in the form of a 'mortgage-style' loan (albeit with a low interest rate). In contrast, in Germany and Austria, very large maintenance grants are made available – but generally less than 25% of students are eligible for this support.¹³ Ireland offers maintenance grants only; however, as outlined in the Cassells Review the level of grant is modest and the maximum levels are only available to a relatively small proportion of students.

In other words, in those jurisdictions that appear to be predominantly state-funded, in reality, some degree of significant cost sharing still exists between the state and the student. 'Predominantly state-funded' has a very different interpretation depending on the country – and depends crucially on whether consideration extends beyond tuition fees for full-time undergraduate students.

2.3 Does 'predominantly state-funded' mean adequately funded?

In general, there is a trade-off between extent to which any higher education system is both predominantly state-funded and the adequacy of the funding available. Therefore, it is informative to understand the difference in the level of funding in jurisdictions. Being predominantly state-funded can result in either sufficient funding paid through general taxation (Sweden and Austria) or potentially insufficient funding levels (Scotland and to a lesser extent, Ireland).¹⁴ Clearly, the adequacy of funding for higher education depends on the appetite of policy makers to prioritise higher education against other competing demands for finite tax receipts. Given this, for the purposes of this analysis, a predominantly *and* adequately state-funded higher education systems might be reasonably characterised by **Sweden** and **Austria**.

⁹ Eurydice (2019), *National Fee and Student Support systems in higher education – 2018/19*, August 2019 ([link](#))

¹⁰ Although Ireland does not charge 'tuition fees' to full-time undergraduates – and in this respect is most similar to countries such as Scotland, the fact that there are modest levies via the Student Contribution means that Ireland is not included in this group.

¹¹ In some cases (for instance, in Denmark, Slovakia and Poland), fees are levied on part-time students, whilst in many jurisdictions, postgraduate fees are levied as a matter of course (Greece).

¹² Given that there are no explicit tuition fees levied on full-time undergraduate students in Ireland, and that approximately half the Student Contribution is paid by the Exchequer, focusing *solely on tuition costs* would imply that a predominantly state-funded higher education fees system also operates in Ireland.

¹³ Furthermore, there are often a number of eligibility restrictions on the receipt of higher education student support. For instance, public grants are generally limited to students aged below 30 or 35 in Germany or Austria (depending on cycle (i.e. undergraduate or postgraduate)). In contrast, reflecting the cost sharing arrangements for maintenance support in Sweden, the eligibility criteria are more relaxed, with maintenance loans available to the age of 57 (at a reduced rate from age 47).

¹⁴ For instance, in Sweden, public funding of higher education as a proportion of GDP has stood at between 1.1% and 1.4% of GDP over the last decade. This compares to Ireland, where the proportion of GDP spent on higher education institutions was estimated at approximately 0.8% of GDP in 2008, but had declined to approximately 0.35-0.50% a decade later. These estimates from the OECD are based on GDP per capita as follows (in US\$ converted using PPP in 2017): Ireland \$77,177 and Sweden \$51,726. Note that there is a considerable difference between GDP per capita and GNI per capita – especially in Ireland – which can skew the results. In particular, GNI per capita in 2017 was \$53,410 in Ireland and \$52,330 in Sweden. Essentially, using alternative measures of economic output would make essentially no difference to the estimate of expenditure on higher education in Sweden, but would increase estimates in Ireland by approximately 0.10 to 0.15 percentage points (to approximately 0.45%-0.50%).

2.4 How does the unit of resource in Ireland compare to predominantly state-funded systems?

In Table 2, we present information from the OECD *Education at a Glance* (2019) on the total level of public expenditure on core and ancillary tertiary-level educational institutions – excluding research and development - per full time equivalent student (FTE). This is presented in the first row of Table 2, and suggests that the total level of public expenditure was \$9,102 per FTE in Ireland, \$11,137 in Sweden and \$13,596 in Austria.¹⁵

Taking this information, and converting it into national currencies and 2019 prices¹⁶, the analysis indicates that those higher education systems that have been identified as predominantly state-funded (Austria and Sweden) are associated with annual expenditure levels of between €9,647 and €10,325 per FTE student in 2019 prices (again excluding R&D expenditure). The equivalent level of funding in Ireland stands at approximately €7,221 per annum.

Table 2 Estimating the unit of resource in Ireland comparable to selected other predominantly and adequately state-funded system

	Notes	Austria	Ireland	Sweden
Level of total public expenditure on core and ancillary 3 rd level educational institutions – ex R&D – per FTE (2016 prices (US\$))	(1)	13,596	9,102	11,137
Level of total public expenditure on core and ancillary 3 rd level educational institutions – ex R&D – per FTE (2019 prices (€))	(2)	11,371	7,514	10,012
Level of current public expenditure on core and ancillary 3 rd level educational institutions – ex R&D – per FTE (2019 prices (€))	(3)	10,325	7,221	9,647
HEA (2008 funding levels in 2019 prices (€))	(4)		12,465	
HEA (2015 funding levels in 2019 prices (€))	(4)		9,662	
HEA Costs analysis (2016 value in 2019 prices (€))	(5)		10,220	

(1) In equivalent US\$ converted using PPPs for GDP, direct expenditure within educational institutions, FTE by level of education (2016 prices) (2) In equivalent € converted using PPPs for GDP, direct expenditure within educational institutions, FTE by level of education (2019 prices) (3) Note that initial funding per student FTE is based on total institutional public expenditure rather than current expenditure. Using information (also from the OECD) on the proportion of expenditure – split by current or capital expenditure – total expenditure has been scaled down (by approximately 4% for Ireland and Sweden and 9% for Austria) to include just current expenditure. (4) Feeding into the 2016 Cassells Review ([link](#)), the Higher Education Authority (2017)¹⁷ ([link](#)) made reference to the level of funding per FTE student in 2008 prior to the Great Financial Crisis. In particular, Figure 2.3 indicates the core Income per FTE student of €12,195 in 2008, which is equivalent to €12,465 in 2019 prices. Similarly, reference is made to core funding per FTE student of €9,500 per annum in 2015, which equates to €9,662 per FTE in 2019 prices ([link](#)) (5) The Higher Education Authority published a number of reports identifying the costs associated with the provision of higher education in Ireland. The Final Report presented in December 2017 included an analysis that suggested that the minimum cost of provision in 2015¹⁸ was €10,049 ([link](#)), which equates to €10,220 in 2019 prices. Throughout, to generate the uprating for inflation, exchange rates and purchasing power parity, the Eurostat and OECD reference materials are available as follows: exchange rates ([link](#)), inflation rates ([link](#)) and purchasing power parity adjustments ([link](#)).

¹⁵ For comparability across different jurisdictions, the OECD present this expenditure information denominated in US\$ (2016 prices) and accounting for different levels of purchasing power across jurisdictions.

¹⁶ Using purchasing power parities, adjusting for inflation since 2016, subsequently converting from national currencies to euros (where applicable), and excluding capital expenditure.

¹⁷ Review of the Allocation Model for Funding Higher Education Institutions: Final Report by the Independent Expert Panel for the Higher Education Authority, December 2017 (Figure 2.3).

¹⁸ See footnote 17.

2.5 How does the unit of resource in Ireland compare to the cost of adequate delivery?

Research undertaken by the Irish Higher Education Authority in 2017¹⁹ estimated that the total cost per student in 2015²⁰ (incorporating pension costs) was €10,049 (comprising recurrent costs per student of €9,234 (€5,702 of direct costs and €3,532 of indirect costs) and €815 of pension related costs). This is equivalent to €10,220 in 2019 prices. This suggests that the level of funding per student in Ireland identified by the OECD is approximately €3,000 less than the required funding identified by the HEA for Irish higher education institutions to cover reasonable costs of delivery (adjusted for inflation).

In addition, in terms of historical comparisons, there has been a decline in the unit of institutional resource in Ireland (despite recent reversals). Adjusting for inflation, the institutional unit of resource is approximately €5,200 less than the equivalent level of funding in 2008 (€12,465), and approximately €2,400 less than the equivalent level of funding that existed in 2015 (€9,662).

Overall, as a broad estimate, the analysis indicates that higher education institutions receive approximately €2,500 per FTE student per annum less funding than the costs of institutional delivery, historic benchmarks, or institutions in jurisdictions operating adequately and predominantly state-funded higher education systems.

2.6 Strengths and weaknesses of predominantly state-funded HE systems

In general terms, compared to a hybrid or more market orientated system, there are a number of potential strengths and weaknesses associated with predominantly state-funded systems.

2.6.1 Strengths

Ability to encourage HEI behaviours for the wider public benefit

From the perspective of the state, the direct funding of higher education institutions facilitates **the ability to potentially encourage higher education institutions to undertake widening participation, social mobility or other civic engagement activities that might be considered in the public interest.**

Institutional collaboration

Compared to a more market orientated approach to higher education, a system that is predominantly state-funded is likely to result in **less competition between higher education institutions** (for students and staff) **and an increase in the level of collaboration.** Collaboration becomes more likely between institutions but also within institutions, where the infrastructure and culture for undertaking interdisciplinary research is likely to be more receptive. In addition, because of the reduced level of competition between institutions under a predominantly state-funded system, higher education institutions will face reduced incentives to invest in a number of supplementary activities that have become increasingly common in market orientated systems (for instance, student marketing and recruitment) that do not directly contribute to core activities of teaching and research.

Intellectual risk-taking

From both an institutional and student perspective, a predominantly state-funded system is potentially more likely to encourage **intellectual risk-taking.** This possible outcome is two-fold. In the case of students undertaking higher education qualifications, the decision to select particular courses, or modules of study within courses, no longer becomes an issue of

¹⁹ Review of the Allocation Model for Funding Higher Education Institutions: Final Report by the Independent Expert Panel for the Higher Education Authority, December 2017 (Figure 4.1) ([link](#))

²⁰ The HEA report does not explicitly indicate the year of the presented data. The year 2015 is assumed based on some of the references made in the report. This should be considered as a potential caveat of this analysis.

achieving a notional ‘return on investment’ (essentially choosing ‘easy’ courses in order to maximise grade outcomes given the cost of education). Instead, the potential challenge or difficulty of the course has less of a deterrent effect (as the cost consequences from the perspective of the individual are more limited in a state-funded system) thereby promoting intellectual risk taking. Similarly, teaching activity may become more stretching, as the potential for adverse consequences associated with teaching challenging material (through student satisfaction scores for instance) is diminished.

Elimination of concept of ‘students as consumers’

In those jurisdictions that have moved towards more market orientated models of higher education, in addition to the increased costs associated with marketing and recruitment activity (for instance), there are also greater costs associated with student support and retention (i.e. maintaining and improving the ‘student experience’). In addition, the increased level of competition in market orientated systems has increased the importance of **performance metrics** – both in respect of regulatory monitoring and evaluation measures (such as student satisfaction scores) – but also in terms of external metrics (such as league table positioning). The increased focus on these measures has resulted in many institutions re-directing resources away from core activities towards ‘metric chasing’, but also in some cases, an **erosion of academic credibility** (reflected in part by extensive grade inflation).

Higher education staff welfare

The increasing role of ‘students as consumers’ in market orientated systems may also have very significant impacts on academic and non-academic higher education staff. For instance, the increased focus on ensuring a positive ‘student experience’ in the UK has resulted in longer working hours for academic staff²¹; a higher proportion of higher education staff reporting that their workload is unmanageable; an increasing amount of time spent on administrative tasks, student consultations and marking assignments; an increase in student expectations in respect of staff availability; and the expansion of duties considered beyond remit. Clearly, although there may not be a short-term direct financial cost associated with the additional workload placed on university staff, there are undoubted consequences in terms of non-financial costs. Rather than higher education being a collaborative effort, the marketisation of higher education and the consequential shift towards ‘students as consumers’ has often resulted in a long-term erosion of staff goodwill and a deterioration in workplace relations.

Widening participation and term-time working

Comprehensive maintenance support for students undoubtedly improves the opportunities for all students, but in particular those from non-traditional higher education backgrounds. Comprehensive maintenance grant and loan systems have the ability to address the potential deterrence effect of debt accumulation, but also the credit constraints faced by many households. In addition, the availability of sufficient maintenance support reduces the necessity of term-time working (especially amongst less well-off students), thereby increasing both the amount of time devoted towards study, and ultimately, completion rates.

2.6.2 Weaknesses

Access and equity

Clearly, offering a sufficiently well-funded higher education system is **potentially very costly**, meaning that the general taxpayer – and not just those that directly benefit from the opportunity of higher education - will bear the cost. In general, policy makers face a core set of trade-offs, and there is a fundamental choice to control Exchequer costs by: a) rationing the availability

²¹ Universities and Colleges Union (2016) Workload Survey 2016 ([here](#))

of higher education funding through **student number controls** or b) **reducing the level of public investment** per student.

Both of these options are a move away from the concept of 'predominantly state-funded'; however, given the fact that much of the economic costs of higher education are borne by individuals not on the university path (through general taxation), there are equity issues associated with maintaining high levels of public funding. As a result, a number of jurisdictions have moved towards loan-based systems to ensure that those individuals that directly benefit from higher education contribute to the cost accordingly. Essentially, the choice of a cost sharing model removes the scenario where the benefits of higher education are privatised and the costs are nationalised.

Improvements in quality and innovation, and external funding

Depending on the level of funding provided in some state-funded systems, there is a possibility there may be fewer incentives to apply for external competitive research funding or sources other than the state. There is a possibility that this lack of incentive might lead to more limited research innovation compared to market orientated systems where incentives are sharper. A greater dependency on public sector investment is also likely to lead to economic inefficiencies (outside of those cases where there may be market failure and a rationale for government intervention). However, in an Irish context, we note that Irish higher education institutions have been very successful in winning international research funding.

Accountability

In a predominantly state-funded system of higher education, there are different types of accountability. Public accountability may be generally greater than under the more market-orientated system, but there may be a lack of internal accountability (i.e. to either students or staff). In particular, given the more limited financial contribution of students in particular, this may result in more limited student *voice* or influence in terms of the direction, priority or focus of particular higher education institutions.

3. Comparison of international fees and student support arrangements

Key findings and lessons for policy makers

Availability and levels of student support

The maintenance grants available for full-time students in Ireland are relatively modest, and do not necessarily cover students' full living costs. This is likely to result in unintended consequences, such as excessive term-time working (and in consequence, lower qualification completion rates). The absence of adequate maintenance support likely results in a number of prospective higher education students being deterred from enrolling in higher education.

Design of student support

The eligibility criteria and means testing of maintenance grants and Student Contribution grants in Ireland could be reviewed. Instead of a 'cliff-edge' system, whereby students' eligibility for maintenance grants and Student Contribution grants declines in steep steps, a system that allows for gradual tapers might be considered. This would address a number of issues with respect to equity, but also remove incentives to 'game' the system. Furthermore, certain eligibility criteria for maintenance grants in Ireland are not only means-tested, but dependent on the source of students' reckonable income.

Complexity

Ireland operates a relatively complicated system of higher education fees and student support. In particular, the existence of tuition fees alongside the Student Contribution, different elements of maintenance support, and a range of different eligibility criteria have resulted in several layers of complexity. This is likely to leave the key users of the system – prospective students and their families – with information gaps. Irrespective of any approach adopted in Ireland in respect of higher education fees and funding, consideration should be given to simplifying the funding system.

Equity

The Irish fees and funding system, in general, does not provide comparable financial support for part-time students, and consideration should be given to how this form of study could be more integrated into the higher education fees and student support framework. This is particularly important given the increased focus on part-time flexible learning resulting from the Covid-19 pandemic.

Having identified a number of jurisdictions operating across the range higher education fees and funding systems encompassed within the Cassells Review options, in this section, we provide an analysis of the different features of these systems, and identify some of the strengths and weaknesses of the different systems alongside the relevant policy conclusions from the perspective of the Irish fees and funding system.

While this section provides a summary of the main features of each system, Annex 2 includes a wide range of additional detail on the funding approaches in each of the different jurisdictions considered. In addition to this information on the *current* approaches within each system, in Annex 3, Annex 4 and Annex 5, we provide more in-depth country specific case studies on the *evolution* of higher education fees and funding in England, Wales and Scotland, respectively.

3.1 Full-time undergraduate tuition fees / student contributions

Summary

For full-time undergraduate students, Ireland is the only jurisdiction considered where access to higher education is not entirely free at the point of entry for all students. Scotland, Austria and Sweden offer essentially free fees, whilst Northern Ireland, Wales and England offer loans to cover the entire tuition fee. In Ireland, the means-tested grant offered to offset the Student Contribution results in a proportion of prospective learners facing up-front direct costs of either €1,500 or €3,000 per annum (depending on reckonable household income).

There is significant variation in the approach to charging students for higher education, with detailed information on the various aspects of tuition fees and potential funding options for fees (if they exist) presented in Table 3 in Annex A2.1.

In **Ireland**, although there are notional²² tuition fees charged to students that are variable and technically uncapped, in practice, eligible students (incorporating the majority of full-time undergraduates) do not explicitly pay a 'tuition fee'. Instead, undergraduate students are charged a 'Student Contribution' of €3,000 per annum.²³ Unlike most other fee regimes, the Student Contribution is designed to be paid up-front, although there are grants available to cover either 100% or 50% of the charge (for households with a reckonable income of below €49,840 and €54,240 respectively²⁴). Of the jurisdictions considered as part of this analysis, **Ireland is the only country where access to higher education is *not* free at the point of entry** for all students.

In comparing to different jurisdictions, **England, Scotland, Wales and Northern Ireland** have all adopted **entirely different approaches** to higher education fees and funding. Looking at the variation between them allows the identification of the relative strengths and weaknesses of a range of different options for funding higher education. We discuss these in more detail below.

3.1.1 Jurisdictions with low tuition fees or student contributions

The system of fee contribution in **Scotland** is somewhat similar to the approach adopted in Ireland. For Scottish and EU-domiciled full-time undergraduate students enrolled in higher education *in Scotland*, the nominal fee of £1,820 (€2,064 per annum) is covered by the government²⁵. There is no means testing of the tuition fee and eligibility is based on residency requirements and the location of the institution only. Similarly, in **Austria**, a relatively small tuition fee is currently charged to students (approximately €767 per annum²⁶); however, the fee is refunded 'on request' via a non-means-tested grant. In **Sweden**, there are no core tuition fees charged whatsoever.

3.1.2 Jurisdictions with substantial tuition fees or student contributions

For **English-domiciled** full-time students undertaking higher education (anywhere in the UK), the annual tuition fee stands at up to £9,250 per annum (€10,492).²⁷ This fee is capped and currently independent of the subject of study.

²² In essence, the overwhelming majority of students are fully reimbursed for their tuition fees as part of the Free Fees Initiative.

²³ This Student Contribution has increased gradually over time since the introduction of the *Free Fees Initiative* in 1995-96.

²⁴ For the purposes of calculating household reckonable income, we assume in this instance that there are less than 4 children and no additional 'relevant' persons engaged in post compulsory tertiary education (the latter adding €4,830 to the reckonable income threshold per additional relevant individual).

²⁵ For Scottish domiciled students undertaking higher education in other parts of the United Kingdom, the full fee charged in those jurisdictions is levied (backed by tuition fee loans), meaning that an annual fee of up to £9,250 might be levied (for Scottish students studying in England).

²⁶ The tuition fee is calculated by semester of study within an expected completion timeframe (incorporating additional 'tolerance' semesters, and increasing in price thereafter).

²⁷ £9,000 (€10,208) in Welsh higher education institutions.

In the case of **Welsh-domiciled** students, a tuition fee of £9,000/€10,208 is currently charged. Although the nominal fee has remained unchanged since 2012-13, the 2016 Diamond Review of Higher Education²⁸ in Wales resulted in a fundamental shift in how this fee was funded by students – and which ‘types’ of students. In particular, prior to 2018-19, the notional tuition fee of £9,000/€10,208 came alongside a non-means-tested Tuition Fee Grant totalling £5,190/€5,885 per annum - essentially maintaining fee levels at the pre-2012 level of £3,810/€4,321. However, the implementation of the Diamond Review recommendations removed the non-means-tested Tuition Fee Grant and replaced it with non-means-tested income contingent loans, whilst re-allocating the resources associated with the Tuition Fee Grant into predominantly means-tested maintenance grants (see Section 3.3).

In **Northern Ireland**, although there are also tuition fees backed by income contingent loans, the approach to higher education fees has been to maintain the tuition fee (adjusted for inflation) that existed before the major changes that occurred in 2012-13 elsewhere in the United Kingdom. As such, the annual tuition fee for a Northern Irish domiciled student undertaking higher education in Northern Ireland stands at £4,275/€4,849. However, it is important to note that higher education institutions in Northern Ireland are relatively underfunded²⁹ (relative to Wales and England in particular), and given the public funding cap, there is an effective student number cap in Northern Ireland. In fact, the funding cap has resulted in a reduction³⁰ in the number of Northern Irish-domiciled students undertaking higher education in Northern Ireland, as well as a large (and increasing) number of students leaving Northern Ireland to study in England.

3.2 Direct Teaching Grants paid to universities

The difference in the level of the tuition fee or student contribution levied in different jurisdictions is also related to the extent of direct state funding delivered to support the higher education teaching infrastructure; the potential variation in the costs associated with some subjects (such as laboratory based subjects, medicine, veterinary and dentistry); and subject areas that are considered priorities as a result of identified labour market shortages (e.g. teaching, nursing and social work qualifications).

In **Ireland**, there are three separate, but related, elements to the Higher Education Authority’s funding allocation model. The most significant element is the **block grant**. The block grant is comprised of a **core recurrent grant** (also referred to as RGAM (Recurrent Grant Allocation Model) funding) allocated through a funding formula³¹ that is driven by audited prior-year **student numbers**, weighted for the relative costs of providing education in different disciplines³², with additional weightings for research and access.³³ In addition, the block grant also includes a **Free Fees Grant** essentially compensating higher education institutions for income foregone as a result of the *Free Fees Initiative*.

The other components of the recurrent funding provided to higher education institutions by the HEA include **directed top-slice funding**, which is provided and ringfenced for specific purposes, typically for limited periods, as well as **performance funding**, operating via a potential ‘hold-back’ of funding from the block grant on the basis of institutional performance against targets in the preceding year.

²⁸ The (Diamond) Review of Higher Education Funding and Student Finance in Wales: Final Report, September 2016 ([here](#))

²⁹ University and Colleges Union, *Mind the Gap: Comparing public funding in higher and further education*, November 2015 ([link](#))

³⁰ Higher Education Policy Institute (2019), *The cap that doesn't fit: Student numbers in Northern Ireland* ([link](#))

³¹ Similar to the approach adopted in England (prior to 2012-13) by the Higher Education Funding Council for England.

³² For instance, a non-laboratory-based undergraduate student attracts a weighting of 1.0, compared to 1.7 for a laboratory-based student, 2.3 for a clinical medicine student, and 4.0 for clinical veterinary/dentistry students.

³³ Core funding for access involves an additional weighting of 33% of the weighting for a non-laboratory student being added to the normal student weighting, to take account of the additional costs of recruiting and retaining students from under-represented backgrounds.

In 2019³⁴, the **block grant** funding allocated to Irish higher education institutions stood at approximately €913m (of which €544m was paid to universities and colleges, and the remaining €369m to the Institute of Technology (IoT) sector). Within the funding received by universities and colleges, approximately €282m was related to the core recurrent grant (including research and access funding), with €262m related to the Free Fees Grant. This equates to a standard resource of approximately €1,400 and €3,000 per weighted FTE student in universities/colleges and the IoT sector in 2019, respectively.

As with tuition fees, there are significant differences between England, Scotland, Wales and Northern Ireland. In **England**, in 2012-13, the increase in the level of tuition fees charged to students was associated with a reduction in Teaching Grant Funding paid to higher education institutions via the higher education regulator. In particular, compared to an average Teaching Grant of approximately £4,096/€4,644 in 2011-12, this declined to approximately £891/€1,010 per annum. In 2018-19, Teaching Grant funding was estimated to be £1,090/€1,236 per full-time student per annum including other targeted allocations.

In **Scotland**, given the relatively low nominal tuition fees charged to students, universities are funded predominantly by the Scottish Funding Council through direct Teaching Grant funding. This level of resource funding stood at approximately £5,630/€6,384 per annum in 2018-19³⁵. For students studying in **Wales** or **Northern Ireland**, the average Teaching Grant per full-time student was estimated to be £300/€340 and £3,030/€3,436 per student per annum, respectively³⁶.

3.3 Full-time undergraduate student support

Summary

As with most other jurisdictions, maintenance grants play a key feature of undergraduate support in Ireland. Although the *maximum* grants available in Ireland are reasonably large in relative terms, as a result of the eligibility criteria and the means testing applied, the *average* level of grant is modest compared to the maintenance support provided in other jurisdictions. In addition, the eligibility criteria and means testing of the grants are relatively complicated compared to the other jurisdictions considered here.

In general, across the different jurisdictions (though not always), there are government loans to cover students' living expenses; however, the structure and generosity of the loan systems varies by jurisdiction. In Ireland, there are no loans available for maintenance or fee support for full-time undergraduate students. Given the costs associated with higher education participation, the relatively modest level of maintenance grants available to students in Ireland may act as a potential deterrent to higher education participation.

3.3.1 Maintenance grants for full-time undergraduates

There is significant variation in the approaches adopted towards maintenance support across the different jurisdictions (with detailed information presented in Table 4 in Annex A2.2).

In **Ireland**, there are two primary maintenance grants available to full-time undergraduate students. There is a *Special* maintenance grant that is available to individuals with a household

³⁴ Based on information provided by the Higher Education Authority for the 2019 financial year (1st Jan. to 31st Dec. 2019).

³⁵ See Universities UK (2019) for further details. For studying in Scotland, this was estimated by dividing the total Teaching Grant funding provided by the Scottish Funding Council ([link](#)) in 2018-19 by the number of funded FTE students in that year.

³⁶ Using HESA financial data ([link](#)) and student data ([link](#)) for 2017-18 (assuming an unchanged level of Teaching Grant in 2018-19), the total Teaching Grant funding in England, Scotland, Wales and Northern Ireland was divided by the total number of UK and EU students undertaking undergraduate or postgraduate taught qualifications (excluding postgraduate research and non-EU students).

reckonable income³⁷ of less than €24,000 (received through social protection³⁸). The level of this Special maintenance grant (as well as the *Standard* maintenance grant) depends on the distance of the student from the higher education institution, with the maximum '*non-adjacent*' rate³⁹ standing at €5,915. The '*adjacent*' rate stands at €2,375 per annum. In addition to the Special maintenance grant, there is also a *Standard* maintenance grant available. For students with a household reckonable income of less than €39,875 per annum⁴⁰, a maximum maintenance grant of €1,215 (adjacent) or €3,025 (non-adjacent) is available. The maintenance grant is reduced step-wise (to 75%, 50% and 25% of maximum) at reckonable incomes of €39,876, €40,971 and €43,381 per annum, respectively.

Under the most limiting family circumstances, no maintenance grant is available for individuals in households with reckonable income in excess of €45,790 per annum. There are no state-funded maintenance loans of any description available in Ireland. To cover the cost of living shortfall (identified in the Cassells Review), students must either work during their studies, rely on their families for financial support, or access borrowing through private sources.

In **England**, there are no maintenance grants available, with the entire package of student support delivered through income contingent loans (the evolution of which is discussed in greater detail in Annex 3).

In **Wales, Scotland and Northern Ireland**, a combination of means-tested and non-means-tested maintenance grants are available. Additional maintenance loans are provided to meet living expenses not otherwise covered by grants (see Section 3.3.2).

In **Wales**, following the implementation of the recommendations of the (2016) Diamond Review of Higher Education, the non-means-tested Tuition Fee Grant that was previously available (totalling £5,190/€5,885 per annum) was redeployed so that prospective full-time undergraduate students received £1,000/€1,314 (non-means-tested grants) and up to £8,100/€9,185⁴¹ in total grants - dependent on household income (with individuals from households with an income of less than £18,370/€20,832 eligible for the maximum maintenance grant). Furthermore, the tapers were extended significantly to ensure that the majority of middle-income households might receive additional support. In particular, the household income level at which the means-tested maintenance grant was no longer available increased to £59,200/€67,132 per annum⁴², which was intended to correspond to a household income on the 8th decile of earnings.

In **Scotland**, for full-time undergraduate students aged less than 25, a maintenance grant of up to £2,000/€2,268 is available for individuals living in households with an annual income of less than £21,000/€23,814, which declines step-wise (62.5% and 25% at household income levels of less than £24,000/€27,216 and £34,000/€38,556, respectively). Individuals from households with an annual income in excess of £34,000/€38,556 do not receive any maintenance grant support.

In **Northern Ireland**, undergraduate students from households with an income of less than £19,203/€21,776 receive a full maintenance grant of £3,475/€3,941 per annum. This

³⁷ The reckonable income thresholds vary depending on the number of dependent children in the household (increasing by approximately €4,000 per categorical shift), but also the number of 'relevant' persons (i.e. the number of other individuals in third-level education living in the same household as the potential grant recipient), which increases the level of reckonable income by up to €4,830 per relevant individual.

³⁸ Note that individuals from households with a reckonable income of less than €24,000 not received through social protection are in receipt of the Standard grant (100% rate). Approximately 70% of undergraduate students with a household reckonable income of less than €24,000 are in receipt of the Special maintenance grant whilst approximately 30% are in receipt of the Standard maintenance grant (based on information provided by Student Universal Support Ireland (SUSI)).

³⁹ More than 45 kilometres between home residence and location of institution.

⁴⁰ Assuming less than 4 dependent children and no other 'relevant' persons in the household in third-level education.

⁴¹ Students living away from home outside London. Initially, when introduced in 2018-19, the level was determined by combining the National Minimum Wage (£7.38 per hour for those aged 21-24) for 30 weeks of the year and 37 hours per week.

⁴² Student Finance Wales (2017), *New full-time students 2018-19*, WG34253 ISBN: 978-1-78903-609-1 ([link](#))

maintenance grant tapers out (linearly) such that individuals from households with incomes in excess of £41,065/€46,567 receive no maintenance grant.

Finally, in **Sweden** and **Austria**, there are maintenance grants available in both jurisdictions, the size of which are influenced by the availability of additional maintenance loans.

In **Sweden**, where subsidised **mortgage-style maintenance loans** are also available and provide approximately two-thirds of the total maintenance support provided to students, the maximum maintenance grant (non-means-tested) available stands at SEK32,920 per annum⁴³ (€3,126).

In **Austria**, as in Ireland, there are no maintenance loans available. The means-tested maintenance grant varies depending on whether the student is living at home or away from home, as well as the student's characteristics (age, marital status, dependent children etc). In general, for a young person under the age of 25 (living at home with no dependents), the basic allowance stands at €3,984 per annum, whilst the higher rate (living away from home) stands at €6,768 per annum⁴⁴. Families also receive *Family Aid*⁴⁵ (approximately €189 per month per child), so combining the two forms of support, an individual from a low-income family might receive approximately €9,312 per annum in student support⁴⁶. Households with incomes in excess of approximately €50,000 continue to receive Family Aid Support; however, maintenance support would be unavailable, and parental contributions would be expected to fund the student's entire higher education maintenance costs⁴⁷.

3.3.2 Maintenance loans for full-time undergraduates

There are no maintenance loans available in either **Ireland** or **Austria**.

The maintenance loans that supplement maintenance grants in **Sweden**⁴⁸ are **mortgage-style** loans and not of particular relevance to the Irish context (given the funding proposals made by the Cassells Review).

In **England**, maintenance loans have been in operation since the early 1990s. The *current* system of student support offers loans up to £8,944/€10,145 per annum.⁴⁹ The value of the loans available depends on the student's age and also whether the student is living at home, away from home outside of London or living away from home in London. The loan is repayable at a *marginal* rate of 9% of income in excess of £25,725/€29,172, and can be written off in the case of death, income limiting illness or disability, or 30 years after graduation. The loans attract a real interest rate of 3% during the period of study, as well as a real interest rate of between 0% and 3% depending on earnings post graduation.

The combined level of tuition fee and maintenance loans (approximating £48,600/€55,112 at the time of graduation), as well as the relatively high threshold for repayment, results in the Exchequer writing off approximately 43.5% of income contingent loans issued. Further information on the operation and impact of the loan system in England is provided in Annex A2.2.

⁴³ Based on the assumption that the individual is undertaking 40 weeks of higher education in the particular year.

⁴⁴ There is an additional maintenance grant for students with dependent children, standing at €1,344 per child per annum.

⁴⁵ *Familienbeihilfe*.

⁴⁶ Broadly speaking, the estimation of the total student support in Austria involves assessing the maximum study grant allowance (depending on whether the person is living at home or away from home), subtracting the amount that parents should be able to fund (which depends on their income), subtracting indirect benefits (family allowance + child tax credits), and then adding 12%.

⁴⁷ One other interesting feature of the Austrian system of student maintenance is the fact that support is paid on a monthly basis (unlike in England and Wales, where student support is traditionally paid termly (i.e. three times per annum) and is regularly cited by Students' Unions as being a particular hardship for students from lower socioeconomic backgrounds).

⁴⁸ The main maintenance loans in Sweden are non-means-tested (with additional supplementary maintenance loans available depending on income). Assuming 40 weeks of study per annum, the standard maintenance loan available stands at SEK75,680 per annum (€7,187). It is a mortgage-style loan that attracts an interest rate of 0.16% and is repayable over 25 years.

⁴⁹ Living away from home outside of London.

The costs of higher education participation

There is generally quite limited information on the costs associated with higher education participation in the jurisdictions under consideration. However, for a number of years, there has been detailed information collected across the United Kingdom through the Student Income and Expenditure Survey ([link](#)), which collects information on the **direct participation costs** associated with higher education (fees and course costs), as well as the **costs associated with housing and living costs** – for English domiciled students studying in England and Wales. In the most recent survey relating to 2014-15, the headline costs were as follows:

- **Housing costs** accounted for approximately 19% of the expenditure of full-time students (approximately £4,151 (€4,707) for students with housing costs).
- **Living costs** for full-time students were estimated to be £6,956 (€7,888).
- English-domiciled full-time students reported spending on average £9,181 (€10,411) on **participation costs** in the 2014-15 academic year (£8,281 (€9,391) on tuition fees; £512 (€581) on **direct course costs** (i.e. course-related books); and £404 (€458) on **facilitation costs** (i.e. childcare costs)).

Excluding tuition fees, the average cost incurred per full-time student was estimated to be £11,482 (€13,021). Excluding loans in relation to tuition fee expenditure, total income for students was estimated to be approximately £8,668 (€9,829). This corresponds to a shortfall of almost £2,800 (€3,168) per annum.

In terms of income, approximately £4,990 (€5,659) was received from Exchequer funded student support. To make up the shortfall, just over half (52%) of full-time students did some form of paid work during the academic year. Across all full-time students, average earnings were £1,725 (€1,956), with the average number of hours worked in the reference week by full-time students standing at 10.3. The average amount received from families across all full-time students was estimated to be £1,456 (€1,651). A further £385 (€437) was received in social security payments, and £111 (€126) from miscellaneous income.

In **Wales**, a somewhat similar approach to student loans exists as in England. However, in terms of determining eligibility, maintenance loans are means-tested such that the *combination* of maintenance grants and loans delivers a total resource of £9,225/€10,461 to full-time undergraduates. For those students only eligible for the £1,000/€1,134 non-means-tested grant, a maximum loan of £8,225/€9,329 is available. Importantly, maintenance loans (and tuition fee loans) are available to all Welsh-domiciled students on the same terms irrespective of where they study.⁵⁰

In **Scotland** students are classified as “young” or “independent” depending on their age, financial dependency, living arrangements, marital status, and the number of dependents. This classification determines the eligibility for the maintenance bursary (up to £2,000 /€2,268), whilst a maximum additional £5,750/€6,522 per annum is available in means-tested maintenance loans.

In **Northern Ireland**, a maximum means-tested maintenance loan of £4,840/€5,490 is available, with the lower amount compared to England, Scotland and Wales in part reflecting the more generous maintenance grant arrangements in Northern Ireland.⁵¹

⁵⁰ There are some features in the Welsh loan system that are not available in any of the other UK Devolved Administrations. In particular, upon making their first repayment (of any amount), graduates have £1,500/€1,701 removed from the loan balance of their maintenance loan (but not their fee loan).

⁵¹ The repayment threshold in Scotland and Northern Ireland is significantly lower than in England and Wales - standing at £18,935/€21,475 in 2019-20 – ensuring a substantially greater proportion of the loan outlay is borne by graduates. In relation to the interest rate charged, loans issued on behalf of the Scottish Government and the Northern Irish Executive do not attract a

3.4 Part-time undergraduate tuition fees

Summary

There is a much more varied approach in respect of part-time undergraduate fees. In Scotland, Sweden and Austria, part-time undergraduates are treated comparably to full-time undergraduates and charged no tuition fees. Part-time students are also treated comparably to full-time students in England, Wales and Northern Ireland, in the sense that tuition fees are levied – but supported by loans. In Ireland, whereas full-time students receive an effective tuition fee grant as well as a means-tested grant to cover the Student Contribution, there is no corresponding fee support for part-time students.

Detailed information on the tuition fees levied on part-time students, as well as the availability of tuition fee grants or loans, is presented in Table 5 in Annex A2.3.

In **Ireland**, part-time undergraduate students are charged tuition fees, which are uncapped and determined by the higher education institution. The fees are paid up-front, and there are no grants or loans available to students.

In **England** and **Wales**, tuition fees are charged – up to a maximum of £6,935/€7,864 per annum (for 0.75 FTE) in England – but are ‘technically’ uncapped in Wales. In both jurisdictions, tuition fees are deferred, with tuition fee loans up to the full amount of the fee available in England, and up to £2,625/€2,977 in Wales (for a Welsh-domiciled student studying in Wales).

In **Scotland**, as with full-time undergraduates, part-time undergraduates, although technically charged a (capped) tuition fee of £910/€1,032 per annum up front (assuming 0.50 FTE), this entire tuition fee is funded through tuition fee grants. Unlike for full-time undergraduates, the part-time tuition fee grant is means-tested, with only those prospective part-time students in households with reckonable incomes of less than £25,000/€28,350 being eligible for support.

In **Northern Ireland**, part-time tuition fees are uncapped and at the discretion of the higher education institution. There are tuition fee grants available to assist with tuition fees, which are means-tested and available to a maximum £820/€930 (assuming 0.5 FTE). In addition, tuition fee loans (up to £3,206/€3,637) are also available, with repayment terms comparable to those applying to full-time undergraduates.

In **Austria**, part-time undergraduate qualifications are generally only available in Universities of the Applied Sciences or Polytechnics (i.e. *Fachhochschulen*). In general, full-time undergraduate qualifications are organised and charged for on a semester-by-semester basis (€767 per semester). For part-time undergraduates, the same approach applies.

In **Sweden**, as with full-time students, there are no tuition fees for part-time students.

3.5 Part-time undergraduate student support

Summary

Most jurisdictions offer some form of maintenance support for part-time undergraduate students. Wales, Sweden, Austria and England offer maintenance support packages that mirror the offer to full-time undergraduate students, with Wales, Sweden and Austria offering a relatively generous combination of maintenance grants and loans. In Northern Ireland, there are modest maintenance grants available, but the maintenance loans available for

real rate of interest. In terms of loan write off, in Scotland, maintenance loans (and tuition fee loans for those Scottish-domiciled students studying outside of Scotland) are written off after 30 years (recently reduced from 35 years), whilst in Northern Ireland, maintenance and fee loans are written off after 25 years.

full-time undergraduate students are not extended to part-time students. Other than specific initiatives (such as the Back to Education Allowance), only Scotland and Ireland offer no maintenance support to part-time students.

3.5.1 Maintenance grants and loans for part-time undergraduates

In **Ireland**, there are in general no maintenance grants available to part-time students.⁵² This differs from the level of support available to full-time students in Ireland, but also part-time students in most of the other jurisdictions. There is no general support for part-time students in relation to maintenance grants or loans in **Scotland**.

In **England**, maintenance support was re-introduced for part-time students in 2018-19. Part-time students undertaking a higher education qualification (assuming 0.50 FTE intensity) are eligible to receive an income contingent loan equivalent to 50% of the full-time rate (£4,472/€5,071), with the repayment terms comparable to those associated with full-time students.

In **Northern Ireland**, there are relatively small **course grants** available to support the living costs of part-time students. For students with a reckonable income of less than £26,029/€29,516, the full course grant of £265/€301 is available, whilst for students with a household reckonable income in excess of £28,068/€31,829, no course grant is available. In contrast to the support provided to full-time undergraduate students, there are no maintenance loans available to part-time students in Northern Ireland.

Following the Diamond Review in 2016, **Wales** has the most comprehensive maintenance support for part-time students within the United Kingdom. In particular, part-time students (0.50 FTE) receive total support of £3,407/€3,864 per annum. For students from the least well-off backgrounds (reckonable income of less than £25,000/€28,350), the full maintenance grant of £3,000/€3,402 is available, with an additional £407/€463 available in maintenance loans. For students from more prosperous backgrounds (reckonable income of more than £59,200/€67,133), a maintenance grant of £500/€567 is available, with an additional £2,907/€3,298 available in maintenance loans.

In **Sweden**, part-time students are treated comparably to full-time students. Part-time students studying at 0.5 FTE are eligible to receive SEK399/€38 per week (SEK15,960/€1,516 annually assuming 40 weeks per annum) in means-tested maintenance grants. In addition, part-time students can also receive SEK37,400/€3,552 in means-tested mortgage-style maintenance loans (SEK935/€88 per week). Additional maintenance loans are available, which are again means-tested and dependent on the intensity of study, and the number of weeks of study planned over the year.

In **Austria**, the semester-based system of higher education essentially does not differentiate between part-time and full-time students, but this in part depends on the definition of a 'typical' part-time student. The majority of full-time undergraduate students are young, at least in part dependent on parental support, and study at a university close to their family home. Typical part-time higher education students are likely to be older, 'self-supporting' students and combining part-time education in a *Fachhochschule* with full-time employment. Although there is additional maintenance support available for self-supporters (compared to younger students), less funding is available for those students with a household income above €10,000. For those individuals that are eligible for support, the maximum means-tested maintenance grant stands at €10,092 per annum (assuming aged 27+ and self-supporting).

⁵² However some specific maintenance support for part-time undergraduates is provided in Ireland for certain groups through the Back to Education Allowance and Springboard.

3.6 Postgraduate tuition fees and student support

Summary

In Ireland and in England, Wales, Scotland and Northern Ireland, there is generally much less regulation of tuition fees for postgraduate courses compared to undergraduate courses, and in all jurisdictions assessed, there is no tuition fee cap for postgraduate study. Fees are typically paid upfront for postgraduate courses, rather than on a deferred basis. However, some loans and grants are available for Masters (and, in some cases, Doctorate) courses to offset a proportion of the upfront cost.

In Ireland, compared to the level of support available to undergraduate students, the availability and level of government-financed support for postgraduates is both less common and less generous. This contrasts with Austria and Sweden, where there are relatively limited differences in the treatment of undergraduate and postgraduate students.

For part-time postgraduate students in Ireland, fees are uncapped (as in most jurisdictions adopting fees); however, unlike other jurisdictions, there is no government tuition fee or maintenance support available to part-time postgraduate students. All the other jurisdictions considered in this analysis offer some form of public support to part-time postgraduate students.

We provide extensive information on the tuition fees and maintenance support arrangements for full-time postgraduate students in Annex A2.5 and Annex A2.6, while the corresponding information for part-time postgraduate students is presented in Annex A2.7 and Annex A2.8.

4. Summary of findings and issues for potential consideration

Despite recent increases in public funding, there remains issues concerning the financial sustainability of Irish higher education. The expected increase in the number of students potentially entering higher education until 2030, alongside the economic consequences of the COVID-19 pandemic, will exacerbate the financial pressures facing the sector.

4.1 Lessons from other jurisdictions of relevance to Ireland

With the general expansion of higher education participation, all jurisdictions considered in this report have faced similar issues in respect of the delivery of higher education, but also in respect of providing sufficient support to an ever-increasing pool of students.

In response to the challenge, all jurisdictions have adopted very different responses.⁵³ Whereas **Sweden** and **Austria** (and **Scotland** to a lesser extent) have retained or implemented a predominantly state-funded approach, **England** and **Wales** (and to a lesser extent **Northern Ireland**) have moved towards the provision of loans for tuition fees and maintenance. There have been **mixed results**, and there are many lessons to be learnt from the different approaches:

- **Higher education is costly – and the cost must fall between the general taxpayer and those who may directly benefit from higher education.** As such, there will be trade-offs between the level and breadth of funding available to support students with the costs of attending higher education.
- **There is no single best practice approach to higher education tuition fees and student support.** All systems have both advantages and disadvantages. Some jurisdictions charge low or negligible tuition fees to prospective students but combine this with modest maintenance support, making access to higher education a significant challenge for prospective students from less well-off backgrounds (often with limited coverage in terms of part-time and postgraduate students). Other jurisdictions have attempted to remedy this access problem through the offer of loans for fees and/or maintenance costs, but this significantly increases the complexity of HE funding, and can result in large loan balances and long-lasting loan repayment burdens for graduates.
- Those jurisdictions that are predominantly state-funded (such as **Sweden** or **Austria**) make use of a range of different mechanisms to deliver substantial levels of taxpayer-funded fee and maintenance support to broad groups of students, as well as providing high levels of institutional funding. In addition to the coverage of these systems, it is important to consider the adequacy of funding across these mechanisms. There is often a **trade-off between extent to which any higher education system is predominantly state-funded and the adequacy of the funding available.**
- **Considering those jurisdictions that offer student loans, it is important to differentiate between the principle of student loans and their application in practice.** The general intention of the provision of student loans is to share the cost of higher education between the beneficiaries of higher education (i.e. students/ graduates) and the general taxpayer. However, in practice, income contingent loan repayment systems have often been implemented poorly.
- **Irrespective of the types of student support provided, within reason, the student support system needs to be relatively straightforward and understandable – to both prospective students and those administering the system.** Although higher

⁵³ Again, in addition to the range of detailed information on the *current* funding approaches in all jurisdictions covered in Section 3 and Annex 2, in Annex 3, Annex 4 and Annex 5, we provide more in-depth country specific case studies on the *evolution* of higher education fees and funding in England, Wales and Scotland (respectively).

education fees and funding systems will necessarily be complicated in places, the complexity and inflexibility of some systems has been unnecessarily increased as a result of the number of piecemeal changes made over time. With this in mind, any higher education fees and student support system needs to be developed with the long-term goals of the nation in mind – but also relatively straightforward and easily communicated.

- **Language and information are important**

- Describing higher education ‘quality’ in terms of simple measures such as contact hours, staff-student ratios or through the lens of league tables etc has resulted in higher education becoming commoditised or transactional, rather than being a key driver of economic growth and wellbeing.
- In general, there is a lack of clarity in respect of higher education fees and funding. Providing students and their families with **accurate information** on the range of public student support measures available; who *currently* pays for higher education; the potential *balance of contributions* under alternative funding systems; where the *actual costs* of higher education are incurred; what the *benefits* are; and *who* receives those benefits; is hugely important.

- **Unintended consequences**

- There may be **unintended long-term consequences** associated with any changes to the existing funding arrangements in Ireland that need to be considered. Changing the balance of contribution may result in students becoming ‘consumers’, which may come at a significant cost for higher education institutions, but also has consequences on staff wellbeing. Similarly, changes in funding arrangements may erode collaboration within and between institutions in Ireland. Therefore, any potential amendments to the Irish system need to be clearly and carefully communicated to the wide range of stakeholders in higher education in Ireland. It is vital that the financial consequences of any possible changes (in terms of the costs to relevant stakeholders) are fully assessed and considered prior to implementation.

- **Need for Reform**

- Given the issues facing the sustainability of funding for higher education in Ireland, and the very high levels of participation in the higher education sector, reforms will be required. These are needed to ensure value for money and the most effective use of resources. The reforms will be needed regardless of the funding method chosen and will require the need for flexibility in the higher education sector to adjust to the skill needs of the economy and to the implications arising from Covid-19.

4.2 Caveats

Again, throughout this analysis, we have made no judgement in respect of the appropriateness of any of the fees and funding systems adopted in those jurisdictions of potential relevance to Ireland. Similarly, we have not provided recommendations or direction in respect of equity, fairness or the balance of cost contribution, as these are considerations for the Irish Government. Rather, we provide an unbiased assessment of the strengths and weaknesses associated with the different approaches, alongside potential issues to be addressed and considerations for Irish policy makers going forward.

ANNEXES

Annex 1 The private and public benefits and costs associated with higher education qualifications

Figure 1 (upper panel) presents information from the OECD on the relative costs, benefits and the **internal rate of return** associated with higher education qualification acquisition in a number of European Union jurisdictions. The lower panel provides information on the source of the public and private costs incurred by the individual and Exchequer – and the extent to which the costs are either direct costs or opportunity costs.

In terms of economic benefits associated with higher education, the earnings boost achieved by Irish graduates is the highest amongst the EU Member States assessed, and almost double that achieved across the EU-23 as a whole. Compared to a private rate of return of 13-15% and a public rate of return of 9-11% (depending on gender), the private and public rates of return associated with higher education qualification attainment in Ireland were estimated by the OECD to be between 32-57% and 12-17%, respectively, depending on gender.

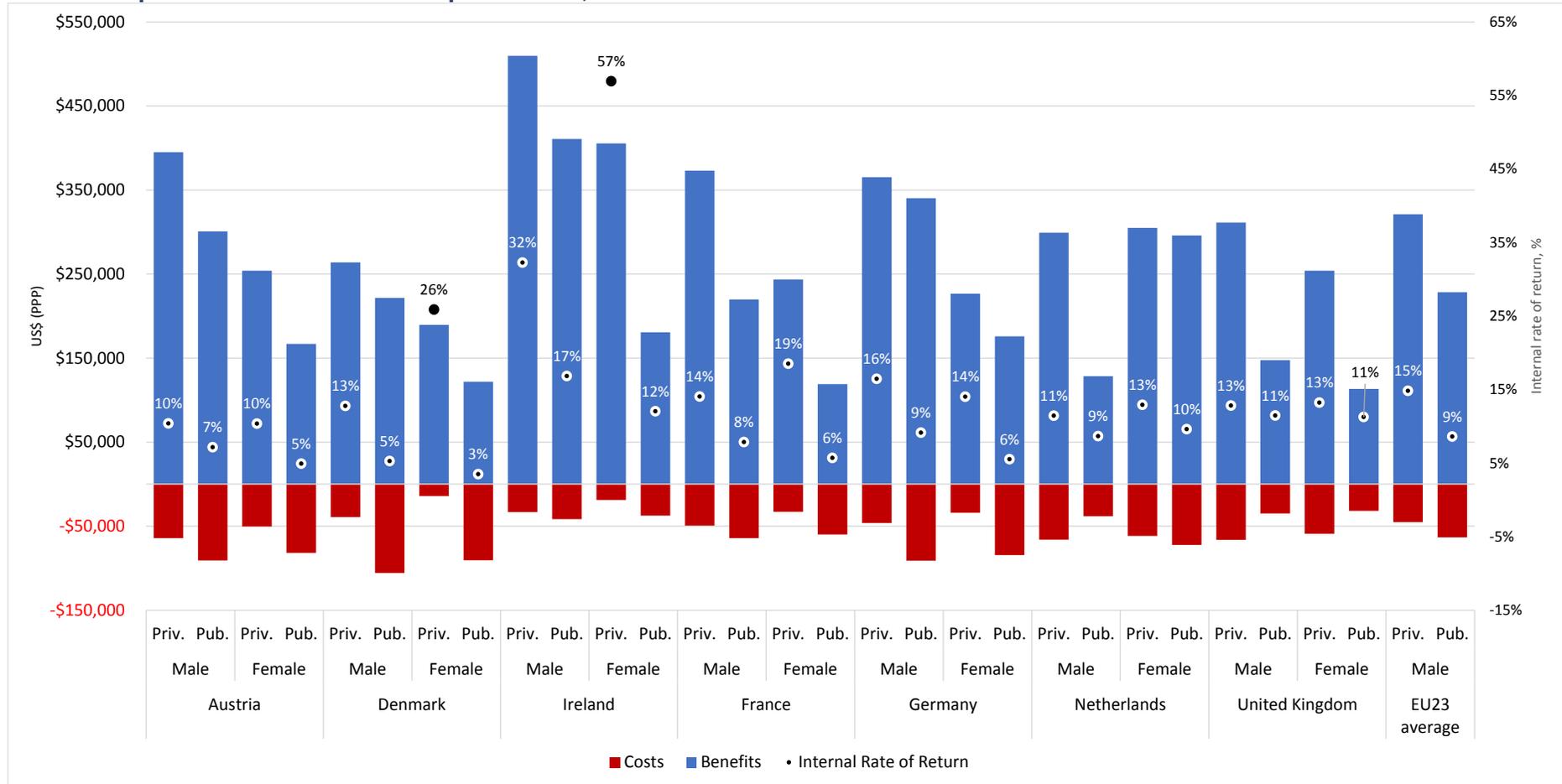
Essentially, graduates in Ireland accrue a significantly higher level of economic benefit from higher education qualification attainment compared to graduates elsewhere in the EU-23, but also a greater proportion of the economic benefit generated compared to the Exchequer.

Although the comparable information is not available for Sweden because of data limitations, the analysis of some of the other jurisdictions broadly described as both predominantly and adequately state-funded (Austria and Denmark – but also France and Germany) indicate that the public rate of return to higher education provision stands at approximately 3-6% for females and 5-9% for males. This compares to 12-17% in Ireland. This essentially reflects the more substantial levels of public resources allocated to higher education in Denmark and Austria.

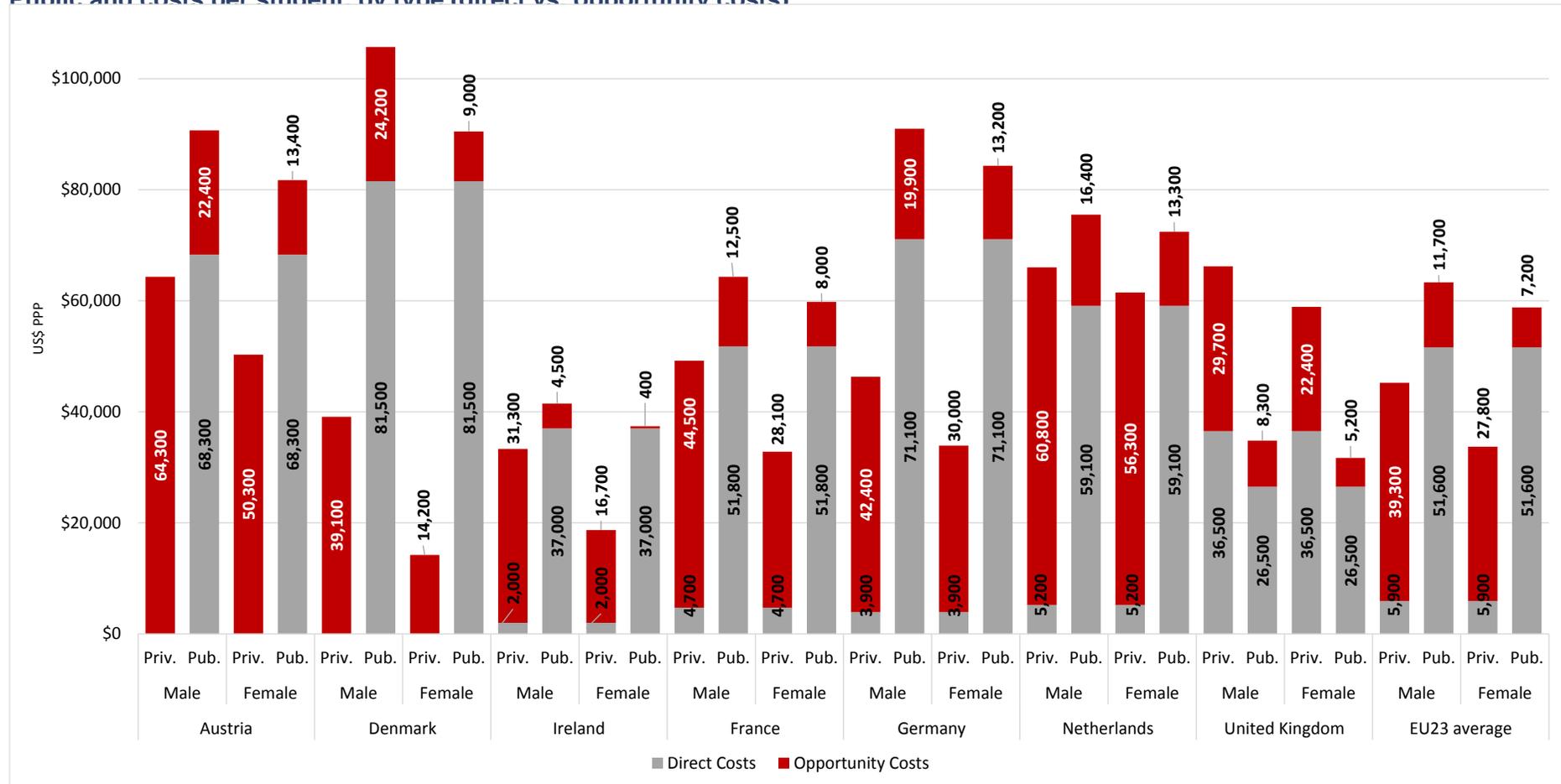
Incurring additional public costs in the short term to deliver a predominantly and adequately funded system of higher education results in lower public rates of return.

Figure 1 Public and private benefits and costs associated with higher education qualifications, by gender and selected jurisdiction (2016)

Public and private benefits and costs per student, and internal rate of return



Public and costs per student, by type (direct vs. opportunity costs)



Notes: Top Panel - Private costs comprise of direct costs and indirect (opportunity costs), whilst public costs relate to the costs of provision as well as the foregone taxation income during the period of study. Private benefits include the enhanced net income as a result of qualification acquisition, whilst public benefits incorporate the enhanced taxation income and social contributions resulting from enhanced gross earnings. Analysis presented in US\$ accounting for purchasing power parity and discount rate of 2%, comparing individuals in possession of tertiary education compared to possession of upper secondary as highest. Source: LE Europe analysis of OECD Education at a Glance (2019) Indicator A5 ([link](#))

Annex 2 Detailed information on tuition fee and student support arrangements

A2.1 Tuition fee arrangements for full-time undergraduate students

Table 3 Summary of tuition fees, student contribution, fee grants and fee loans internationally – typical full-time undergraduate students

Tuition Fees for a typical FT Undergraduate in 2019-20 [Home students in Home Domicile HEI]		Ireland	England	Wales	Scotland	Northern Ireland	Sweden	Austria
Tuition fees	(Y/N)	Y⁽¹⁾	Y	Y	Y	Y	N	Y
Fixed/ Variable/Banded	(F/V/B)	V	V	V	F	V		F
Capped	(Y/N)	N	Y	Y	Y	Y		Y
Maximum (per annum)	Local	-	£9,250	£9,000	£1,820	£4,275		€767 ⁽²⁾
	€	-	€10,492	€10,208	€2,064	€4,849		€767
Up-front/ Deferred	(U/D)	U ⁽³⁾	D	D	U ⁽³⁾	D		U ⁽³⁾
Student contribution	(Y/N)	Y⁽⁴⁾	N	N	N	N	N	N
Fixed/ Variable/Banded	(F/V/B)	F						
Capped	(Y/N)	Y						
Maximum	Local	€3,000						
	€ ⁽⁵⁾	€3,000						
Up-front/ Deferred	(U/D)	U ⁽⁶⁾						
Grants (Tuition Fees)	(Y/N)	Y⁽⁷⁾	N	N	Y	N	-	Y
Maximum	Local	-			€1,820			€767 ⁽⁸⁾
	€	-			€2,064			€767
Means-tested	(Y/N/B)	N			N			N
Dependent on								
<i>Distance from institution</i>	(Y/N)	N			N			N
<i>Year of study</i>	(Y/N)	N			N			N
<i>Subject of study</i>	(Y/N)	N			N			N
<i>Living Arrangements</i>	(Y/N)	N			N			N
Grants (Student Contribution)	(Y/N)	Y⁽⁹⁾	-	-	-	-	-	-
Maximum	Local	€3,000						
	€	€3,000						
Means-tested	(Y/N/B)	Y						
Dependent on								
<i>Distance from institution</i>	(Y/N)	N						
<i>Year of study</i>	(Y/N)	N						
<i>Subject of study</i>	(Y/N)	N						
<i>Living Arrangements</i>	(Y/N)	N						
Loans (Fees / Contribution)	(Y/N)	N	Y	Y	-	Y	-	-
Means-tested	(Y/P/N)		N	N		N		
Maximum	Local		£9,250	£9,000		£4,275		
	€		€10,492	€10,208		€4,849		
Dependent on								
<i>Distance from institution</i>	(Y/N)		N	N		N		
<i>Year of study</i>	(Y/N)		N	N		N		
<i>Subject of study</i>	(Y/N)		N	N		N		
<i>Living Arrangements</i>	(Y/N)		N	N		N		
<i>Family characteristics</i>	(Y/N)		N	N		N		
Mandatory HEI Bursaries	(Y/N)	N	N⁽¹⁰⁾	N	N	N	N	N⁽¹¹⁾

Notes: (1) Under *Free Fees Initiative*. (2) We assume 2 semesters per annum costing €383.56 per semester, which includes a mandatory student union membership fee (€20.20). (3) Tuition fees in Ireland, Austria and Scotland are notionally payable in advance; however, they are, in effect, paid by the Exchequer. (4) Ireland (Student Contribution). (5) Exchange rates applied throughout the analysis are average rates from April 2019 to March 2020 ([link](#)). (6) With full/partial grant depending on household income. (7) Assuming *Free Fees Initiative* eligible. (8) 100% fee remission to Austrian students within 'tolerance' period (6 semesters + 2 tolerance semesters). (9) Grants are not available for the administration fee charged by Irish HEIs (c €200-€250 p.s.p.a.). (10) HEIs must provide a proportion of tuition fee in excess of £6,165/€6,991 to support widening participation activities - but not necessarily directly to students. (11) Alongside maintenance support, Austria has an extensive supply of grants provided by the state, universities and private companies. A full database of all grants is available [here](#).

Sources: [Ireland](#), [England](#), [Wales](#), [Scotland](#), [Northern Ireland Tuition Fees](#), [Northern Ireland Maintenance Grant](#), [Sweden](#), [Austria Tuition Fees](#), [Austria Maintenance Grants](#) Source: [LE Europe](#)

A2.2 Student support arrangements for full-time undergraduate students

Table 4 Summary of maintenance grants and loans and repayment characteristics internationally - typical full-time undergraduate students

Maintenance support for a typical FT Undergraduate in 2019-20 [Home students in Home Domicile HEI]		Ireland	England	Wales	Scotland	Northern Ireland	Sweden	Austria
Grants (Maintenance)	(Y/N)	Y	N	Y	Y	Y	Y	Y
Maximum	Local	€5,915		£8,100	£2,000	£3,475	32,920 ⁽¹²⁾	€6,768 ⁽¹³⁾
	€	€5,915		€9,185	€2,268	€3,941	€3,126	€6,768
Means-tested	(Y/N/B)	Y		B ⁽¹⁴⁾	Y	Y ⁽¹⁵⁾	Y	Y
Dependent on								
Distance from institution	(Y/N)	Y ⁽¹⁶⁾		N	N	N	N	N
Year of study	(Y/N)	N		N	N	N	N	N
Subject of study	(Y/N)	N		N	N	N	N	N
Living Arrangements	(Y/N)	N		Y	N ⁽¹⁷⁾	N	N	Y
Family characteristics	(Y/N)	Y		N	Y ⁽¹⁷⁾	N	N	Y
Age	(Y/N)	N		N	Y ⁽¹⁷⁾	Y ⁽¹⁸⁾	Y ⁽¹⁸⁾	Y ⁽¹⁸⁾
Loans (Maintenance)	(Y/N)	N	Y	Y	Y	Y	Y	N
Means-tested	(Y/P/N)		P	P	P	P	Y	
Maximum	Local		£8,944 ⁽¹⁹⁾	£8,225 ⁽¹⁹⁾	£5,750 ⁽¹⁹⁾	£4,840 ⁽¹⁹⁾	75,680 ⁽²⁰⁾	
	€		€10,145	€9,329	€6,522	€5,490	€7,187	
Dependent on								
Distance from institution	(Y/N)		N	N	N	N	N	
Year of study	(Y/N)		N	N	N	Y ⁽²¹⁾	N	
Subject of study	(Y/N)		N	N	N	N	N	
Living Arrangements	(Y/N)		Y ⁽²²⁾	Y	Y ⁽²³⁾	Y	N	
Family characteristics	(Y/N)		Y ⁽²⁴⁾	N	Y ⁽²³⁾	N	N	
Age	(Y/N/P)		Y ⁽²⁵⁾	Y ⁽²⁵⁾	Y ⁽²⁵⁾	Y ⁽²⁵⁾	Y ⁽²⁵⁾	
Repayment characteristics								
Loan Characteristics	(ICL/M)		ICL	ICL	ICL	ICL	M	
Repayment threshold	Local		£25,725	£25,725	£18,935	£18,935		
Repayment threshold	€		€29,178	€29,178	€21,477	€21,477		
Repayment rate > threshold	(%)		9%	9%	9%	9%		
Repayments start (post grad.)	# years		0.50 ⁽²⁶⁾	0.50 ⁽²⁶⁾	0.50 ⁽²⁶⁾	0.50 ⁽²⁶⁾	0.50	
Options to defer (# of years)	(Y/N/V)		N	N	N	N		
Write off criteria:								
Death	(Y/N)		Y	Y	Y	Y		
Work limiting disability	(Y/N)		Y	Y	Y	Y		
# years post leaving	(years)		30	30	30	25		
Age	(years)		N	N	N	N		
Minimum monthly repayments	(Y/N)		N	N	N	N	Y	
Mandatory Repayment period	(years)		N	N	N	N	Y ⁽²⁷⁾	
Interest rate	(%)		RPI + 0-3% ⁽²⁸⁾	RPI + 0-3% ⁽²⁸⁾	Min[RPI/BoE+1%]	Min[RPI/BoE+1%]	0.16%	
Early repayment bonus	(Y/N)		N	Y ⁽²⁹⁾	N	N	N	

Notes:

(1) Assumed SEK823/€78.15 per week for 40 weeks.

(2) Assumed 12 months of the maximum grant available for under 24-year olds (€564 per month). Older students are eligible for larger grants (up to a maximum of €841 per month aged 27+).

(3) Minimum non-means-tested grant £1,000/€1,134.

(4) Maintenance grant available if household income below £41,540/€47,106.

(5) The non-adjacent Special rate (HEI <45km from home) is €5,915, the adjacent Special rate (<45km) is €2,375.

(6) Students are classified as "young" or "independent" depending on their age, financial dependency, living arrangements, marital status, and number of dependents. This classification determines the eligibility for the bursary. Up to £2,000/€2,268 is available for young students, however only independent students with reckonable income below £21,000/€23,814 are eligible for £1,000/€1,134 bursary.

(7) In Sweden, only students <57 are eligible for student aid. In Austria, undergraduate students must start before age 30. In Northern Ireland, students over 60 at the start of the course are ineligible for the Maintenance grant but may qualify for a Special Support Grant.

(8) England: Minimum £4,168/€4,726 (Living Away from Home Outside of London (LAFHOL)); Wales: Minimum £1,125/€1,276 to provide total funding = £9,225/€10,461 (LAFHOL); Scotland: Minimum £4,750/€5,386; Northern Ireland: Minimum £2,953/€3,348 (LAFHOL).

(9) Assumed SEK1,892 per week /€180 for 40 weeks.

- (10) Students receive a lower Maintenance Loan in their final year. In years other than the final year, the period between academic years is considered as a period during which students require student finance. At the end of the final year, however, students are no longer continuing studies, so any time beyond the end of their final academic year is not considered eligible for student finance.
- (11) A higher level of maintenance support is available to students living away from home in London (up to £11,672/€13,236).
- (12) Students are classified as “young” or “independent” depending on their age, financial dependency, living arrangements, marital status, and number of dependents. This classification determines the eligibility for the bursary. Up to £5,750/€6,520 is available for young students, and independent students are eligible for a loan up to £6,750/€7,654 (reckonable income below £21,000/€23,184).
- (13) £1,130/€1,281 added to residual income for every dependent child, see [here](#) (pg. 12).
- (14) In England, Wales, Scotland and Northern Ireland, a reduced or no maintenance loan is available to students aged 60 and above at the start of their course. In Sweden, diminishing rates are available between ages 47 and 57.
- (15) Repayment commences generally in the financial year following graduation (April).
- (16) 25 years to a maximum age of 60.
- (17) England and Wales: 0% real rate of interest below £25,725/ €29,172 increasing to 3% at £46,305/€52,510.
- (18) Graduates receive a £1,500/€1,701 reduction in maintenance loan balance on making first repayment.

Sources: [Ireland](#), [England](#), [Wales](#), [Scotland](#), [Northern Ireland Tuition Fees](#), [Northern Ireland Maintenance Grant](#), [Sweden](#), [Austria Tuition Fees](#), [Austria Maintenance Grants](#) **Source:** *LE Europe*

A2.3 Tuition fee arrangements for part-time undergraduate students

Table 5 Summary of tuition fees, student contribution and fee loans internationally – typical part-time undergraduate students

Tuition Fees for a typical PT (0.5FTE) Undergraduate in 2019-20 [Home students in Home Domicile HEI]		Ireland	England	Wales	Scotland	Northern Ireland	Sweden	Austria
Tuition fees	(Y/N)	Y	Y	Y	Y	Y	N	Y
Fixed/ Variable/Banded	(F/V/B)	V	V	V	F	V	-	F
Capped	(Y/N)	N	Y ⁽¹⁾	N ⁽²⁾	Y	N		Y
Maximum (per annum)	Local	-	£6,935	-	£910	-		€767
	€	-	€7,864	-	€1,032	-		€767
Up-front/ Deferred	(U/D)	U	D	D	U	D		U
Student contribution	(Y/N)	N	N	N	N	N	N	N
Fixed/ Variable/Banded	(F/V/B)							
Capped	(Y/N)							
Maximum	Local							
	€ ⁽⁵⁾							
Up-front/ Deferred	(U/D)							
Grants (Tuition Fees)	(Y/N)	N	N	N	Y	Y		Y
Maximum	Local				£910 ⁽³⁾	£820		€767
	€				€1,032	€930		€767
Means-tested	(Y/N/B)				Y ⁽⁴⁾	Y ⁽⁵⁾		N
Dependent on								
<i>Distance from institution</i>	(Y/N)				N	N		N
<i>Year of study</i>	(Y/N)				N	N		N
<i>Subject of study</i>	(Y/N)				N	N		N
<i>Living Arrangements</i>	(Y/N)				N	N		N
Grants (Student Contribution)	(Y/N)	N	N	N	N	N	N	N
Maximum	Local							
	€							
Means-tested	(Y/N/B)							
Dependent on								
<i>Distance from institution</i>	(Y/N)							
<i>Year of study</i>	(Y/N)							
<i>Subject of study</i>	(Y/N)							
<i>Living Arrangements</i>	(Y/N)							
Loans (Fees / Contribution)	(Y/N)	N	Y	Y	N	Y	N	N
Means-tested	(Y/P/N)		N	N		N		
Maximum	Local		£6,935	£2,625		£3,206		
	€		€7,866	€2,977		€3,637		
Dependent on						N		
<i>Distance from institution</i>	(Y/N)		N	N		N		
<i>Year of study</i>	(Y/N)		N	N		N		
<i>Subject of study</i>	(Y/N)		N	N		N		
<i>Living Arrangements</i>	(Y/N)		N	N		N		
<i>Family characteristics</i>	(Y/N)		N	N		N		
Mandatory HEI Bursaries	(Y/N)		N	N		N	N	N

Note:

(1) See section 7.18 of relevant legislation ([link](#)).

(2) Technically, the fee charged by the institution is variable; however, where the tuition fee charged by the university or college is more than the maximum student finance available, the student must pay the remaining amount directly to the provider.

(3) The maximum grant varies with course intensity. Assumed 0.5 FTE = 60 credits.

(4) To qualify for this support individual income must be below £25,000/€28,350 (see [here](#)).

(5) Reckonable income thresholds are below £16,843/€19,099 (£820/€930) to £25,420/€28,622 (between £50/€57 and £770/€873). No support is provided if household income is above £25,420/€28,622.

Source: [England Tuition Fees](#), [Scotland Tuition Grant](#), [Northern Ireland Tuition Fees](#), [Northern Ireland Tuition Fee Grant](#), [Sweden](#), [Austria Tuition Fees](#) Source: [LE Europe](#)

A2.4 Student support arrangements for part-time undergraduate students

Table 6 Summary of tuition fee, student contribution maintenance loans and repayment characteristics internationally - typical part-time undergraduate students

Maintenance support for a typical PT Undergraduate in 2019-20 [Home students in Home Domicile HEI]		Ireland	England	Wales	Scotland	Northern Ireland	Sweden	Austria
Grants (Maintenance)	(Y/N)	N	N	Y	N	Y	Y	Y
Maximum	Local			£3,000 ⁽⁶⁾		£265	15,960 ⁽⁷⁾	€10,092 ⁽⁸⁾
	€			€3,403		€301	€1,516	€10,092
Means-tested	(Y/N/B)			B		Y ⁽⁹⁾	Y	Y
Dependent on								
<i>Distance from institution</i>	(Y/N)			N		N	N	N
<i>Year of study</i>	(Y/N)			N		N	N	N
<i>Subject of study</i>	(Y/N)			N		N	N	N
<i>Living Arrangements</i>	(Y/N)			N		N	N	Y
<i>Family characteristics</i>	(Y/N)			N		N	N	Y
<i>Age</i>	(Y/N)			N		N	Y ⁽¹⁰⁾	Y
Loans available (Maintenance)	(Y/N)	N	Y	Y	N	N	Y	N
Means-tested	(Y/P/N)		Y	Y			Y	
Maximum	Local		£4,472 ⁽¹¹⁾	£2,907 ⁽⁶⁾			37,400 ⁽¹²⁾	
	€		€5,072	€3,298			€3,552	
Dependent on								
<i>Distance from institution</i>	(Y/N)		N	N			N	
<i>Year of study</i>	(Y/N)		N	N			N	
<i>Subject of study</i>	(Y/N)		N	N			N	
<i>Living Arrangements</i>	(Y/N)		Y	N			N	
<i>Family characteristics</i>	(Y/N)		Y ⁽¹³⁾	N			N	
<i>Age</i>	(Y/N/P)		Y ⁽¹⁴⁾	N			Y ⁽¹⁵⁾	
Repayment characteristics								
Loan Characteristics	(ICL/M)		ICL	ICL		ICL	M	
Repayment threshold	Local		£25,725	£25,725		£18,935		
Repayment threshold	€		€29,178	€29,178		€ 21,477		
Repayment rate > threshold	(%)		9%	9%		9%		
Repayments starts (post grad.)	# years		-2.50 ⁽¹⁶⁾	-2.50 ⁽¹⁶⁾		-2.50 ⁽¹⁶⁾	0.50	
Options to defer (# of years)	(Y/N/V)		N	N		N		
Write off criteria:								
<i>Death</i>	(Y/N)		Y	Y		Y		
<i>Work limiting disability</i>	(Y/N)		Y	Y		Y		
<i># years post SRDD</i>	(years)		30	30		25		
<i>Age</i>	(years)		N	N		N		
Minimum monthly repayments	(Y/N)		N	N		N	Y	
Mandatory Repayment period	(years)		N	N		N	Y ⁽¹⁷⁾	
Interest rate	(%)		RPI+ 0-3%	RPI+ 0-3%		Min[RPI/BoE+1%]	0.16%	
Early repayment bonus	(Y/N)		N	N ⁽¹⁸⁾		N	N	

Notes:

(6) The maximum grant available depends on course intensity. Total maintenance support for 0.5 FTE (loans and grants combined) must not exceed £3,407/€3,864. The proportion paid through grant and loans is means-tested

(7) Assuming SEK399 /€38 per week for 40 weeks.

(8) Assuming 'self-supporting' student aged 27 or above (€841 per month). (9) The maintenance grant schedule is independent of the course intensity. Below £26,029/€29,516, the student receives £265/€301 diminishing linearly between £26,030/€29,516 and £28,068/€31,829 (above which no grant is provided).

(10) In Sweden, eligible if below the age of 57.

(11) The full-time maintenance loan entitlement is approximately pro-rated by course intensity (see [here](#) pg. 27).

(12) Assuming SEK935/€88 per week for 40 weeks

(13) £1,130/€1,281 added to residual income for every dependent child, see [here](#) (pg. 26)

(14) No maintenance loan is available to students aged 60 and above at the start of their course.

(15) Students must be below the age of 57.

(16) Repayment generally commences at the beginning of the financial year (April). In England, Wales and Northern Ireland, part-time students start repaying their loan the April after they finish or leave the course, or the April in the 4th year after the start of the course (even if still studying), whichever comes first. For a 0.5FTE course (6 years), repayment begins 2.5 years before graduation.

(17) 25 years to a maximum age of 60

(18) Part-time graduates do not receive the £1,500/€1,701 reduction in maintenance loan as for full-time students

Source: [Wales Maintenance Grant](#), [Northern Ireland Maintenance Grant](#), [Austria Maintenance Grants](#), [Sweden](#),

A2.5 Full-time postgraduate tuition fees / student contribution

Information on the tuition fees for full-time postgraduate students⁵⁴, and the availability of fee loans is presented in Table 7.

In **Ireland** and across the **United Kingdom** there is generally much less state regulation of tuition fees for postgraduate courses compared to undergraduate courses, and in all jurisdictions assessed, there is no tuition fee cap. Fees are typically paid upfront for postgraduate courses, rather than on a deferred basis. However, some loans and grants are available for Masters (and, in some cases, Doctorate) courses to offset a proportion of the upfront cost.

In **Ireland**, two grant systems operate for tuition fees for postgraduate courses⁵⁵. Full-time postgraduate students may be eligible for a flat ('Standard') rate grant contribution of €2,000 if they pass the fee contribution test (reckonable household income is below €31,500^{56 57}). The reckonable income threshold increases by €4,980 for each additional family member who is pursuing a full-time course for a duration of at least one year⁵⁸. Alternatively, a full-time postgraduate student qualifies for a ('Special rate') tuition fee grant of up to €6,270 if they are eligible for the Special rate of maintenance. This grant has stricter income requirements (qualification is determined by the net reckonable income threshold of €24,000⁵⁹, and the student (or parents - if the student is dependent) must be in receipt of eligible social welfare payments)⁶⁰.

In **England**, there is no specific grant for tuition fees, with support operating through a non-means-tested Masters loan of up to £10,906 /€12,370⁶¹. This is available to postgraduate students who are under the age of 60 on the course start date. The support is paid directly to the student. The maximum amount of loan covers the duration of the course. Therefore, for courses longer than one year, the loan amount is divided equally across the years of study. Importantly, as the loan is paid directly to student, the student determines whether to use the funding towards tuition fees or living costs at their own discretion.

Similarly, in **Wales**, loans are available to postgraduate Masters students (following the recommendations made as part of the Diamond Review in Wales in 2016 (see Annex 4)). Loan support can be used to cover either maintenance and/or tuition fees. The total resource provided to postgraduate student through grants and loans cannot exceed £17,000/€19,282 across the entire duration of the course. As with undergraduate students, postgraduate students are eligible for a non-means-tested grant of £1,000/€1,134. The value of the grant increases linearly with income (to a maximum of £6,885/€7,809) for those on incomes below £18,370/€20,836. Additionally, a loan is provided, which is up to the value of £16,000/€18,148. Students from households with higher reckonable incomes (above £59,200/€67,146) are eligible for the full loan amount to bring total support levels to £17,000/€19,282 per student.

⁵⁴ We have assumed a one-year Masters postgraduate course, equivalent to 180 credits.

⁵⁵ Information accessed through SUSI [link](#)

⁵⁶ The choice of reckonable income is dictated by whether students ordinarily reside with their parents. For students that reside with their parents, the student's income and their parents' income is assessed. For students over the age of 23 who live separately from their parents, the student's income and that of their spouse, partner or cohabitant is assessed.

⁵⁷ Reckonable household income assumes 4 or fewer dependent children. Threshold increases to €37,580 for 8 children or more.

⁵⁸ If the student is dependent on their parents, family members considered are their parents and other dependent siblings. For independent students, the family member taken into account is the student's spouse.

⁵⁹ "net of social welfare Qualified Child Increases and standard exclusions" see [here](#)

⁶⁰ Qualifying social welfare payments and programmes are: Long-term social welfare payments, Working Family Payment (WFP) (formerly known as Family Income Supplement (FIS)), Designated programmes (for example, a Community Employment Scheme)

⁶¹ This loan is only available for Masters course. A non-means-tested doctoral loan also exists for PhD students, who do not receive Research Council funding (up to the value of £25,700/€29,150 for the whole course for applications in the first year and up to £10,906/ €12,370 per year for later applications) – this loan is also available to Welsh students.

Table 7 Summary of tuition fees, student contribution and maintenance grants internationally – typical full-time postgraduate students

Tuition Fees for a typical FT Postgraduate in 2019-20 [Home students in Home Domicile HEI].		Ireland	England	Wales	Scotland	Northern Ireland	Sweden	Austria
Tuition fees	(Y/N)	Y	Y	Y	Y	Y	N	Y
Fixed/ Variable/Banded	(F/V/B)	V	V	V	V	V		F
Capped	(Y/N)	N	N	N	N	N		N
Maximum (per annum)	Local	-	-	-	-	-		€767
	€	-	-	-	-	-		€767
Up-front/ Deferred	(U/D)	U	U	U	U	U		U ⁽¹⁾
Student contribution	(Y/N)	N	N	N	N	N	N	N
Fixed/ Variable/Banded	(F/V/B)							
Capped	(Y/N)							
Maximum	Local							
	€							
Up-front/ Deferred	(U/D)							
Grants (Tuition Fees)	(Y/N)	Y	N	P⁽²⁾	N	N	-	Y⁽³⁾
Maximum	Local	€6,270 ⁽⁴⁾						€767
	€	€6,270						€767
Means-tested	(Y/N/B)	Y						N
Dependent on								
<i>Distance from institution</i>	(Y/N)	N						N
<i>Year of study</i>	(Y/N)	N						N
<i>Subject of study</i>	(Y/N)	N						N
<i>Living Arrangements</i>	(Y/N)	N						N
Loans (Fees / Contribution)	(Y/N)	N	Y⁽⁵⁾	Y⁽⁵⁾	Y	Y	-	N
Means-tested	(Y/P/N)		N	Y	N	N		
Maximum	Local		£10,906	£16,000 ⁽⁶⁾	£5,500	£5,500 ⁽⁷⁾		
	€		€12,370	€18,148	€6,238	€6,238		
Dependent on								
<i>Distance from institution</i>	(Y/N)		N	N	N	N		
<i>Year of study</i>	(Y/N)		N	N	N	N		
<i>Subject of study</i>	(Y/N)		N	N	N	N		
<i>Living Arrangements</i>	(Y/N)		N	N	N	N		
<i>Family characteristics</i>	(Y/N)		N	N	N	N		
Mandatory HEI Bursaries	(Y/N)	N	N	N	N	N	N	N

Note:

Assumed a 1 year Masters Course (180 credits) throughout. In Austria, a typical Masters course is 2 years, therefore per annum figures are presented

(1) Tuition fees in Austria are notionally payable in advance; however, are in effect paid by the Exchequer upon request.

(2) The maintenance grant can also be used towards tuition fees.

(3) There is 100% fee remission for Austrian students, who complete their course within the tolerance period

(4) €6,270 for Special rate of maintenance, otherwise eligibility up to €2,000

(5) The loan may also be used for course and living costs

(6) In Wales, the total support (grant + loan) must not exceed £17,000/€19,278. The ratio of loan to grant is means-tested. For reckonable income below £18,370/€20,831, a maximum grant of £6,885/€7,807 and loan of £10,115/€11,470 is received. Above £59,200/€67,132, the student is eligible for the maximum amount of tuition fee loan (£16,000/€18,144) and minimum grant (£1,000/€1,134).

(7) In Northern Ireland, a 1-year course loan is available up to £5,500/€6,237. For a 2-year course, loan up to a maximum of £2,750/€3,118 each year. For a 3-year course, loan up to a maximum of £1,833/€2,079 for the first 2 years and £1,834/€2,080 in the final year.

Source: [Ireland](#), [England](#), [Wales](#), [Scotland](#), [Northern Ireland](#), [Sweden](#), [Austria](#) Source: *LE Europe analysis*

In **Scotland**, support is available for full-time Postgraduate Diplomas and Masters Courses, but not for PhD courses⁶². A non-means-tested loan of up to £5,500/€6,237 is available for the entire course, and is split evenly across years if the course length is greater than one year. If the tuition fee exceeds that provided by the loan, the student must make alternative arrangements to fund the outstanding amount.

⁶² Funding for Doctorate level courses is available through Research Councils.

Similarly, in **Northern Ireland**, a non-means-tested loan of up to £5,500/€6,238 is available to all postgraduate students. It is paid directly to the higher education institution (on behalf of the student) in three equal lump sums across the academic year. The amount received may not be more than the tuition fee of the course. If the cost of course exceeds the eligible loan, the student must find alternative arrangements to pay the difference upfront to the higher education institution. Note that by paying to the HEI directly, the student is not able to use this loan for maintenance costs. Support for postgraduate students in Northern Ireland is relatively low compared to other UK Devolved Administrations, as there is no discrete support for maintenance.

In **Austria**, Masters courses typically require two years of full-time study, although courses at Polytechnics (*Fachhochschulen*) may be shorter⁶³. Tuition fees for postgraduate courses operate in a comparable way to undergraduate courses. A relatively small tuition fee is charged to students (approximately €767 per annum) – calculated by semester of study within an expected completion timeframe (incorporating additional ‘tolerance’ semesters). The fee is refunded ‘on request’ via a non-means-tested grant.

As with undergraduate courses, no tuition fees are levied for postgraduate courses in **Sweden**.

A2.6 Full-time postgraduate student support

Compared to undergraduate support, government-financed living cost support available to postgraduates is less common. Information on the maintenance support and repayment schedules (where applicable) for a typical postgraduate student (assuming a Masters course requiring 180 credits for completion) is presented in Table 8.

In **Ireland**, the maintenance grant is only available to postgraduate students who qualify for the Special rate (i.e. reckonable income under €24,000 from eligible social welfare payments). The non-adjacent rate (students originally reside more than 45km from the higher education institution) stands at €5,915 whilst the adjacent rate (less than 45km) is €2,375 (both similar to undergraduates). No maintenance grant is paid to any postgraduate student not fulfilling this household income requirement.

In **England**, there is some postgraduate student support available. Maintenance grants are not provided by the government, and there is no dedicated maintenance loan, but, postgraduate students may decide to use some of their combined Masters loan towards living costs. However, in the absence of a tuition fee cap, higher education institutions are able to levy a fee in excess of the maximum loan available for English students (£10,906/€12,370), leaving little, if any, support for maintenance costs.

In **Wales**, a means-tested maintenance grant of up to £6,885/€7,809 is available. In total, up to £17,000/€19,822 can be provided in grants and loans under Welsh government support for the whole postgraduate course⁶⁴. Students with lower reckonable household income (below £18,370/€20,836) receive the maximum grant allowance, with the allowance decreasing for higher reckonable incomes (to £1,000/€1,134). The maximum loan of £16,000/€18,144 is available to students with a household reckonable income above £59,200/€67,146.

As in England, no specific maintenance loan is provided in Wales; however, the tuition fee loan may be used for course and living costs. In both England and Wales, the postgraduate loan repayment plan operates independently from the undergraduate loan, with graduates repaying any outstanding undergraduate debt *alongside* the debt accrued from postgraduate loans. The repayment threshold for postgraduate loans is lower than that for undergraduate loans, standing at £21,000/€23,819 (compared to the undergraduate threshold of £25,725/€29,178). Students repay 6% of their income over the threshold, commencing from

⁶³ <https://www.findamasters.com/study-abroad/europe/masters-study-in-austria.aspx>

⁶⁴ The implication of this being that the maximum support available for an academic year of a 2 year Masters course is £8,500, and £5,667 for a 3 year postgraduate course etc.

the April after graduation. In a fundamental difference from undergraduate loans in England and Wales, a *fixed* real interest rate of 3% is charged on postgraduate loans.

In **Scotland**, no maintenance grants are provided at postgraduate level. However, a non-means-tested living cost loan of £4,500/€5,104 is available to students up until the age of 60. In the repayment schedule, postgraduate loans are *combined* with any outstanding undergraduate loans. Repayment commences in the April after graduation, and 9% of income over £18,935/€21,477 is paid. No real interest rate is applied to the debt – the interest rate is either the RPI rate or the 1% less the Bank of England’s base rate, whichever is lower.

In **Northern Ireland**, no discrete maintenance support for postgraduate students is available, and (unlike in England and Wales) the tuition fee loan may *not* be used towards course and living costs, as it is paid directly to the higher education institution in three lump sums across the academic year⁶⁵. Loan repayments are similar to the Scottish system, although any outstanding debt is written off after 25 years, rather than 30 years in Scotland.

In **Austria**, postgraduate grants follow the same system as for undergraduate studies, and are transferred to the student in monthly payments. The amount of maintenance support differs based on the characteristics of the postgraduate student. Typical full-time postgraduate students are likely to be older students, who receive additional maintenance support (compared to undergraduate students). For those individuals that are eligible for support, the maximum means-tested maintenance grant stands at €10,092 per annum (assuming aged 27 or above and self-supporting).

Finally, in **Sweden**, maintenance grants operate much the same way as for undergraduate degree programmes. The maximum (non-means-tested) maintenance grant available stands at SEK32,920kr/€3,126 per annum^{66 67}. Maintenance loans (up to SEK75,680/€7,187) are repaid using a mortgage-style approach, but as discussed previously this is not of relevance to the Irish context.

⁶⁵ <https://www.studentfinanceni.co.uk/types-of-finance/postgraduate/northern-ireland-student/help-with-tuition-fee-costs/tuition-fee-loan/how-its-paid/#main>

⁶⁶ Based on the assumption that the individual is undertaking 40 weeks of higher education in the particular year.

⁶⁷ Student support at university level is only allowed for a maximum 240 week period. Including undergraduate studies (c.120 weeks), student support would be covered a one-year Masters course but may not cover a full doctorate level course (that exceeds 3 years).

Table 8 Summary of maintenance grants and loans and repayment characteristics internationally- typical full-time postgraduate students

Maintenance support for a typical FT Postgraduate in 2019-20 [Home students in Home Domicile HEI]		Ireland	England	Wales	Scotland	Northern Ireland	Sweden	Austria
Grants (Maintenance)	(Y/N)	P⁽⁹⁾	N	Y	N	N	Y	Y
Maximum	Local	€5,915		£6,885			32,920 ⁽¹⁰⁾	€10,092 ⁽¹¹⁾
	€	€5,915		€7,809			€3,126	€10,092
Means-tested	(Y/N/B)	Y ⁽¹²⁾		Y			Y	Y
Dependent on								
<i>Distance from institution</i>	(Y/N)	Y ⁽¹³⁾		N			N	N
<i>Year of study</i>	(Y/N)	N		N			N	N
<i>Subject of study</i>	(Y/N)	N		N			N	N
<i>Living Arrangements</i>	(Y/N)	N		N			N	Y
<i>Family characteristics</i>	(Y/N)	N		N			N	Y
<i>Age</i>	(Y/N)	N		Y ⁽¹⁴⁾			Y ⁽¹⁵⁾	Y
Loans (Maintenance)	(Y/N)	N	N⁽¹⁶⁾	N⁽¹⁶⁾	Y	N	Y	N
Means-tested	(Y/P/N)				N		Y	
Maximum	Local				£4,500		75,680kr	
	€				€5,104		€7,187	
Dependent on								
<i>Distance from institution</i>	(Y/N)				N		N	
<i>Year of study</i>	(Y/N)				N		N	
<i>Subject of study</i>	(Y/N)				N		N	
<i>Living Arrangements</i>	(Y/N)				N		N	
<i>Family characteristics</i>	(Y/N)				N		N	
<i>Age</i>	(Y/N/P)				Y		Y	
Repayment characteristics								
Loan Characteristics	(ICL/M)		ICL	ICL	ICL	ICL	M	
Repayment threshold	Local		£21,000	£21,000	£18,935	£18,935		
Repayment threshold	€		€23,819	€23,819	€21,477	€21,477		
Repayment rate > threshold	(%)		6%	6%	9%	9%		
Repayments start (post grad.)	# years		0.50	0.50	0.50	0.50	0.50	
Options to defer (# of years)	(Y/N/V)		N	N	N	N		
Write off criteria:								
<i>Death</i>	(Y/N)		Y	Y	Y	Y		
<i>Work limiting disability</i>	(Y/N)		Y	Y	Y	Y		
<i># years post leaving</i>	(years)		30	30	30	25		
<i>Age</i>	(years)		N	N	N	N		
Minimum monthly repayments	(Y/N)		N	N	N	N	Y	
Mandatory Repayment period	(years)		N	N	N	N	Y ⁽¹⁷⁾	
Interest rate	(%)		RPI+3%	RPI+3%	Min[RPI/BoE+1%]	Min[RPI/BoE+1%]	0.16%	
Early repayment bonus	(Y/N)		N	N	N	N	N	

Note:

(9) In Ireland, the maintenance grant is only available to students who qualify for special rate of maintenance grant. No maintenance grant is paid to other students.

(10) Assumed SEK 823/€78 per week for 40 weeks.

(11) To be eligible, the Masters degree must be taken up within 30 months after completion of the Bachelor's degree. Assuming 'self-supporting' student aged 27 or above (€841 per month).

(12) To qualify for the special rate of maintenance, households must be on low social welfare payments (below €24,000, net of social welfare Qualified Child Increases and standard exclusions).

(13) The non-adjacent rate (students originally reside more than 45km from the HEI) is €5,915, the adjacent rate (less than 45km) is €2,375.

(14) Students must be under 60 on the first day of the first academic year of their course.

(15) In Sweden, only students under the age of 57 are eligible for student aid. (16) No specific maintenance loan is available for English and Welsh students. The tuition fee loan may be used for course and living costs. (17) 25 years to a maximum age of 60.

Sources: [Ireland](#), [England & Wales Repayment](#), [Wales](#), [Scotland](#), [Northern Ireland](#), [Sweden](#), [Austria](#)

A2.7 Part-time postgraduate tuition fees / student contribution

Information on the tuition fees for part-time postgraduate students⁶⁸, and the availability of fee loans is presented in Table 9.

In **Ireland** and across the entire **United Kingdom**, tuition fees are notionally uncapped and require upfront payment.

In **Ireland**, no tuition fee grants or loans are provided for part-time post-graduate students.

England, Scotland and Northern Ireland all provide tuition fee loans as their **sole** support mechanism for part-time students. In England, up to £10,906/€12,370 is available for part-time postgraduate students for the entirety of the course (for a typical part-time 2-year Masters course, this is equivalent to £5,453/€6,185 per academic year). Part-time courses can last between 2 and 4 academic years but must be no longer than twice the full-time equivalent (at least 50% FTE)⁶⁹.

In **England**, the notional tuition fee loan may also be put towards maintenance costs; however, in **Scotland** and **Northern Ireland**, the loan is paid directly to the higher education institution as a contribution towards fees. Therefore, course and living costs must be privately funded. **Scotland** and **Northern Ireland** operate comparable tuition fee loans for part-time Masters courses⁷⁰. The maximum amount of non-means-tested loan available is up to a value of £5,500/€6,237 for the entire duration of the course (equivalent to £2,750/€3,118 per academic year for a 2-year part-time Masters). There is no age limit on the eligibility requirements. The part-time course must be at least 0.5FTE⁷¹, but for courses greater than 0.5 FTE, the increased course intensity does not affect the value of the loan.

In **Wales**, part-time postgraduate students qualify for the same support as full-time students. For instance, the total resources provided to a postgraduate student for a 1-year Masters degree stand at £17,000/€19,282, whilst part-time Masters students are eligible to receive £8,500/€9,641 per academic year for a 2-year part-time course. Qualifying courses are Masters courses worth at least 180 credits⁷² and, for part-time study, may be up to 4 academic years in length. Total resources are made up of a loan and a grant, with how this is spent on tuition fees or living costs being at the student's discretion. The loan is means-tested, and those with greater reckonable income qualify for a greater proportion of total resource available in loans. Therefore, students with reckonable income above £59,200/€67,146 are eligible for £16,000/€18,148 in loans (equivalent to £8,000/€9,074 per academic year for a 2-year part-time course).

In **Austria**, tuition fees for part-time postgraduate courses operate in a comparable way to undergraduate courses and full-time postgraduate courses. Approximately €767 per annum is charged – calculated by the semester of study within an expected completion timeframe (incorporating additional 'tolerance' semesters). The fee is refunded 'on request' via a non-means-tested grant.

Again, in **Sweden**, no tuition fees are levied for part-time postgraduate courses.

⁶⁸ We have assumed a postgraduate Masters course at 50% FTE, equivalent to 180 credits.

⁶⁹ If no full-time equivalent exists, the part-time course must not exceed 3 years.

⁷⁰ Neither country offers resources for Postgraduate Doctoral degrees. Students studying for a doctoral degree must find alternative sources of funding through research councils.

⁷¹ Where a full-time equivalent course does not exist, the course may be up to 3 years in length.

⁷² A non-means-tested postgraduate doctoral loan (up to £25,700/ €29,150) for those who do not receive Research Council funding is available for Welsh PhD students. This loan is also available to English students.

Table 9 Summary of tuition fees, student contribution and maintenance grants internationally – typical part-time postgraduate students

Tuition Fees for a typical PT Postgraduate (0.5 FTE) in 2019-20 [Home students in Home Domicile HEI]		Ireland	England	Wales	Scotland	Northern Ireland	Sweden	Austria
Tuition fees	(Y/N)	Y	Y	Y	Y	Y	N	Y
Fixed/ Variable/Banded	(F/V/B)	V	V	V	V	V		F
Capped	(Y/N)	N	N	N	N	N		N
Maximum (per annum)	Local	-	-	-	-	-		€767
	€	-	-	-	-	-		€767
Up-front/ Deferred	(U/D)	U	U	U	U ⁽¹⁾	U ⁽¹⁾		U
Student contribution	(Y/N)	N	N	N	N	N	N	N
Fixed/ Variable/Banded	(F/V/B)							
Capped	(Y/N)							
Maximum	Local							
	€							
Up-front/ Deferred	(U/D)							
Grants (Tuition Fees)	(Y/N)	N	N	P⁽²⁾	N	N	-	Y
Maximum	Local							€767
	€							€767
Means-tested	(Y/N/B)							N
Dependent on								
Distance from institution	(Y/N)							N
Year of study	(Y/N)							N
Subject of study	(Y/N)							N
Living Arrangements	(Y/N)							N
Grants (Student Contribution)	(Y/N)	-	-	-	-	-	-	-
Maximum	Local							
	€							
Means-tested	(Y/N/B)							
Dependent on								
Distance from institution	(Y/N)							
Year of study	(Y/N)							
Subject of study	(Y/N)							
Living Arrangements	(Y/N)							
Loans (Fees / Contribution)	(Y/N)	N	Y	Y	Y	Y	-	-
Means-tested	(Y/P/N)		N	Y	N	N		
Maximum	Local		£5,453 ⁽³⁾	£8,000	£2,750 ⁽⁴⁾	£2,750 ⁽⁴⁾		
	€		€6,185	€9,074	€3,119	€3,119		
Dependent on								
Distance from institution	(Y/N)		N	N	N	N		
Year of study	(Y/N)		N	N	N	N		
Subject of study	(Y/N)		N	N	N	N		
Living Arrangements	(Y/N)		N	N	N	N		
Family characteristics	(Y/N)		N	N	N	N		
Mandatory HEI Bursaries	(Y/N)	N	N	Y⁽⁵⁾	N	N	N	N

Notes:

(1) Tuition fee loans are paid directly to the higher education institution across the academic sessions

(2) The maintenance grant may be put towards tuition fees

(3) Assumed £10,906 loan for the entirety of the course is divided into two academic sessions

(4) Assumed £5,500/€6,237 loan for the entirety of the course is divided into two academic sessions

(5) Some postgraduate bursaries are available (i.e. Taught Masters Incentivisation Bursary Scheme) for part-time students ([here](#)) but these are not mandatory.**Source: LE Europe analysis.** [England](#), [Wales loans](#), [Scotland](#), [Northern Ireland](#), [Sweden](#), [Austria](#)

A2.8 Part-time postgraduate student support

In **Ireland**, there is no student support available for part-time postgraduate students.

In **England, Scotland and Northern Ireland**, financial support for part-time postgraduate courses is more limited than for full-time postgraduate students.

In **England**, no designated maintenance support is provided to part-time postgraduate students. However, the tuition fee loan may be put towards course and living costs. Again, repayment of the tuition fee loan is distinguished from any debt accrued in undergraduate studies. As with full-time postgraduate students, the graduate pays 6% of income above £21,000/€23,819 from the April after graduation. Debt accrues annual real interest of 3%. Any outstanding debt is written-off after 30 years from graduation, or in the case of death, health related inability to work, or disability. A comparable system of repayment operates in **Wales**.

In **Scotland**, part-time postgraduate students are not eligible for a living cost loan provided to full-time postgraduate students. In **Northern Ireland**, there is also no maintenance support for part-time students.

Elsewhere, maintenance support is provided to part-time students, and students are treated almost identically to full-time postgraduate students (in the case of **Wales** and **Austria**) or part-time students at undergraduate level (in the case of **Sweden**). In general, the level of support covers the entirety of the course, so the longer duration of part-time courses results in lower amounts of support per academic year compared to full-time students.

In **Wales**, comparable funding arrangements are available to part-time postgraduate students as those for full-time postgraduates (see Annex A2.6).

In **Austria**, part-time postgraduate students are eligible for the same grants as full-time postgraduate students, as qualifying amounts are calculated on a monthly basis. The amount of maintenance support varies depending on the characteristics of the postgraduate student. Typical part-time postgraduate students are likely to be older students, who receive greater maintenance support than their younger counterparts. For those individuals that are eligible for support, the maximum means-tested maintenance grant stands at €10,092 per annum (assuming the student is aged 27 or above and self-supporting).

Finally, part-time students studying in **Sweden** at 0.5FTE are eligible to receive SEK 399/€38 per week (SEK15,960/€1,516 annually assuming 40 weeks per annum) in means-tested maintenance grants. In addition, part-time students can also receive SEK37,400/€3,552 in means-tested maintenance loans (SEK935/€89) per week. Repayment operates on a mortgage-style system.

Table 10 Summary of maintenance grants and loans and repayment characteristics internationally - typical part-time postgraduate students

Maintenance support for a typical PT Postgraduate in 2019-20 [Home students in Home Domicile HEI]		Ireland	England	Wales	Scotland	Northern Ireland	Sweden	Austria
Grants (Maintenance)	(Y/N)	N	N	Y ⁽⁶⁾	N	N	Y	Y ⁽⁷⁾
Maximum	Local			£3,443 ⁽⁸⁾			15,960 ⁽⁹⁾	€3,384 ⁽¹⁰⁾
	€			€3,905			€1,516	€3,384
Means-tested	(Y/N/B)			Y			Y	Y
Dependent on								
<i>Distance from institution</i>	(Y/N)			N			N	N
<i>Year of study</i>	(Y/N)			N			N	N
<i>Subject of study</i>	(Y/N)			N			N	N
<i>Living Arrangements</i>	(Y/N)			N			N	Y
<i>Family characteristics</i>	(Y/N)			N			N	Y
<i>Age</i>	(Y/N)			Y			Y ⁽¹¹⁾	Y
Loans (Maintenance)	(Y/N)	N	N ⁽¹²⁾	N ⁽¹²⁾	N	N	Y	N
Means-tested	(Y/P/N)						Y	
Maximum	Local						37,400 ⁽¹³⁾	
	€						€3,552	
Dependent on								
<i>Distance from institution</i>	(Y/N)						N	
<i>Year of study</i>	(Y/N)						N	
<i>Subject of study</i>	(Y/N)						N	
<i>Living Arrangements</i>	(Y/N)						N	
<i>Family characteristics</i>	(Y/N)						N	
<i>Age</i>	(Y/N/P)						Y ⁽¹⁴⁾	
Repayment characteristics								
Loan Characteristics	(ICL/M)		ICL	ICL	ICL	ICL	M	
Repayment threshold	Local		£21,000	£21,000	£18,935	£18,935		
Repayment threshold	€		€23,819	€23,819	€21,477	€21,477		
Repayment rate > threshold	(%)		6%	6%	9%	9%		
Repayments start (post grad.)	# years		0.50	0.50	0.50	0.50	0.50	
Options to defer (# of years)	(Y/N/V)		N	N	N	N		
Write off criteria:								
<i>Death</i>	(Y/N)		Y	Y	Y	Y		
<i>Work limiting disability</i>	(Y/N)		Y	Y	Y	Y		
<i># years post leaving</i>	(years)		30	30	30	25		
<i>Age</i>	(years)		N	N	N	N		
Minimum monthly repayments	(Y/N)		N	N	N	N	Y	
Mandatory Repayment period	(years)		N	N	N	N	Y ⁽¹⁵⁾	
Interest rate	(%)		RPI+3%	RPI+3%	Min[RPI/ BoE+1%]	Min[RPI/ BoE+1%]	0.16%	
Early repayment bonus	(Y/N)		N	N	N	N	N	

Note:

(6) The maintenance grant may also be put towards tuition fees.

(7) To be eligible, the Masters degree must be taken up at the latest 30 months after completion of the Bachelor's degree.

(8) Assumes 2-year part-time course, whereby £6,885/ €7,809 is divided equally across the two academic years of study.

(9) Assuming SEK 399 /€38 per week for 40 weeks.

(10) Assuming 'self-supporting' student aged 27 or above (€841 per month).

(11) In Sweden, eligible if below the age of 57.

(12) The tuition fee loan can also be used for course and living costs.

(13) Assuming SEK 935/€88 per week for 40 weeks.

(14) A reduced maintenance loan is available to students aged 60 and above at the start of their course.

(15) 25 years to a maximum age of 60.

Sources: [England](#), [Wales grants](#), [Wales Repayment](#), [Scotland](#), [Northern Ireland](#), [Sweden](#), [Austria](#). **Source:** LE Europe analysis

Annex 3 Country specific case study: England

A3.1 Higher education fees and funding in England

Key findings

Over the last 25 years, reflecting the increasing higher education participation rate, England has moved from a system of free tuition to a predominantly *market orientated* system. Now characterised by relatively high tuition fees backed by income contingent loans, the higher education system has become politically challenging for successive governments, but also fiscally unsustainable.

Given the general weakness of the UK economy over the last decade, it has been challenging to place higher education on a secure footing. Compounding this, successive governments have deferred funding decisions by commissioning a number of *reviews*, but failing to implement the recommendations. At the same time, successive administrations have amended core elements of the student support system without a detailed grasp of the consequences. These have impacted the sustainability and flexibility of the funding system.

There are numerous issues that are still to be addressed in English higher education. Although participation in higher education has increased marginally for full-time undergraduates over the last decade, the increase in tuition fees over time has resulted in a significant decline in part-time study. Furthermore, the increase in tuition fees has changed student perceptions, and has resulted in additional demands on higher education institutions and their staff.

The favourable treatment of student loans in the National Accounts was one of the primary reasons for the expansion of the loan system. As a result, maintenance grants have been removed, and student support is entirely limited to loans. Maintenance support for part-time students is essentially non-existent.

Higher education in England has, to a large extent, avoided the austerity policies implemented more widely over the last decade. However, there is every possibility that higher education tuition fees will be cut, or student number controls reintroduced, placing further financial stress on the sector.

Lessons for policy makers

Although income contingent loans were originally introduced to provide additional funding to higher education institutions, the current operation of the loans system has moved away from the original principles that existed. Some core elements of the loan system have been amended – resulting in a number of unintended consequences – and making the system fiscally unsustainable.

The original rationale for the introduction of income contingent loans was to ensure a more even balance of contribution between the individual and the state (reflecting the distribution of the benefits of higher education). If implemented alongside grants, loans can facilitate social mobility, improve opportunities for young people, and offer a safety net for low paid graduates.

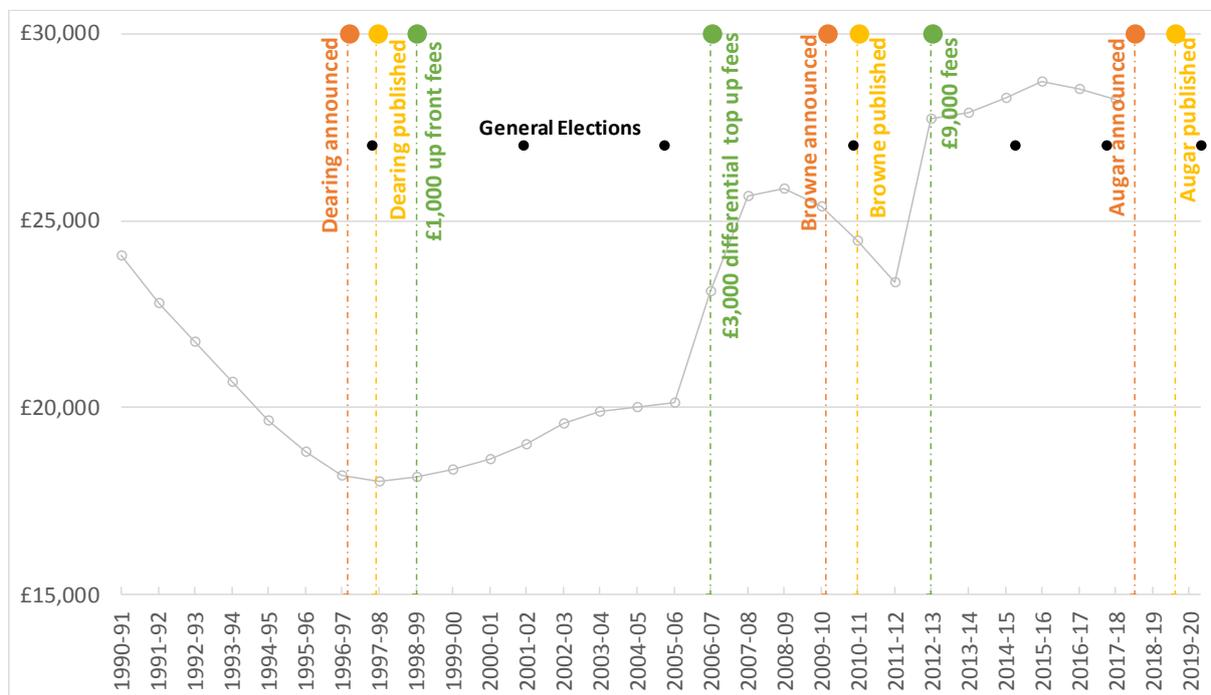
It is key to differentiate between the principle and the actual operation of income contingent loans. If there is a clear vision for the higher education sector in Ireland (for instance increased funding of institutions, and/or comparable treatment of all students), then, as proposed by the Cassells Review, consideration could be given to appropriately structured loans to support the delivery of that ambition. However, as evidenced by the lessons from the English loan system, the implementation of these loan systems is highly complex, includes a range of difficult trade-offs, and often results in a wide range of unintended

consequences - and any application to the Irish system would therefore need to be very carefully considered.

A3.1.1 The evolution of higher education fees and funding since 1997

In the United Kingdom, the commissioning of ‘major’ independent reviews of higher education has generally been the approach to initiating structural reforms of higher education fees and funding arrangements. This approach has been adopted in part to ensure bipartisanship across the political spectrum, but also to provide the *appearance* of tackling a particular issue or national priority that has arisen (such as the financial sustainability of the sector). In reality, however, the approach has essentially *deferred* decision making, and it is no coincidence that the reviews have often been announced ahead of, and published after, general elections (see Figure 2).

Figure 2 Total teaching resources provided per student (per 3 year degree) in HE for cohorts starting between 1990–91 and 2017–18 (2018–19 prices)



Note: The total level of teaching resources per degree is the sum of teaching grants, fees paid by Local Authorities (prior to their removal from 1998–99) and the up-front fees paid by students (with or without student loans). The up-front fees included in total resources prior to 2012–13 assume all courses are three years, so they represent a slight underestimate. The fee loan subsidy and teaching grants from 2012–13 onwards account for the actual course length. Fee waivers are included in the deficit impact for 1998–99 to 2005–06; total resources then include the additional income from fees. For 2006–07 to 2017–18, institution-specific bursaries and fee waivers (when appropriate) are deducted from total resources. For 2012–13 to 2014–15, National Scholarship Programme funding is included in total resources. Analysis based on HEFCE Teaching Grant Letters, various years ([link](#)). Figures from Department for Children, Schools and Families (2008). Data on student numbers are from HESA statistics ([link](#)) and the ‘Historical statistics on the funding and development of the UK university system’ data available through the UK Data Archive ([link](#)). HM Treasury deflators, March 2018 ([link](#)). Source: **LE Europe** and **Institute for Fiscal Studies (2018)** ([link](#))

The three reviews considered in this section include the **Dearing Review** (1997)⁷³, the **Browne Review** (2010)⁷⁴ and the **Augar Review** (2019)⁷⁵, but all build on one of the original higher education reviews (**Robbins** (1963))^{76 77}.

A3.1.2 Dearing Review: The National Committee of Inquiry into Higher Education

The Dearing Report represents the start of the current era of higher education reviews. Still acknowledged as one of the most important reviews of higher education in the UK, the recommendations encompassed the entire higher education policy arena. The report included core recommendations relating to the removal of student number caps, and the promotion of widening participation and access. Many of these recommendations were implemented (and continue to exist), but in relation to the recommendations relating to the financial settlement in higher education, these are the most pertinent to the current context.

As presented in Figure 2, the significant expansion of higher education participation (and in particular the granting of university title to former polytechnics in 1992) had already resulted in an erosion of the level of funding per higher education participant – from approximately £24,000 (€27,216) in real-terms per three year degree in 1990-91 to just over £18,000 (€20,412) in 1996-97.⁷⁸ In light of this, the Dearing Report was commissioned in May 1996 “to make recommendations on how the purposes, shape, structure, size and funding of higher education, including support for students, should develop to meet the needs of the United Kingdom over the next 20 years, recognising that higher education embraces teaching, learning, scholarship and research”.

The Dearing Report made the recommendations specifically in relation to tuition fees and support which were aimed at restoring the unit of resource:

We recommend to the Government that it shifts the balance of funding, in a planned way, away from block grant towards a system in which funding follows the student, assessing the impact of each successive shift on institutional behaviour and the control of public expenditure, with a target of distributing at least 60 per cent of total public funding to institutions according to student choice by 2003 (Recommendation 72, page 297).

We recommend to the Government that it introduces, by 1998/99, income contingent terms for the payment of any contribution towards living costs or tuition costs sought from graduates in work (Recommendation 78, page 310).

On a balance of considerations, we recommend to the Government that it introduces arrangements for graduates in work to make a flat rate contribution of around 25 per cent of the average cost of higher education tuition, through an income contingent mechanism. (Recommendation 79, page 323).

The combination of these three recommendations opened the door to the newly appointed Secretary of State for Education to introduce tuition fees backed by income contingent loans.

Rather than implementing the main recommendations, the proposals⁷⁹ that were eventually brought forward by the government included the abolition of maintenance grants (in 1999-

⁷³ Dearing Review (1997): *The National Committee of Inquiry into Higher Education* ([link](#))

⁷⁴ Browne Review (2010): *Securing a sustainable future for Higher Education: An independent Review of Higher Education funding and student finance* ([link](#))

⁷⁵ Augar Review (2019): *Independent Panel Report to the Review of post-18 Education and funding* ([link](#))

⁷⁶ Robbins Report (1963): *Higher Education: Report of the Committee appointed by the Prime Minister* ([link](#))

⁷⁷ The key element of the Robbins Report related to the expansion of higher education and (essentially) the elimination of student number caps.

⁷⁸ As a result of the erosion of public funding, university Vice Chancellors were threatening to introduce institution specific levies to cover the funding shortfall (equivalent to c. £300/€340) per student per annum. The potential fragmentation of the sector – in terms of the possible divergence of the unit of resource between institutions – as well as the challenges of regulating the sector in the presence of variable fees – was one of the reasons for the commissioning of the Dearing Report.

⁷⁹ Teaching and Higher Education Act (1998) ([link](#))

2000) with subsequent replacement by income contingent maintenance loans (repayable at 9% on earnings in excess of £10,000/€11,340). More controversially, the introduction of a means-tested tuition fee of £1,000/€1,134 per annum was also proposed; however, rather than being backed by an income contingent loan as recommended in the Dearing Review, the tuition fee was payable up-front directly to higher education institutions.⁸⁰

The proposals, both in respect of the withdrawal of maintenance grants and the introduction of tuition fees, met with significant opposition (from students in particular). The principle that higher education should be free *at the point of entry* had been compromised. The decision to opt for up-front tuition fees drew significant criticism from many who might otherwise have thought it reasonable to strike a fair balance of contribution between the individual and the state. As presented in Figure 3, the proportion of individuals entering higher education declined by approximately⁸¹ 3 percentage points (from 39.8% to 36.8%), predominantly as a consequence of the imposition of fees. However, the existence of the concept of a tuition fee was seen as a crucial policy lever.

A3.1.3 Introduction of 'differential top-up' fees

Despite higher education funding recovering from the lows in the late 1990's, by 2001, funding levels were 20% below the levels that had existed at the start of the previous decade.

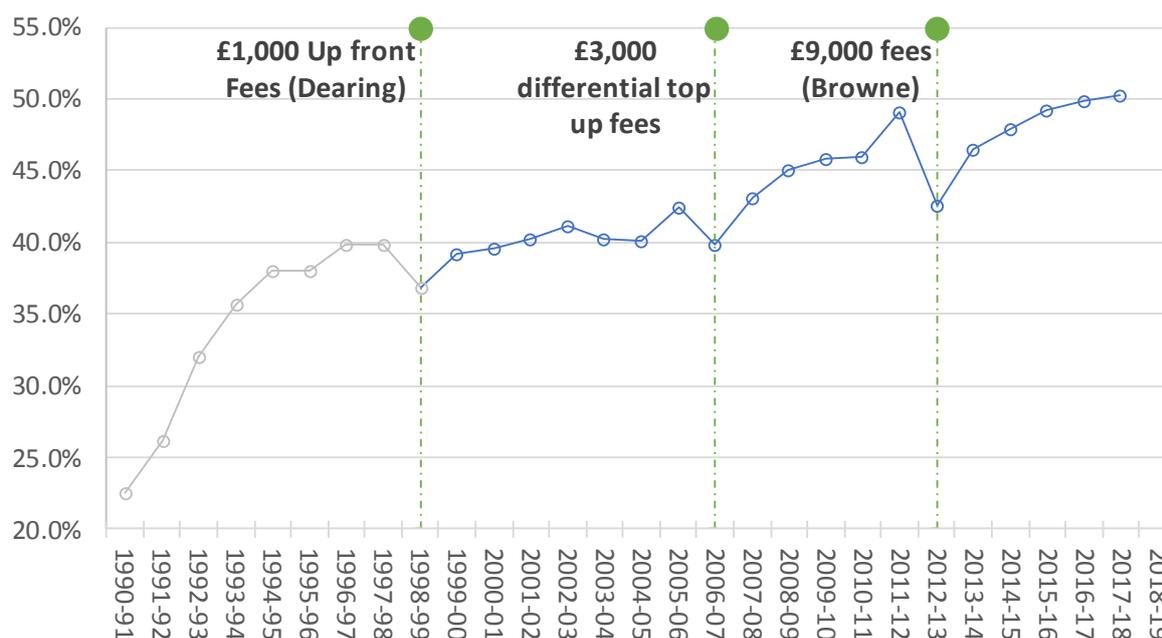
In January 2003, a Higher Education White Paper⁸² was published proposing the introduction of differential fees. Capped at £3,000/€3,402 per annum from 2006-07, universities were technically free to charge any fee up to the limit for any course. Importantly, the tuition fee, rather than being paid up-front, would be backed by an income contingent loan with repayment terms similar to those existing for maintenance loans. However, in one important dimension, to protect the lowest earning graduates, the repayment threshold would be increased to £15,000/€17,010 in the year ahead of the introduction of differential fees (i.e. in 2005-06). The proposal for the repayment period was 25 years, and there were no real interest rates applied to the loans.

Importantly, the change in the fee regime only applied to full-time undergraduates, and, in reality, little consideration was given to part-time students.

⁸⁰ Individuals with household incomes of below approximately £23,000 (€26,082) were exempt from making any tuition fee payments (estimated to be approximately one third of students), whilst individuals from households with incomes in excess of £35,000 (€39,690) paid the entire tuition fee (again, estimated to be approximately one third of students). Individuals from households with incomes between these thresholds paid a proportion of the fee on a sliding scale.

⁸¹ There is a discontinuity in the data series presented in Figure 2, so the accompanying notes to the Figure should be considered.

⁸² Department for Education and Skills (2003), *The Future of Higher Education* ([link](#)). Note that whereas the introduction of tuition fees in 1998-99 spanned the entire United Kingdom, following the granting of devolved powers over education, it was a matter for the individual Devolved Administrations to determine tuition fee and funding arrangements.

Figure 3 Higher Education Initial Participation Rate 1990-91 to 2017-18 (17-30 y.o.)

Note: The HEIPR is only available from the Office for National Statistics from 1999-00. From 2006-07 to 2017-18, information from the ONS has been used directly ([link](#)). Between 1999-00 and 2005-06, we have used information from correspondence between the Shadow Higher Education minister (Rt Hon David Willetts) and the Chair of the UK Statistics Authority ([link](#)). This element of the graph is presented in blue. Prior to 1999-2000, we have used information from Chowdry et al (2010) ([link](#)) to impute the 'age participation index' in previous year by exploiting a number of years of overlap between the two measures. This component is presented in grey. **Source: Chowdry et al (2010) ([link](#)) and LE-Europe**

To mitigate against the many criticisms that had been levelled against the government following the removal of maintenance grants, the government announced an improved maintenance offer consisting of a means-tested maintenance grant – up to a maximum of £2,700/€3,062 - as well as a mandatory bursary paid by higher education institutions to less well-off students.

Figure 2 illustrates that there was an 'anticipation effect' ahead of the new fee regime, illustrated by the higher education participation rate jumping in the year prior to the introduction of the fee (i.e. in 2005-06). In particular, in 2006-07, higher education participation was approximately 0.3pp lower than in 2004-05, however, in 2005-06, higher education participation was approximately 2.5pp higher than in either 2004-05 or 2006-07. However, participation quickly recovered, and between 2007-08 and 2010-11, the proportion of 17-30 year olds entering higher education increased from 43.1% to 46.0%.

A3.1.4 Browne Review of Higher Education

Despite the increased income received by higher education institutions as a result of the introduction of differential top-up fees (as presented in Figure 2), the erosion of the funding per undergraduate student continued in real terms. By 2009-10, funding levels per student were less than 5% higher in real terms compared to 1990-91, and steadily declining. In the presence of severe fiscal constraints, as well as a commitment to undertake an independent review of higher education fees and funding made as part of passing the 2004 Higher Education Act, the Browne Review was commissioned in November 2009 (6 months in advance of the General Election in May 2010).

Reflecting the original recommendations contained within the Dearing Report that there should be a move away from an institutional block grant to a more market orientated system with resources being linked to students (and their choices), the first Browne recommendation made this explicit, but also immediately set out the direction of travel:

“HEIs must persuade students that they should ‘pay more’ in order to ‘get more’. The money will follow the student”.

In relation to specifics, the Browne Review recommended:

- A notionally *uncapped* tuition fee charged by higher education institutions, with loans offered by government to ensure that higher education is free at the point of entry;
- A non-means-tested flat-rate maintenance loan of £3,750/€4,253 per annum;
- Additional means-tested maintenance grants of up to £3,250/€3,686 per annum;
- Repayment of loans based on:
 - A 9% repayment rate (unchanged) on earnings in excess of the threshold,
 - A repayment threshold of £21,000 (€23,814) - increasing in line with earnings growth ‘on a regular basis’,
 - A flat real rate of interest reflecting the government’s cost of borrowing – approximating 2.2% (for those with earnings above the repayment threshold), and
 - Loan write-offs occurring 30 years post-graduation;
- A levy placed on higher education institutions on tuition fees in excess of a ‘Basic’ fee of £6,000/€6,804; and
- Tuition fee loans – but not maintenance support - made available to part-time students (>=33% FTE).

Although the government accepted the need to inject further resources into the higher education sector to maintain its long-term sustainability, the impact of the financial crisis – and in particular, the short-term fiscal targets set out by the government in relation to the deficit – ruled out any additional up-front spending. Instead, the additional tuition fee revenues received by higher education institutions would come alongside a reduction in the block grant paid by government to fund teaching and learning (by approximately 75%).

The final proposals set out by the government proposed a capped £9,000/€10,206 fee from 2012-13, backed by income contingent loans. In addition, higher education institutions could only charge a fee in excess of a £6,000/€6,804 ‘Basic’ fee on condition of having an agreed Access Agreement with the Office for Fair Access (Offa). A proportion of the fee above the Basic fee was levied and was to be paid as bursaries to less well-off students, and to pay for widening participation activities more generally. In terms of interest rates, rather than a single real interest rate of approximately 2.2% (as recommended), the government announced a real interest rate (ranging from 0% to 3%) that increased linearly as graduate earnings increased over the first £20,000/€22,608 of earnings above the repayment threshold (£21,000/€23,814). The repayment rate continued to be 9%, and the repayment period was extended to 30 years.

The response to the proposals was fierce. Having made an electoral promise not to raise tuition fees, the Liberal Democrats attempted to limit the political damage through a series of concessions focused on the least well-off students.

In terms of the impact of the proposals, as presented in Figure 3, there was (again) an anticipation effect whereby the proportion of young people entering higher education increased from 46.0% to 49.1% between 2010-11 and 2011-12, falling to 42.6% in 2012-13. The higher education initial participation rate then recovered to 46.5% in 2013-14 and 47.9% in 2014-15.

Political consequences of the Browne Review

The response to the near trebling of tuition fees in 2012-13 resulted in higher education becoming a significant fault-line between the major political parties. In particular, after the defeat of the Liberal Democrats in 2015 and the formation of a majority Conservative government, the manifesto commitment from the Labour Party to abolish tuition fees for higher education was one of the reasons for their better-than-expected performance in the 2017 General Election. Acknowledging the continued concerns of many young people and their

parents in respect of higher education in particular (relating to ‘value for money’ and the levels of debt on graduation), but also in respect of wider issues relating to housing affordability and increasingly casualised employment, in February 2018, the Augar Review was announced.

A3.1.5 Augar Review of Higher Education

The Augar Review was commissioned against a backdrop of increasing concerns of students and families in respect of the ‘value for money’ associated with higher education, and it was evident that immediate (and at least cosmetic) amendments would take place (including a reduction in the headline tuition fee and removal of interest rates during study).

On the institutional side, given the fact that tuition fees had not been linked to inflation and had been held constant in cash terms, there was a widely held view amongst many university Vice Chancellors that the effective unit of resource available to fund teaching and learning was insufficient to meet requirements. However, it was also notable that given the austerity measures that had been the focus of UK economic policy over the previous decade, higher education institutions had been spared much of the financial pain that had been suffered by schools, Further Education Colleges and Sixth Form Colleges. As such, there was a clear expectation across the sector that (at best) there would be a re-alignment of tuition fees (to a level in the region of £7,500/€8,505).

Despite the expectation that the Augar Review would be published in early 2019, as a result of the decision of the Office for National Statistics (ONS) to recommend an alternative approach to the treatment of student loans in the National Accounts (see Annex 6 for more information), the Review was delayed and eventually published in May 2019. Given that the Terms of Reference of the Review included a requirement that the recommendations “must be consistent with the Government’s fiscal policies to reduce the deficit”, the impact of the ONS decision was to eliminate many of the more substantive options that might have been available to the Augar Review panel. Given this, the core recommendations in respect of higher education fees, funding and student support arrangements were as follows:

- The cap on the tuition fee chargeable to higher education students should be reduced to £7,500/€8,505 per year by 2021-22, frozen until 2022-23, and subsequently increased in line with inflation from 2023-24;
- There should be a full replacement of the lost tuition fee income by increasing the Teaching Grant, leaving the average unit of funding unchanged *at sector level*⁸³ in cash terms from 2020-21 until 2022-23, and subsequently increased in line with inflation from 2023-24;
- The Teaching Grant should more accurately reflect reasonable costs of provision, as well as the social and economic value to students and taxpayers;
- The repayment threshold should be set at the level of median non-graduate earnings (£23,000-€26,082) for new students entering higher education from 2021-22;
- The repayment period should be extended to 40 years post study completion;
- The real interest rate during the period of study should be removed;
- Lifetime repayments should be capped at 1.2 times the initial loan amount in real terms;
- Maintenance grants for socio-economically disadvantaged students to be introduced to at least £3,000-€3,402 per annum; and

⁸³ Although the Augar Review suggests that the reduction in tuition fees should be compensated for, so that the policy is fiscally neutral, there was some uncertainty about how this would evolve in the longer term. This uncertainty relates to whether this resource flows back to institutions directly - through enhanced Teaching Grant - or provides more general resource for either the government’s wider industrial strategy or widening participation activity. If the former does occur (i.e. additional Teaching Grant), there is also some uncertainty in respect of the specific allocation. To cost this, in Section A3.2.3, in the first instance, and in the absence of more concrete information, we have notionally allocated the additional Teaching Grant equally and in its entirety to Band A, Band B and Band C1 subjects (with no additional Teaching Grant offered to Band C2 and Band D subjects).

- Maximum maintenance support should be set in line with the National Minimum Wage for age 21 to 24 on the basis of 37.5 hours per week and 30 weeks per year.

Despite being published in May 2019 (and being one of the final domestic policy interventions by the then Prime Minister Theresa May), by June 2020, there has been no significant government response to the recommendations.

We present a summary of the current costs associated with the Augar proposals on the Exchequer, higher education institutions, students and graduates in Annex A3.2.

A3.2 Cost implications of the Augar Review in England

A3.2.1 Who currently pays for higher education in England?

The estimated total cost of the tuition fees and student support system for the cohort of English-domiciled students commencing undergraduate higher education in 2018-19 anywhere in the United Kingdom (and EU students undertaking undergraduate qualifications in English higher education institutions) stood at £17.522bn/€19.869bn. Of this total, approximately £11.092bn/€12.578bn is accrued by higher education institutions (63% of the total), with the remaining £6.429bn/€7.291bn related to student support.

Presented in Table 11, from the perspective of **higher education institutions**, of the total £11.092bn/€12.578bn income received, approximately £10.044bn/€11.390bn was received in tuition fee income, whilst a further £1.236bn/€1.402bn was received in Teaching Grant funding. Of the funding received from tuition fee receipts, higher education institutions incurred approximately £188m/€213m in widening participation costs (linked to the right to charge a tuition fee in excess of the Basic fee (£6,165/€6,991 per annum)).

From the perspective of the public purse, the **Exchequer** contributed approximately £8.431bn/€9.561bn towards the costs of higher education institutions and student support (equivalent to 48% of total costs). Of this amount, approximately £1.236bn/€1.402bn was linked to the provision of Teaching Grant funding (15% of the total). In addition, approximately £2.808bn/€3.184bn was associated with the cost of maintenance loan write-offs (33% of total costs). The remaining 52% of costs £4.387bn/€4.975bn related to the write-offs associated with undergraduate tuition fee loans. The analysis undertaken for Universities UK (2019)⁸⁴ suggests that approximately £16.540bn/€18.757bn of loans were provided to students (per cohort), of which 43.5%⁸⁵ are expected to be written off.

Although higher education is free at the point of entry, over their working lives, **graduates** repay approximately 56.5% of the total value of the tuition fee and maintenance loans received. This equates to approximately £3.621bn/€4.106bn in maintenance and £5.657bn/€6.416bn in tuition fees. Accounting for the £188m/€213m received from higher education institutions in respect of widening participation grants and bursaries, the total contribution of students/graduates and their families was estimated at £9.091bn/€10.309bn, which is equivalent to 52% of the total costs.

⁸⁴ See [link](#)

⁸⁵ This write-off proportion is known as the RAB charge.

Table 11 Resource flows between higher education institutions, Exchequer and students/graduates in 2018-19

Stakeholder	Resource Flow	
	£	€
Exchequer		
Cost of maintenance loan	(£2,808m)	(€3,184m)
Cost of tuition fee loan	(£4,387m)	(€4,975m)
Cost of Teaching Grants	(£1,236m)	(€1,402m)
Total Exchequer Cost	(£8,431m)	(€9,561m)
RAB Charge (proportion of loan written off)	43.5%	
Higher Education Institutions		
Gross fee income	£10,044m	€11,390m
Teaching Grant income	£1,236m	€1,401m
Cost of bursary provision	(£188m)	(€213m)
Total	£11,093m	€11,579m
Net HEI resource per student p.a.	£9,000	€10,206
Students/ Graduates		
Costs from repayment of maintenance loan	(£3,621m)	(€4,106m)
Cost from repayment of tuition fee loan	(£5,657m)	(€6,416m)
HEI bursary support	£188m	€213m
Total student/ graduate Cost	(£9,091m)	(€10,309m)
Total system costs (HEI and student support)	£17.522bn	€19.869bn
Contribution of Exchequer	48%	
Contribution of Students/Graduates	52%	
Students/Graduates (FT degrees)		
Average tuition fee loan (per student per annum)	£9,120	€10,342
Average maintenance loan (per student per annum)	£6,750	€7,655
Average debt on graduation	£46,800	€53,071
Average Lifetime repayments (M)	£38,700	€43,886
Average Lifetime repayments (F)	£16,600	€18,824
Proportion of students repaying entire loan	20%	
Proportion of students never repaying any loan	23%	

Notes: (1) 2018/19 cohort of first-year English-domiciled full-time and part-time undergraduate students (including first degrees and other undergraduate qualifications below first-degree level) studying anywhere in the UK, and EU-domiciled students studying in England. **Source: London Economics' analysis for Universities UK (2019)** ([link](#))

The treatment of EU students in England, emigration and loan non-repayment

In Table 12, we present some information from the Student Loans Company on the incidence of repayment and loan arrears by student domicile. In the top panel of the table, the analysis indicates that of all UK-domiciled students who have become liable to repay their debt between 2000 and 2019, approximately 96.6% are in the UK tax system, with 83.7% either repaying their entire loan or in the process of repaying their loan, and a further 12.9% with either no current employment or no repayment required. Only 3.4% were identified to be in an overseas jurisdiction, of which approximately 80% were in potential repayment and 20% were in default (equivalent to approximately 35,000 borrowers).

For EU-domiciled nationals, clearly a much smaller proportion are in the UK tax system; however, amongst the 45.4% who are in an overseas tax system, approximately 69% were in potential repayment and 31% were in default (15,500 borrowers). In other words, although the incidence of default is greater amongst non-nationals, the impact on the Exchequer in absolute financial terms is significantly greater as a result of the actions of UK-domiciled students.

Table 12 Incidence of repayment and loan arrears by domicile

Borrowers who have become liable to repay (2000-2019)	UK Tax system		Overseas tax system		Total Number ('000s)
	Account closed/ cancelled or in (potential) repayment	No live employment/ no repayment required	In (potential) repayment	In default	
UK-domiciled	83.7%	12.9%	2.7%	0.7%	5,021.1
EU-domiciled	43.4%	11.2%	31.4%	14.0%	110.7

Source: London Economics analysis of Student Loans Company data (Student Loans in England 2018-2019) ([link](#)) Table 3A and 3B ([link](#)) ([link](#))

Approach adopted in New Zealand ([link](#))

In New Zealand, there are strong cultural factors that encourage students to gain experience overseas following completion of their higher education studies. However, although there is a 12-month repayment holiday for graduates whilst travelling overseas, the New Zealand government applies a higher loan interest rate (3.5%) to loans taken out by New Zealand graduates who spend more than half the calendar year overseas (whilst this charge is written off for New Zealand based borrower ([link](#))). In addition, for graduates overseas, minimum repayments need to be made twice-yearly (otherwise a 7.5% penalty interest rate charge is incurred). In 2016, New Zealand graduates based overseas made up 15% of all borrowers, but 74% of borrowers with overdue payments, and accounted for 90% of the amount overdue. The New Zealand authorities have a range of further sanctions available in the case of non-repayment or attempting to leave the country without repayment, including the power of arrest (on entry or return to New Zealand).

A3.2.2 What is the impact of the current fees and funding arrangements in England on graduates?

Average lifetime repayments

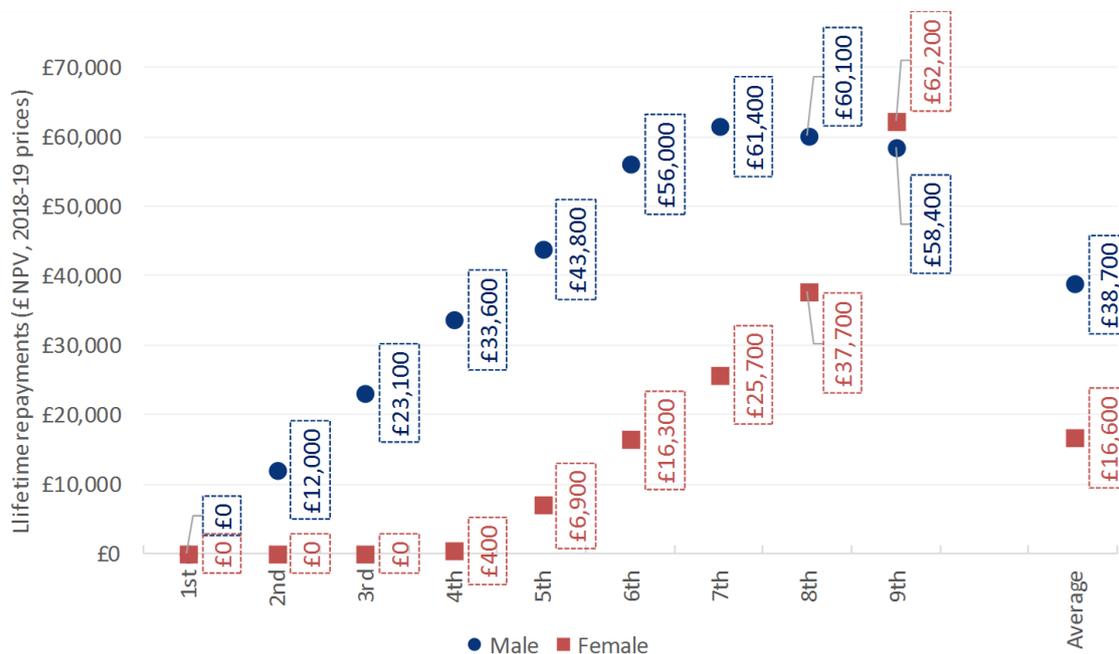
In 2017-18, the average annual tuition fee loan stood at £9,120/€10,342, whilst the average maintenance loan was estimated to be £6,750/€7,654. Including the interest accumulated during the period of study, a typical full-time undergraduate is expected to graduate with a debt of £46,800/€53,071.

In terms of repayment profiles, a representative male graduate will make approximately £38,700/€43,886 in repayments over the 30-year repayment period, whilst a representative female graduate will make repayments of £16,600/€18,824⁸⁶. However, given the income contingent structure of maintenance and fee loans in England, there is a considerable difference depending on the earnings decile of graduates. In particular, presented in Figure 4, the analysis suggests that male graduates in the lowest earnings decile, and female graduates in the bottom four graduate earnings deciles, make no loan repayments. Overall, approximately 23% of graduates never achieve sufficient earnings at any stage in the 30 years

⁸⁶ Both estimates are presented in Net Present Value terms.

post-graduation to make any loan repayments. In other words, even if the combined loan was very low (€500 for instance), almost 1 in 4 graduates would never make a repayment.

Figure 4 Total loan repayments by FT undergraduate degree graduates (NPV in 2018-19 prices), by earnings decile and gender



Source: London Economics' analysis for Universities UK (2019) ([link](#))

The profile of repayments is generally progressive (on first sight). In particular, repayments by male graduates increase steadily up until the 7th earnings decile, where the repayments made peak at £61,400/€69,637 and remain in excess of £58,400/€66,225 in present value terms for male graduates in the 8th and 9th earnings deciles. The key factor that ensures the relatively high repayments of the highest earning graduates (both male and female) and progressivity relates to the existence of a positive real interest rate. In particular, the 3% maximum real interest rate (over and above the prevailing Retail Price Index) results in the highest earning graduates accumulating additional interest (which is a function of earnings) and remaining within the loan system for considerably longer than might have occurred in the absence of real interest rates.

However, because of the accumulation of interest on an ongoing basis, the highest earning female graduates end up making greater lifetime loan repayments (£62,200/€70,535) compared to the highest earning male graduates (£58,400/€66,225).

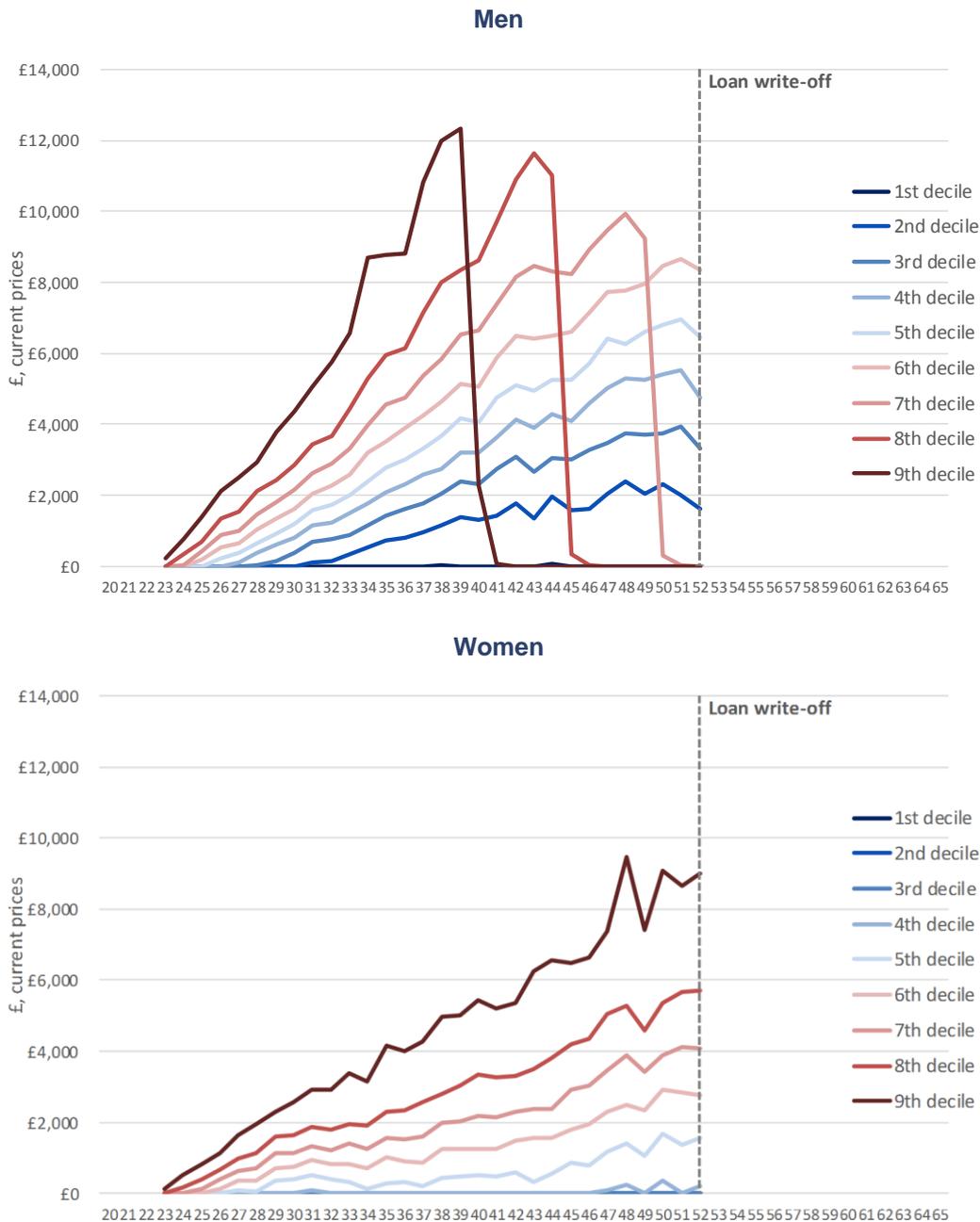
What does the graduate repayment profile look like?

Although the analysis of average lifetime repayments suggests that there is a strong element of progressivity in the loan system, the profile of repayments is informative (see Figure 5). In particular, representative male graduates in the top three earnings deciles fully repay their loans, with this outcome achieved 16 years (9th decile), 21 years (8th decile) and 26 years (7th decile) post-graduation. All other male graduates repay 9% of income in excess of £25,000/€28,350 for the entire duration of the 30 years, after which any remaining loan balance is written off. In contrast, all female graduates are expected to repay their loan for the full 30 years post-graduation.

This outcome presents one of the major criticisms of the current system of fees and funding in England. In particular, although the system appears to offer progressivity through the imposition of real interest rates, these interest rates mean that many individuals never earn a

sufficient salary to repay the interest that is being accumulated year-on-year, and never start to repay the loan principal. Taking an example, for a representative graduate completing their undergraduate qualification with £46,800/€53,071 in debt and obtaining a professional or managerial role with a (very high) starting salary of £35,000/€39,960, the accumulated interest in the first year (assuming RPI of 3.1% and real interest rate of 1.5%) would be approximately £2,153/€2,441. In contrast, the expected repayment made by the graduate would be £900/€1,020. Because the real interest rate increases with earnings, a graduate would have to achieve a starting salary in excess of approximately £52,000/€58,986 per annum to be able to start repaying the capital.

Figure 5 Annual loan repayments by full-time undergraduate degree graduates (£ in current prices, cash terms), by gender, age and decile

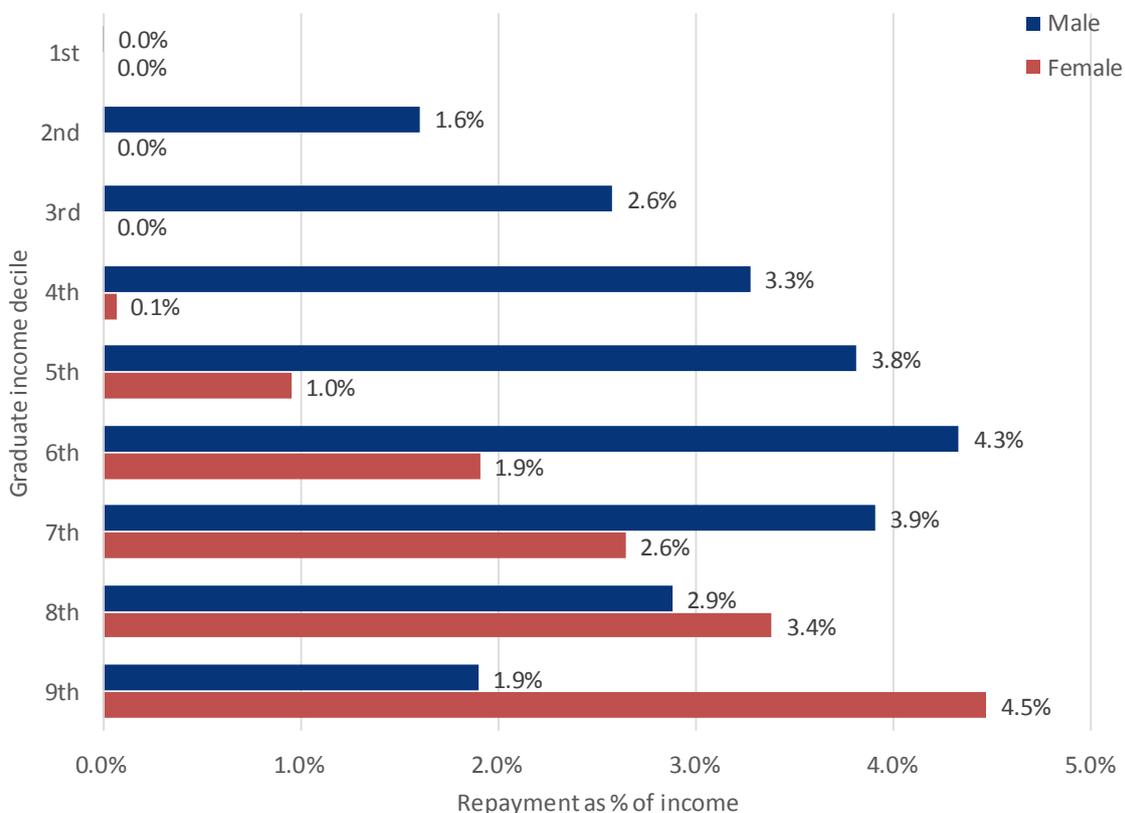


Source: London Economics' analysis for Universities UK (2019) ([link](#))

A note on perceived progressivity

The income contingent loan repayment system in England appears to be progressive, and, at any given point in time, it is. Graduates with higher earnings will repay a greater amount compared to lower earning graduates. However, because of the accumulation of interest on the outstanding loan balance, and the duration of repayment, over the working life, the system loses many of its progressive features (especially for men). Presented in Figure 6, the analysis illustrates that male graduates on the 6th decile pay approximately 4.3% of their lifetime earnings in loan repayments, compared to 1.9% of male graduates in the top earnings decile (who earn a sufficient amount to repay their entire loan balance approximately 16 years post-graduation). ‘Progressivity’ remains in respect of loan repayments for women, with the highest earners repaying a greater proportion of their graduate earnings compared to moderate and low earning female graduates; however, this is driven by the fact that all female graduates are expected to make repayments for the entire 30 year repayment period⁸⁷.

Figure 6 Loan repayments by full-time undergraduate degree graduates, as a % of income, by decile and gender



Source: London Economics' analysis for Universities UK (2019) ([link](#))

A3.2.3 The potential impact of the Augar proposals

Presented in Table 13, in aggregate and irrespective of who pays, the Augar proposals would potentially reduce the total resources allocated towards higher education by approximately £1.430bn (€1.622bn). Exchequer costs would increase by approximately £652m (€739m), whilst the contribution of students/graduates would be expected to decline by approximately

⁸⁷ A full analysis of the impact of the English loan system on graduate repayments and marginal tax rates was commissioned by the University and Colleges Union in 2017 ([link](#)); however, although the results are qualitatively similar, the repayment threshold at the time the analysis was undertaken was £21,000/€23,814, which has a very significant impact on the results.

£2.082bn (€2.361bn). Compared to the previous 48:52 balance of contribution between the Exchequer and students/graduates, under the Augar proposals, the balance of contribution would shift to 56:44. The proposals would be essentially neutral on higher education institutions as a whole.

In more detail, although the re-introduction of maintenance grants would be expected to increase Exchequer costs by approximately £1.461bn/€1.657bn, the reduction in the volume of the maintenance loans, combined with the reduction in the tuition fee loans issued as a result of the reduced fee cap would be expected to reduce the write-off costs for the Exchequer by approximately £2.633bn/€2.986bn per cohort. This results from the expected reduction in the RAB charge from 43.5% to 34.8%. Against this, the compensation of the higher education sector following the reduction in the tuition fee cap would result in additional Teaching Grant funding of approximately £1.824bn/€2.068bn. Exchequer costs would be expected to increase by approximately £652m (€739m) overall if all recommendations were implemented.

Disentangling the different elements of the main recommendations on the proportion of the loan write off, the analysis suggests that:

- Reducing the volume of tuition fee loans following the reduction in the maximum tuition fee would reduce the RAB charge by 2.7 percentage points (from 43.5% to 40.8%)
- Re-introducing maintenance grants (and reducing maintenance loans correspondingly) would further reduce the RAB charge by 1.7 percentage points to 39.1%
- The removal of interest rates during study, the reduction in the repayment threshold to £23,000/€26,082 and the extension of the repayment period to 40 years would reduce the RAB charge by 8.1 percentage points to 31.0%, and
- The introduction of a repayment cap such that cumulative loan repayments per graduate were capped at 1.2 times initial total loan outlay would increase the RAB charge by 3.8 percentage points to 34.8%

Overall, the Augar recommendations worsen the deficit during the first three years (i.e. during the study period) by approximately £0.3-0.4bn (€0.34 – €0.45bn) per annum (predominantly because of the impact of the repayment cap on expected loan write-offs), and up to £0.2bn (€0.23bn) per annum thereafter.

Students and graduates – as a whole – would be better off from the Augar recommendations, predominantly as a result of the re-introduction of the maintenance grants, but also as a result of lower loan interest to be repaid resulting from the significantly reduced expected debt on graduation (by £10,900/€12,361). However, graduates would be expected to repay a greater proportion of both the tuition fee and maintenance loans awarded by fact of the reduced repayment threshold, but also as a result of the repayment period (from 30 to 40 years).

As a whole, **higher education institutions**, if fully compensated for the reduction in tuition fee income through additional Teaching Grant funding would essentially see no change in their financial position; however, the ambiguity in respect to *how* the replacement Teaching Grant might be allocated would likely result in some institutions being significantly better off than under current arrangements, and many institutions being significantly worse off⁸⁸.

⁸⁸ One of the most challenging recommendations of the Augar Review to adequately consider relates to the potential reimbursement of higher education institutions following the loss in tuition fee income. Although there will likely be some additional Teaching Grant for Band A, B and C1 subjects, as well as other high 'priority' or high 'value' subjects, the details are unclear (especially as this resource may be allocated to support participation and/or the government's industrial strategy rather than being allocated in full to HEIs). However, it is likely that institutions with a particular focus in high cost (STEM) subjects would see a greater proportion of the lost tuition fee income reimbursed, whilst institutions with a high proportion of Arts, Humanities and Social Sciences students would be negatively impacted to a greater extent. It would seem likely that a number of institutions would be pushed into deficit as a result of the recommendations. Other things being equal, this would result in a reduction in

Table 13 Estimated resource flows between higher education institutions, Exchequer and students/graduates in 2018-19 following Augar recommendations

Stakeholder	Resource Flows and costs		
Exchequer	Baseline (£)	Augar (£)	Difference
Cost of maintenance grant	£0	(£1,461m)	(£1,461m)
Cost of maintenance loan	(£2,808m)	(£1,747m)	£1,060m
Cost of tuition fee loan	(£4,387m)	(£2,815m)	£1,573m
Cost of Teaching Grants	(£1,236m)	(£3,060m)	(£1,823m)
Total Exchequer Cost	(£8,431m)	(£9,083m)	(£652m)
RAB Charge (proportion of loan written off)	43.5%	34.8%	-8.7 pp
Higher Education Institutions	Baseline (£)	Augar (£)	Difference
Gross fee income	£10,044m	£8,144m	(£1,900m)
Teaching Grant income	£1,236m	£3,060m	£1,823m
Cost of bursary provision	(£188m)	(£78m)	£110m
Total	£11,093m	£11,126m	£33m
Students/ Graduates	Baseline (£)	Augar (£)	Difference
Maintenance Grant receipts	£0	£1,461m	£1,461m
Costs from repayment of maintenance loan	(£3,621m)	(£3,273m)	£348m
Cost from repayment of tuition fee loan	(£5,657m)	(£5,274m)	£383m
HEI bursary support	£188m	£78m	(£110m)
Total student/ graduate Cost	(£9,091m)	(£7,008m)	£2,082m
Total system costs (HEI and student support)	£17.522bn	£16.091bn	(£1,430bn)
Contribution of Exchequer	48%	56%	+8.0 pp
Contribution of Students/Graduates	52%	44%	-8.0 pp
Students/Graduates (FT degrees)	Baseline (£)	Augar (£)	Difference
Average maintenance grant (p.s.p.a.)	£0	£1,539	£1,539
Average tuition fee loan (p.s.p.a.)	£9,120	£7,396	(£1,724)
Average maintenance loan (p.s.p.a.)	£6,750	£5,360	(£1,390)
Average debt on graduation	£46,800	£35,900	(£10,900)
Average Lifetime repayments (M)	£38,700	£33,000	(£5,700)
Average Lifetime repayments (F)	£16,600	£18,100	£1,500
Proportion of students repaying entire loan	20%	10%*	-10 pp
Proportion of students never repaying any loan	23%	21%	-2 pp

(1) Reduction in the maximum fee to £7,500/€8,505 per annum alongside top-up Teaching Grant funding. (2) Re-introduction of means-tested maintenance grants, acting as a partial replacement to existing maintenance loans for the least well-off students. (3) Removal of real interest rates during study. (4) Reduction in the repayment threshold to £23,000 with corresponding reductions in the interest rate thresholds (to £23,000/€26,082 and £43,000/€48,762). (5) Cumulative loan repayments per graduate in constant prices capped at 1.2 times initial total loan outlay.

* Note in relation to the proportion of student repaying the entire loan, this has been estimated to be 10% under the Augar recommendations. This is because those individuals who are impacted by the repayment cap have technically not repaid the entire value of the loan despite having made payments of 1.2 times the initial outlay. The proportion of graduates affected by the repayment cap stands at approximately 33%.

Source: London Economics' analysis for Universities UK (2019) ([link](#)).

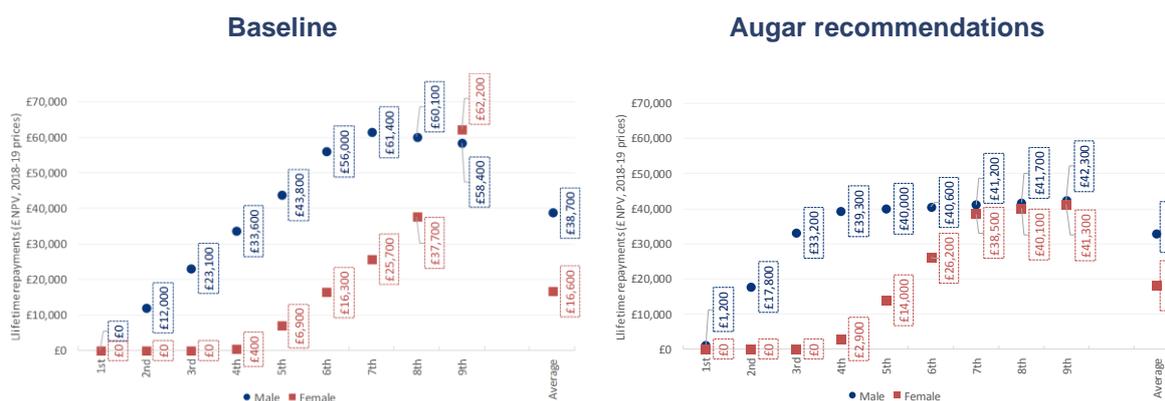
expenditure – impacting all aspects of current activity and likely leading to job losses. In terms of institutional failure, some higher education institutions in England have issued very large volumes of debt with *negative covenants*. If the core operations of these institutions are not robust (i.e. recruitment), posting ongoing deficits may result in very serious consequences (such as immediate debt repayment).

A3.2.4 Distributional and equity impacts

The key impact of the Augar Review relates to the distributional effects of the recommendations. In particular, while the impact on institutions in England will vary⁸⁹, there is also likely to be a consequential impact in other Devolved Administrations of the United Kingdom⁹⁰. Furthermore, the recommendations, if implemented, would also be likely to have a significant knock-on effect on other sectors of the economy⁹¹, as well as increasing the administrative complexity of the system⁹². However, the most informative analysis relates to the impact on students in terms of their anticipated lifetime loan repayments (see Figure 7) and Figure 8).

Compared to the existing system, the reduction in the fee level from £9,250/€10,490 to £7,500/€8,505 would be expected to have an unambiguously positive impact on the highest earning (predominantly male) graduates (see Figure 7). With the average debt on graduation reduced by £10,900/€12,361, the Augar recommendations would result in a reduction in the expected lifetime repayments for men (by £5,700/€6,464 on average for the representative male full-time undergraduate). However, for graduates in the top three earnings deciles post-graduation, the potential positive impact of the Augar recommendations reaches £20,000/€22,680, whilst for graduates in the third decile, average repayments would increase by approximately £10,000/€11,340.

Figure 7 Total loan repayments by FT undergraduate degree graduates (NPV in 2018-19 prices), by earnings decile and gender



Source: London Economics' analysis for Universities UK (2019) ([link](#))

The recommendations – in particular the reduction in the repayment threshold and the removal of real interest rates during study – would result in the highest earning graduates repaying the outstanding capital earlier – resulting in quicker repayment. This disproportionately benefits

⁸⁹ Following the increase in undergraduate fees to £9,000/€10,206 in 2012-13, there was a corresponding increase in (unregulated) postgraduate fees. With the proposed reduction in undergraduate tuition fees, it is likely that there will be some downward pressure on postgraduate fees, potentially resulting in lower fee income for higher education institutions (though this might be offset by increasing demand).

⁹⁰ Unless the funding councils in the other Devolved Administrations of the United Kingdom provide corresponding top-up teaching grant funding for English-domiciled undergraduate students (studying outside England), institutions in Scotland, Wales and Northern Ireland will also see a reduction in income by approximately £71m/€81m per cohort.

⁹¹ The main recommendation in respect to tuition fees was meant to take place in 2021/22. However, in anticipation of this, and unless an alternative approach can be adopted, there would likely be a significant dip in the numbers entering higher education in 2020/21. Planning for this dip, followed by a demographic surge, would be highly problematic for all higher education institutions.

⁹² The additional changes that were being proposed to higher education fees and funding would make an already complex system even more complex (with some changes – in particular the repayment cap - potentially incredibly difficult to implement in practice). Although the Student Loans Company would be able to manage these changes in time, it places significant additional burden on an organisation that is already facing numerous challenges in terms of its existing operations.

higher earning (predominantly male) graduates (by approximately £3,200/€3,629 per graduate).

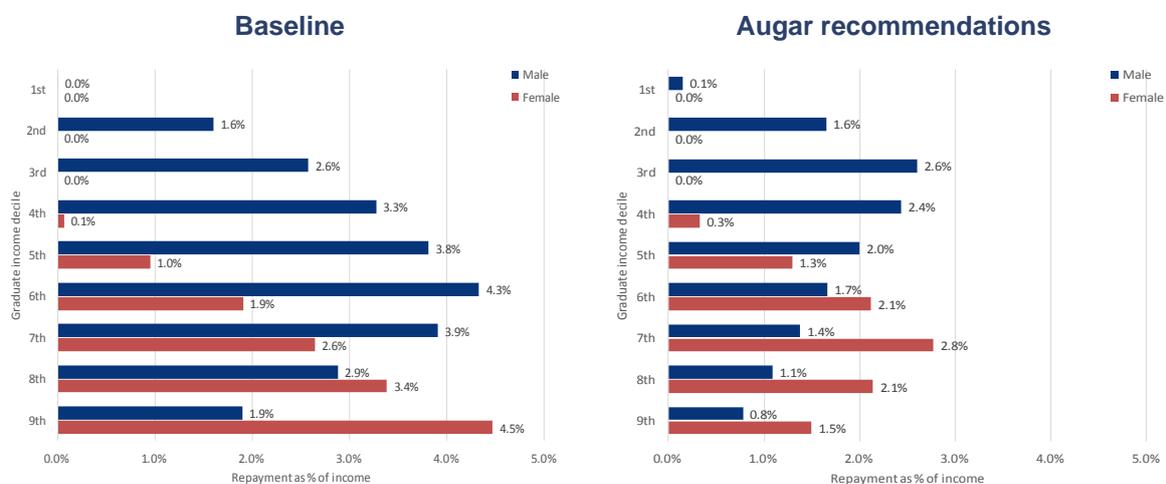
Furthermore, the extension of the repayment period has no impact on the highest earning graduates. Instead, this recommendation locks in those (predominantly female) graduates with moderate earnings who have not repaid their loan balance at the end of the 30-year period, for a further 10 years (see Figure 9). The introduction of the repayment cap has a very significant beneficial impact on higher earning male graduates (reducing lifetime repayments by an additional £2,500/€2,835).

As previously mentioned, many of the proposed recommendations will have an adverse impact on lower earning (predominantly female) graduates. Although the average debt on graduation will decline (from £46,800/€53,071 to £35,900/€40,711), expected lifetime loan repayments will increase as a result of the reduction in the loan repayment threshold to £23,000/€26,082 and the extension of the repayment period to 40 years. Excluding the impact of the repayment cap, the average lifetime repayment made by female graduates with full-time undergraduate degrees will increase by £2,800/€3,175. However, the introduction of the repayment cap will reverse some of the negative impact for the highest earning female graduates, reducing average lifetime repayments by £1,300/€1,474. Overall, under the proposed recommendations, female graduates would contribute £1,500/€1,701 more than currently the case.

In terms of the progressivity of the system under the proposed recommendations (see Figure 8), the highest earning graduates – both male and female – would see a significant reduction in the level of loan repayments as a proportion of their income. In contrast, in the bottom deciles, the opposite is the case. In particular, for a representative male (female) undergraduate degree holder on the 8th decile, compared to the current situation where loan repayments account for approximately 2.9% (3.4%) of earnings, this would be expected to decline to approximately 1.1% (2.1%). In contrast, for a representative male (female) undergraduate degree holder on the 3rd (lowest) decile, compared to the current situation where loan repayments account for approximately 2.6% (0.0%), this would be expected to decline to approximately 1.1% (2.1%). This highlights the fact that both the relative and absolute benefit is accrued by the highest earnings graduates.

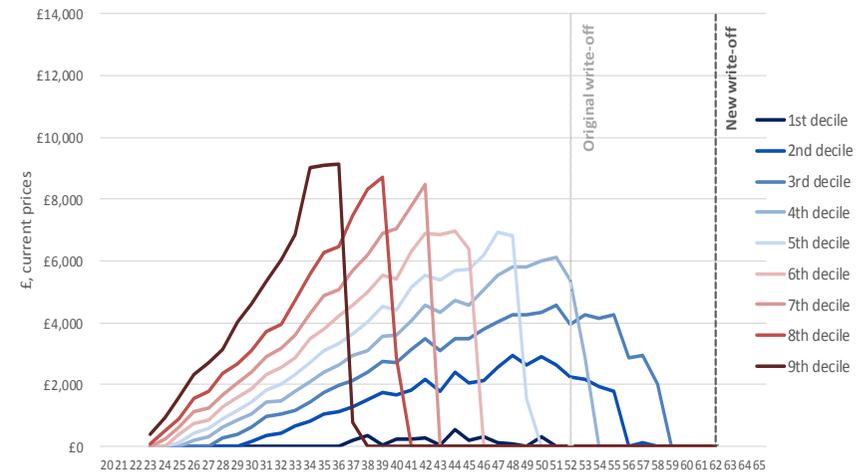
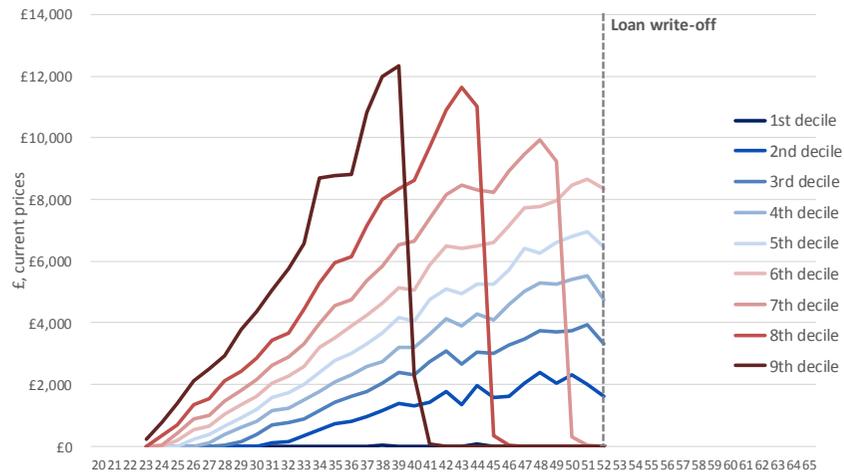
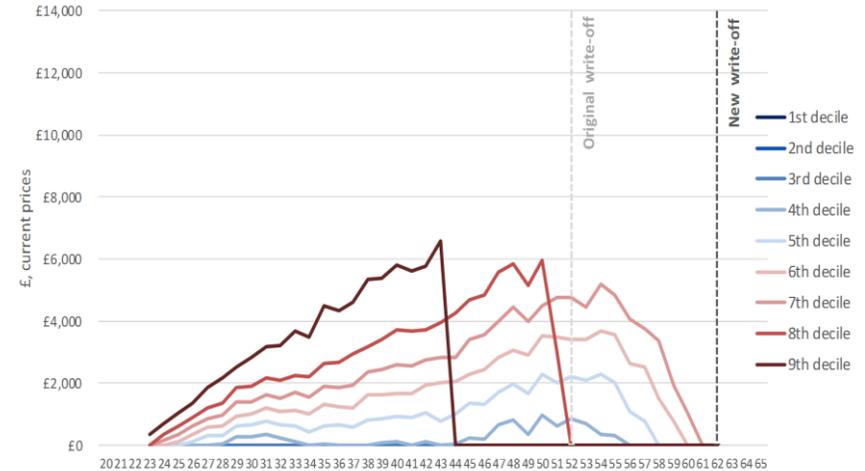
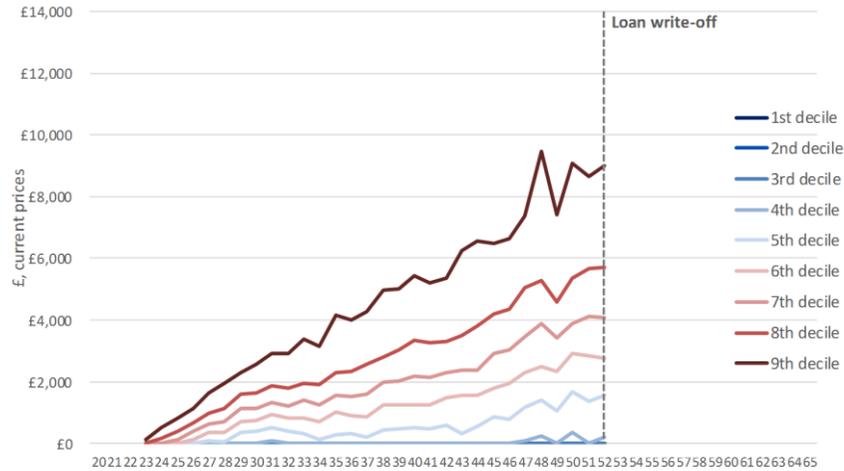
Overall, the Augar recommendations would have significant equity effects between the genders, but also significant distributional effects.

Figure 8 Loan repayments by full-time undergraduate degree graduates, as a % of income, by decile and gender



Source: London Economics' analysis for Universities UK (2019) ([link](#))

Figure 9 Annual loan repayments by full-time undergraduate degree graduates (£ in current prices, cash terms), by age and decile
Baseline (females (upper)/ males (lower))
Augar recommendations (females (upper)/ males (lower))



Source: London Economics' analysis for Universities UK (2019) ([link](#))

Annex 4 Country specific case study: Wales

A4.1 Diamond Review of Higher Education in Wales

Key findings

With a high level of interdependence with England, the many changes to higher education fees and funding arrangements in England over the last two decades have had significant consequences for Welsh higher education. Despite attempting to insulate itself against many of these changes, higher education in Wales is in a period of transition.

The Diamond Review in Wales has been acknowledged as one of the most coherent reviews of higher education fees and funding. Undertaken outside of the usual political cycle, the Review was founded on solid principles to promote the national ambition of Wales. Supported by sophisticated modelling, the Review recommended transformational policies targeted at the core failings of the existing system, which included a lack of student support and the limited parity in the treatment of full-time and part-time students. The success of the Review has been reflected in the acceptance of the Review's recommendations by the entire spectrum of key stakeholders in Wales; the Welsh Government's response by implementing the core recommendations in full; as well as the fact that key elements in relation to maintenance support have been adopted elsewhere.

Through accurate targeting of resources, the Review's recommendations managed to deliver financial savings to the Exchequer in a period of severe fiscal constraints. The fact that the recommendations were so widely accepted illustrates that it is not just the level of Exchequer resource committed to higher education that is important, but how it is allocated.

Lessons for policy makers

Faced with constrained budgets and competing needs, all policy makers face the same challenges. The Diamond Review in Wales had a **clear vision** of the desired role of higher education in supporting the national ambition; a **detailed understanding of systemic weaknesses** (i.e. insufficient targeting of financial resources to those that need support most, as well as weak part-time and postgraduate offers); as well as **comprehensive modelling**. This allowed for an alternative fees and student support system to be developed that reduced Exchequer costs, whilst promoting social mobility and improving the 'value added' of the system. In addition, despite passing additional cost onto graduates, the proposals were widely accepted by all key stakeholders, and illustrate that potentially contentious decisions can be agreed in the presence of appropriate information, evidence and communication.

Announced in February 2014, the Diamond Review of higher education in Wales was commissioned with the core remit of ensuring that any future system had **widening access** as its primary objective; was **progressive and equitable**; **supported the skills needs of Wales**; strengthened **part-time and postgraduate** provision; and ensured **long-term financial sustainability**.

With more than 2 years to report, and essentially outside of the short-term political cycle, this meant that the foundations for the Review could be formally established and agreed, resulting in a number of principles that were of core importance to the eventual recommendations. While the overall objective of the Review was to ensure the sustained success of the Welsh higher education system for all stakeholder groups - and securing national prosperity – the most important principles from the perspective of this analysis were as follows:

- Investment in higher education should be shared between government – acting on behalf of the wider society – and those who accrue a direct benefit from a university level education.
- Institutions providing higher education should be funded at a level that enables them to deliver teaching and research of the highest quality, in line with their respective strengths, specialisms, and missions.
- Funding should enhance the accessibility of higher education so that participation is not negatively impacted by an individual's economic or social background.
- Funding should support and enhance diverse modes of study, including full- and part-time study, and distance learning.
- Funding should enable and support both undergraduate and postgraduate study, whilst recognising that the mechanisms for each may differ.
- The cost of higher education (either undergraduate or postgraduate) for an individual should take into account the direct fee (which should include any course materials) plus a reasonable estimate of living expenses.
- The system should be progressive and, therefore, provide the greatest support to individuals who have the greatest need whilst maintaining an element of universality that reflects the shared investment citizens make in education as taxpayers.
- The fees and funding regime should be as simple and transparent as possible to applicants and students, and straightforward to administer for institutions and other relevant agencies.
- The funding system should be sustainable in the wider economic context and student markets that go beyond Wales.

Importantly, the particular context of Wales within the United Kingdom was one of the central factors in determining the recommendations. In particular, although England and Wales were free to determine the operation of their own higher education systems, the interlinking nature of the two systems had significant consequences. These interdependencies⁹³ meant that decisions taken – particularly in respect of the English higher education system – were recognised to have significant consequences in Wales in both the short run and longer term. As such, the Review had to consider both the impact on the higher education sector in Wales – but also manage the potential impact of external policy making on this highly mobile group of (predominantly) young people.

A4.1.1 Diamond Review proposals

The Diamond Review proposals were ground-breaking – both in terms of their reach – but also in respect of the fact that they were essentially all implemented as a single package of reforms by the Welsh Government.

A4.1.2 Recommendations for undergraduate students

The main proposals for full-time undergraduates were as follows:

- Universities should (continue to) be able to charge students an annual fee of up to £9,000/€10,206....; however, the tuition fee grant should be replaced with an additional student loan, up to the maximum fee level. Loan repayments should

⁹³ For example, there is a significant inflow of students from the rest of the United Kingdom (especially England), and similarly, a very significant parallel outflow of Welsh-domiciled students to the rest of the United Kingdom (again England). There were 24,105 Welsh-domiciled enrolments at UK HE institutions outside Wales (mostly in full-time education), and 32,739 enrolments at Welsh HE institutions from students normally resident elsewhere in the UK (again, mainly in full-time education). To place this in context, in 2014-15, there were approximately 39,000 Welsh domiciled students studying in Welsh HE institutions.

continue on the same terms as in the rest of the United Kingdom (9% on income in excess of £21,000/€23,814)⁹⁴.

- A £1,000/€1,134 non-means-tested universal maintenance grant should be available to all Welsh domiciled students.
- Maintenance loans should be available for those not eligible for the additional means-tested maintenance grant.
- The maximum level of the maintenance grant and/or loan support, for a student living away from home outside London, should be equivalent to the National Living Wage – based on 37.5 hours per week over a 30-week period (currently £8,100/€9,185).
- The upper eligibility level/household income threshold for the means-tested element of the grant should be increased from £50,020/€56,722 to just below the top rate of tax for a two-income household.
- The maintenance loan should be non-means-tested for students from higher income households receiving a grant less than the maximum. The amount of loan available should be equal to the maximum grant, less any means-tested grant.
- Maintenance support should be paid to students on a monthly basis, to enable more efficient financial planning and budgeting

Rather than being an afterthought, the recommendations for **part-time study** were equally far-reaching. Essentially, although part-time students might not be treated exactly equivalently to full-time students, they should be treated comparably. Furthermore, one of the reasons for the decline in part-time study (apart from the general economic downturn) was the ineligibility of part-time students to access student support if they had previously undertaken a qualification at a higher or equivalent level. Given the skills shortages in the Welsh economy, and the need for re-skilling to reflect the national ambition, this previous 'ELQ' policy restriction was recommended to be removed. Both of these policies were as important and influential as the financial settlement made towards part-time students.

A4.1.3 Recommendations for postgraduate students

In relation to postgraduate study, the core recommendations were as follows:

- Postgraduate students should receive the same level of maintenance and tuition fee support as undergraduate students (i.e. a tuition fee loan up to the current £9,000/€10,206 maximum; a non-means-tested maintenance grant; and a means-tested grant or non-means-tested loan)
- The maximum tuition fee loan available to a Welsh student studying outside of Wales should not exceed that required in Wales.
- HEIs in Wales continue to set their own fee levels for postgraduate taught provision. However, a maximum fee support level should be agreed via the Higher Education Funding Council for Wales (HEFCW) for Welsh students for funding/fee loan purposes (up to the current maximum of £9,000/€10,206)

A4.1.4 Levels of maintenance support and simplification

Figure 10 presents the level of support available to full-time and part-time students under the existing (previous) system and following the Diamond recommendations.

⁹⁴ Note that in relation to the partial loan cancellation, some thought was given as to whether it would be possible to provide this option only to Welsh-domiciled students who subsequently were employed/resident in Wales. This reflected the perception that incentives needed to be aligned between graduates and the Exchequer to promote the retention of graduate talent in Wales, and benefit the wider economy.

The first point to note that in respect to the principle that “the fees and funding regime should be as simple and transparent as possible to applicants and students”, the recommendations were substantially more straightforward than the previous system. Although the maximum level of funding available declined marginally (for individuals from less well-off backgrounds), the flat rate tuition fee loan, combined with the level of maintenance (made up through a combination of loans and grants depending on household income) removed many of the complexities of the system. In particular, the ‘double taper’ that used to exist in relation to maintenance loans was removed.

As a result of the approach adopted in respect of part-time students to treat them in a similar way to full-time students, the level of resource available increased significantly – across the entire household earnings distribution.

A4.1.5 Response from the Welsh Government

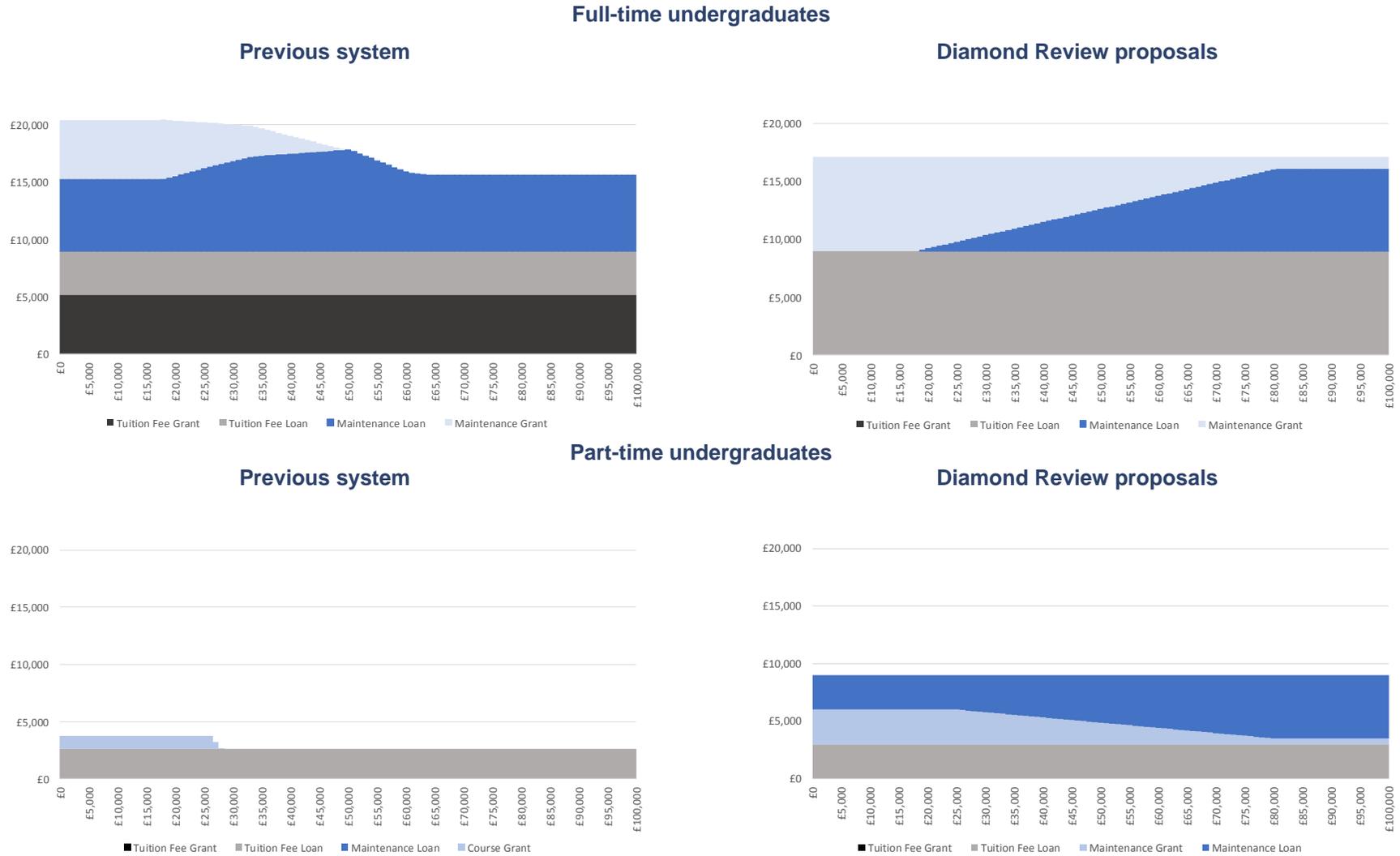
The response of the Welsh Government is instructive. In terms of the main recommendations relating to full-time students, all were immediately accepted, or accepted in principle. The only recommendation that was not accepted in its entirety related to the eligibility for maintenance grants. Whereas the Review recommended that some additional means-tested maintenance grant support should be available up to the 9th household income decile (approximately £81,000/€91,854), the Welsh government considered that eligibility ceasing at the 8th decile (£59,200/€67,132) would be more prudent. In relation to part-time students, although the improved support proposals were accepted, the recommendation to extend eligibility to part-time undergraduates undertaking equivalent or lower level qualification (ELQ) was delayed until 2021.

Overall, the Diamond Review is one of the few re-alignments of higher education fees and funding that has been considered a success. There were a number of reasons for this, including having sufficient time and modelling capability to properly assess the potential impact of proposals in a consistent manner. Additionally, the realisation that the availability of targeted maintenance support (assuming some form of fee support) is critical to student success – both for the least well-off students, but also students in the ‘squeezed middle’ – was a key determinant of the Review’s success. Furthermore, treating part-time students as being comparable to full-time students from the start, rather than as an afterthought, was crucial.

The success of the Review and its recommendations is reflected in the fact that the proposals:

- Managed to deliver financial savings to the Exchequer in a period of severe fiscal constraints;
- Were widely accepted by the people of Wales as delivering towards the national ambition for higher education;
- Were implemented (on the whole) by a coalition government;
- Have resulted in a reversal in some key trends (the deterioration in part-time and postgraduate participation); and
- Have been used as a template for subsequent higher education reviews (i.e. in determining the minimum level of maintenance support).

Figure 10 Maintenance and fee support per student per year for full-time and part-time undergraduates in Wales in 2015-16, by students' household income band - Previous system vs. Diamond proposals



Source: London Economics' analysis as part of the Diamond Review in Wales

A4.2 Costs of implementing the Diamond Review proposals in Wales

A4.2.1 Baseline costs associated with full-time undergraduate Welsh-domiciled students in 2015-16

As a result of the devolved nature of education policy in the United Kingdom, at the time of the Review, there were very significant differences between Wales and England following the Browne Review in 2010, and the subsequent implementation of the proposals for undergraduate students commencing their studies in 2012-13.

For English-domiciled full-time undergraduates, since 2012-13, tuition fees had been capped at £9,000/€10,206 and were backed by income contingent loans. However, in Wales, there had been an important divergence from the proposals implemented in England. At the time of the Diamond Review, the basic student support package from Student Finance Wales for a new full-time Welsh-domiciled undergraduate student starting in 2015-16 included:

- A capped tuition fee of £9,000/€10,206 per annum.
- A non means-tested tuition fee loan of up to £3,810/€4,321 (for study at publicly funded institutions).
- A non means-tested Tuition Fee Grant to cover the difference between the maximum tuition fee loan and the tuition fee actually charged by the higher education institution (up to a maximum of £5,190/€5,885). This Tuition Fee Grant was available to all Welsh-domiciled students *irrespective* of where they were in the United Kingdom.⁹⁵

Essentially, following the increase in tuition fees in England, although fees were raised in parallel in Welsh higher education institutions, only students originating from elsewhere in the United Kingdom faced the full impact. All Welsh-domiciled students were insulated against the fee rise that occurred in 2012-13 through the non-means-tested Tuition Fee Grant.

In terms of maintenance, for full-time Welsh-domiciled students, this included:

- A means-tested Welsh Government Learning Grant (maintenance grant) of up to £5,161/€5,853 depending on household income. The annual household income threshold for receiving a full Welsh Government Learning (maintenance) grant in 2015/16 was £18,370/€20,832 or less. A partial grant was available for household incomes between £18,370/€20,832 and £50,020/€56,723⁹⁶;
- A means-tested maintenance loan (up to £4,162/€4,720 if living at home, £5,376/€6,096 if living away from home, and up to £7,532/€8,541 if studying in London)^{97 98}; and
- Particular to Wales, a partial cancellation of maintenance loan of up to £1,500/€1,701 on first repayment.

⁹⁵ Note that there were many (early) key discussions about whether to treat Welsh-domiciled students differently depending on where they studied. There was a belief that funding students undertaking higher education outside of Wales was a simple loss of resource and of no benefit to Welsh higher education institutions. However, given the close relationship between England and Wales and the high levels of mobility between the Devolved Administrations, limiting the funding to some Welsh-domiciled students was considered to limit the opportunities available to young people from Wales. It was eventually decided to treat all Welsh-domiciled students identically irrespective of study location. However, one of the final recommendations of the Review did suggest that the partial loan cancellation might only be available to graduates who remain or return to Wales following completion of their studies.

⁹⁶ The maintenance grants available in Wales were substantially more generous than in England. The maximum maintenance grant available was greater in Wales in absolute terms, but also, even at the threshold where the maximum grant was available in England (£25,000/€28,350), the level of maintenance support in Wales (c £4,140/€4,695) exceeded what was available in England (£3,387/€3,841). Furthermore, maintenance support for English-domiciled students was unavailable for household incomes in excess of £42,620/€48,331 (compared to £50,020/€56,723 in Wales).

⁹⁷ Up to £6,410/€7,269 if studying overseas (as part of their UK based course).

⁹⁸ The earnings threshold above which student loan repayments, for tuition fee loans and maintenance loans, become payable stood at £21,000/€23,814.

For part-time Welsh domiciled students, the basic student support package from Student Finance Wales for a new part-time student (based on minimum course intensity of 25%) in 2015-16 included:

- A non-means-tested tuition fee loan of up to £2,625/€2,977 (in Wales⁹⁹) or £6,750/€7,655 (outside Wales¹⁰⁰); and
- A means-tested course grant of up to £1,155/€1,310 depending on household income. The annual household income threshold for receiving the maximum course grant of £1,155/€1,310 in 2015/16 was £26,095/€29,592. A partial course grant was available where household income was between £26,095/€29,592 and £28,180/€31,956.

Presented in Figure 11, and in some respects similar to Ireland, the analysis of eligibility illustrates the stark difference in the treatment of full-time and part-time undergraduates in terms of fees and maintenance funding support; the interplay between maintenance grants and loans (for full-time students); as well as the extent to which students from less well-off backgrounds receive additional support compared to better off peers. However, especially with respect to full-time students, the complexity of the maintenance loan system (and in particular the relationship with the maintenance grant) was one of the student support features that required addressing.

Combining the various direct payments to higher education institutions and student support elements, the total costs incurred by the Exchequer was estimated to be £1,630.0m/€1,848.8m per cohort (see Table 14).

In terms of how the different elements of the fees and funding arrangements combined, using information from the Diamond Review, the analysis indicates that the Tuition Fee Grant associated with full-time undergraduates accounted for approximately £945.0m/€1,071m¹⁰¹, which was equivalent to 58% of total Exchequer expenditure on higher education. Maintenance grants accounted for £440.0m/€453.6m or 27% of total expenditure (£2,541/€2,881 on average). In respect of income contingent tuition fee and maintenance loans, the total volume of loans issued across the two categories was estimated to be approximately £687.5m/€780m and £594m/€673m respectively¹⁰². Given the estimate of the proportion of the loans that are written off standing at 9.6%, the total economic cost of tuition fee loans was estimated to be £66.0m/€74.8m (4%), whilst £57.0m/€64.6m was incurred in relation to maintenance loans (3%). In addition to these loan costs, the specific cost associated with the partial loan cancellation of maintenance loans was £76m/€86.2m (5%). Finally, Teaching Grant funding paid directly to higher education institutions amounted to £46.0/€52.2m (3%).

The costs incurred by students/graduates associated with the proportion of the maintenance and fee loans repaid (incorporating £76.0/€86.2m of maintenance loan cancellation), and the benefit associated with the receipt of maintenance grants was estimated to be £642.0m/€728m per cohort.

In aggregate, the Exchequer contributed approximately 72% of the costs associated with higher education participation amongst full-time undergraduate students, whilst students/graduates contributed approximately 28%.

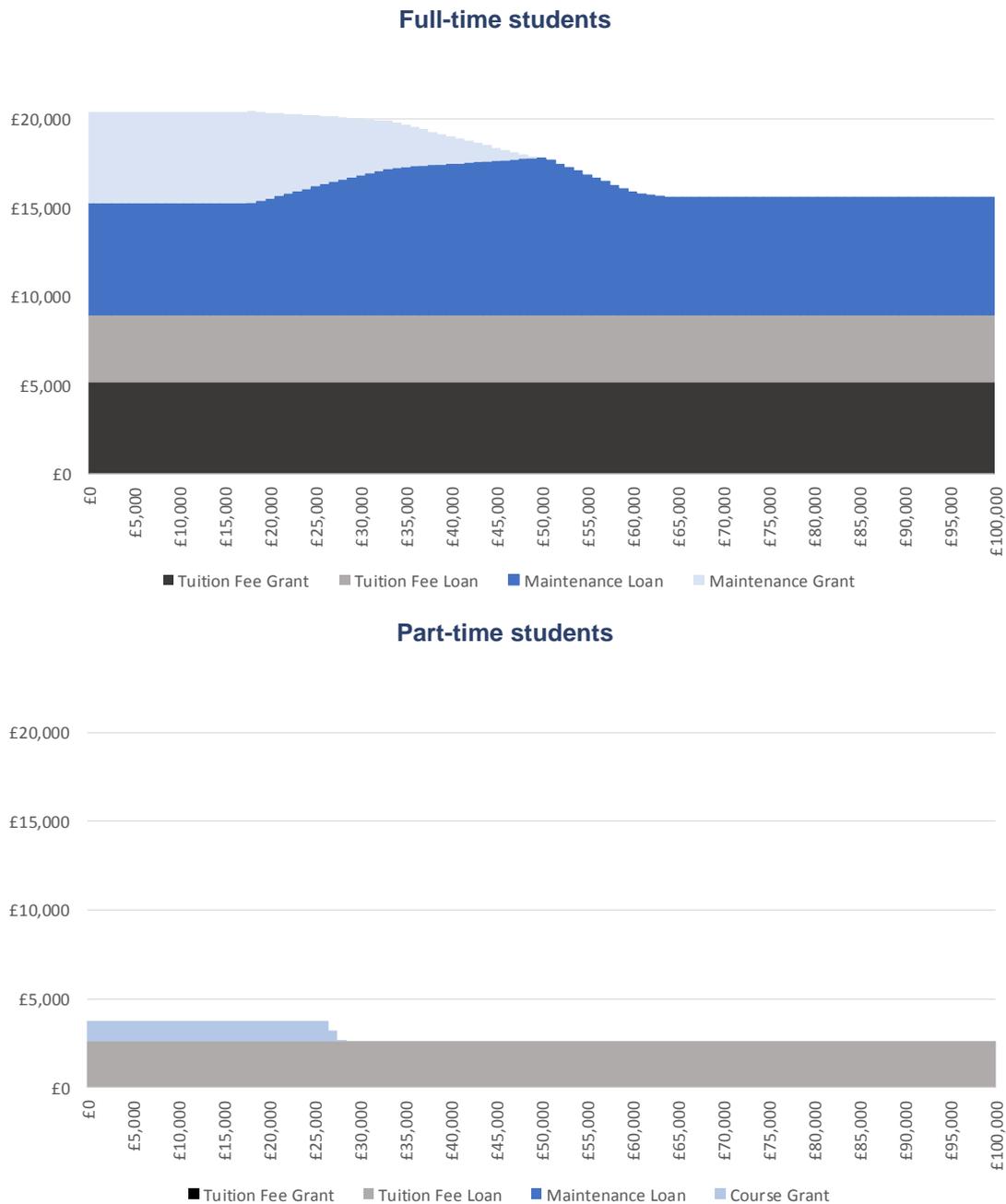
⁹⁹ If studying at a publicly funded Welsh university or college or private institution in Wales.

¹⁰⁰ A non-means-tested loan of £4,500/€5,103 was also available if studying at a privately funded university outside Wales.

¹⁰¹ Note that the estimates presented here relate to the cohort of Welsh-domiciled starters and EU-domiciled students commencing their studies in Welsh higher education institutions in 2014-15.

¹⁰² £3,454/€3,917 and £3,810/€4,321 for tuition fee and maintenance loans on average.

Figure 11 Maintenance and fee support for full-time and part-time undergraduates in Wales in 2015-16



Source: London Economics' analysis as part of the Diamond Review in Wales

Of particular note, the Tuition Fee Grant (presented in Figure 11) was the element of the student support arrangements in Wales that drew some of the most significant attention from panel members. This was in large part because of the fact that it was non-means-tested (and as a consequence, associated with relatively high costs). Essentially, it was felt that this component of funding arrangements was not targeted appropriately; was associated with very significant **deadweight loss**; and was not meeting Welsh higher education policy objectives relating to widening access (in respect of full-time, part-time and postgraduate education). Furthermore, given the evidence provided by stakeholders (in particular students'

representatives¹⁰³) indicating that the key determinant causing young people not to complete their qualification was related to financial pressures, there was significant appetite to rebalance funding arrangements away from non-means-tested tuition fee grants and towards means-tested maintenance funding.

Table 14 Resource flows between higher education institutions, Exchequer and full-time undergraduate students/graduates in Wales (2015-16)

Full time undergraduate students	Resource Flow	
	£	€
Exchequer		
Cost of Tuition Fee Grant	(945.0)	(1,071.6)
Cost of Maintenance Grant	(440.0)	(499.0)
Cost of Maintenance loan ¹⁰⁴	(57.0)	(64.6)
Cost of Tuition fee loan	(66.0)	(74.8)
Cost of Maintenance loan cancellation	(76.0)	(86.2)
Cost of Teaching Grants	(46.0)	(52.2)
Total Exchequer Cost	(1,630.0)	(1,848.4)
Students/ Graduates		
Costs from repayment of maintenance loan	(537.0)	(609.0)
Cost from repayment of tuition fee loan	(614.0)	(705.3)
Benefit of Maintenance loan cancellation	76.0	86.2
Benefits associated with maintenance grant	440.0	499.0
Total student/ graduate Cost	(642.0)	(728.0)
Total system costs (HEI and student support)	£2.272bn	€2.577bn
Contribution of Exchequer		72%
Contribution of Students/Graduates		28%

Notes: (1) Based on 2014-15 cohort of first-year Welsh-domiciled full-time and part-time undergraduate students (including first degrees and other undergraduate qualifications below first-degree level) studying anywhere in the UK, and EU-domiciled students studying in Wales. Student support arrangements for 2015-16.

Source: *London Economics' analysis for Diamond Review of Higher Education in Wales* ([link](#))

A4.2.2 Costs of implementing Diamond Review proposals

As previously mentioned, one of the most controversial elements of the proposals related to the replacement of the non-means-tested Tuition Fee Grant (with tuition fee loans) and the use of the resources saved (approximately £945.0m/€1,072.0m per cohort) to fund very generous maintenance loans (costing an additional £519.0m/€589.0m per cohort of full-time undergraduates). The other main cost implication related to the increased costs associated with tuition fee loans (which increased by £135.0m/€153.0m). Overall, the cost of institutional and student support for full-time students **declined** by approximately £260m/€295m per cohort (see Table 15). Despite the fact that the proportion of the costs borne by students/graduates increased from 28% of total costs to 34%, the fact that the proposals relating to full-time students were so widely accepted illustrates that it is not just the level of Exchequer resource committed to higher education that is important, but how it is allocated.

¹⁰³ National Union of Students Wales (2014), *Pound in Your Pocket: Wales 2014* ([link](#))

¹⁰⁴ RAB Charge (proportion of loan written off) for full-time undergraduates was estimated to be 9.6%.

Table 15 Resource flows between higher education institutions, Exchequer and full-time undergraduate students/graduates in Wales (2015-16)

Stakeholder	Resource Flow		
	£m	£m	£m
Exchequer	Baseline	Diamond proposals	Difference
Full time undergraduate students			
Cost of Tuition Fee Grant	(945.0)	-	945.0
Cost of Maintenance Grant	(440.0)	(960.0)	(519.0)
Cost of Maintenance loan ¹⁰⁵	(57.0)	(51.0)	6.0
Cost of Tuition fee loan	(66.0)	(201.0)	(135.0)
Partial loan cancellation	(76.0)	(74.0)	2.0
Cost of Teaching Grants	(46.0)	(84.0)	(38.0)
Total Exchequer Cost	(1,630.0)	(1,370)	260.0
Students/ Graduates			
Repayment of maintenance loan	(537.0)	(364.0)	173.0
Repayment of tuition fee loan	(622.0)	(1,433.0)	(812.0)
Maintenance loan cancellation	76.0	74.0	(2.0)
Maintenance grant	440.0	960.0	520.0
Total student/ graduate Cost	(642.0)	(763.0)	(119.0)
Total system costs	£2.272bn	£2,133bn	(139.0)
Contribution of Exchequer	72%	64%	(8.0 pp)
Contribution of Students/Graduates	28%	36%	8.0 pp

Notes: (1) Based on 2014-15 cohort of first-year Welsh-domiciled full-time undergraduate students (including first degrees and other undergraduate qualifications below first-degree level) studying anywhere in the UK, and EU-domiciled students studying in Wales. Student support arrangements for 2015-16.

Source: London Economics' analysis for Diamond Review of Higher Education in Wales ([link](#))

With respect to part-time students (see Table 16), the proposals did result in increased costs for the Exchequer. Although the higher maintenance and fee loans were essentially cost neutral, the main cost implication related to the substantially increased costs associated with maintenance grants (£124.0m/€141.0m), though this was in part offset by reduced Teaching Grant funding. Overall, the cost of institutional and student support for part-time students **increased** by approximately £78m/€88m per cohort. The proportion of the costs borne by students/graduates declined from 63% of total costs to 29%, broadly in line with the proportion of costs incurred by full-time undergraduate students.

Although not presented in detail, the additional Exchequer costs associated with the recommendations for postgraduate students totalled £25.0m/€28.4m.

¹⁰⁵ RAB Charge (proportion of loan written off) for full-time undergraduates under the baseline scenario was estimated to be 9.7% compared to 12.9% under the Diamond proposals.

Table 16 Resource flows between higher education institutions, Exchequer and part-time undergraduate students/graduates in Wales (2015-16)

Stakeholder	Resource Flow		
	£m	£m	£m
Exchequer			
Part-time undergraduate student	Baseline	Diamond proposals	Difference
Cost of Maintenance Grant	(16.0)	(124.0)	(108.0)
Cost of Maintenance loan ¹⁰⁶	-	6.0	(6m.0)
Cost of Tuition fee loan	38.0	29.0	9.0
Cost of Teaching Grants	(94.0)	(61.0)	33.0
Total Exchequer Cost	(72.0)	(150.0)	(78m)
Students/ Graduates			
Repayment of maintenance loan	-	(33m)	(33m)
Repayment of tuition fee loan	(137m)	(162m)	(25m)
Maintenance loan cancellation	-	-	-
Maintenance grant	16m	124m	108m
Total student/ graduate Cost	(121m)	(61m)	60m
Total system costs	193.0	211.0	18.0
Contribution of Exchequer	37%	71%	34 p.p.
Contribution of Students/ Graduates	63%	29%	(34 p.p.)

Notes: (1) Based on 2014-15 cohort of first-year Welsh-domiciled part-time undergraduate students (including first degrees and other undergraduate qualifications below first-degree level) studying anywhere in the UK, and EU-domiciled students studying in Wales. Student support arrangements for 2015-16.

Source: London Economics' analysis for Diamond Review of Higher Education in Wales ([link](#))

¹⁰⁶ RAB Charge (proportion of loan written off) for part-time undergraduates under the baseline scenario was estimated to be -27.8% and -17.8% under the Diamond recommendations implying that both under the baseline and Diamond recommendations, the Exchequer generated a financial surplus on part-time student loans (driven predominantly by the fact that part-time students are more likely to be in employment and making repayments compared to full-time students (as well as the fact that loan volumes are significantly lower)).

Annex 5 Country specific case study: Scotland

Key findings

Since the formation of the first Scottish Government in 1999, higher education fees and funding policy in Scotland has followed an entirely different path from the rest of the United Kingdom. Scotland was the first jurisdiction in the United Kingdom to abolish up-front tuition fees, and also the first jurisdiction to introduce deferred tuition fees repaid through income contingent loans. However, the abolition of the 'Graduate Endowment' in 2008, and the reversion to a predominantly state-funded higher education system, has placed the higher education sector under significant financial strain. In particular, with no domestic undergraduate student tuition fee income to speak of, Scottish higher education institutions have experienced a real-terms decline in funding of 18% since 2008. There is a significant funding gap between Scottish institutions and their English counterparts.

In consequence, there has been a decline in the number of students over the period, and in respect of the financial health of institutions, there is a high degree of variability. In particular, although the sector as a whole is operating in surplus, half of Scottish higher education institutions are operating with significant deficits.

The higher education fees and funding system is heavily influenced by political decision making. There appear to have been a number of decisions made in Scotland relating to tuition fees and student support that have been based not on economic arguments, but, rather, on political considerations. With unknown consequences, a number of these decisions have added to the financial uncertainty across the sector.

Lessons for policy makers

In many respects, politicians in Scotland have focused almost exclusively on a particularly narrow component of higher education funding. As a result, the overwhelming focus on ensuring 'free tuition' for full-time undergraduate students has resulted in Scottish higher education institutions being relatively underfunded. In addition, there is relatively limited fee support available to part-time and postgraduate students, and the level of maintenance support at both undergraduate and postgraduate level is inadequate.

A5.1 Cubie Review

Following the first Scottish parliamentary elections in May 1999, responsibility for higher education policy now sat with the Scottish Executive for the first time. The Coalition government's first principle stated that:

"Education will be our highest priority, with the stated intention of earning a world class reputation for the Scottish education system."

In particular, in relation to higher education fees and funding, the *Programme for Government* document stated that:

"[] a resolution of the Parliament should call on the Executive to establish urgently a Committee of Inquiry on the issue of tuition fees and financial support for those participating, part-time or full-time, in further and higher education".

Following this explicit commitment, the Cubie Review Committee was formed, and reported just 6 months later, in December 1999¹⁰⁷. The Cubie Committee concluded that a 'mixed

¹⁰⁷ The Independent Committee of Inquiry into Student Finance (1999), *Student Finance: Fairness for the Future* (no link)

economy' of tuition fee arrangements for higher education should be maintained (reflecting the balance of economic benefits associated with higher education qualification attainment).

A5.1.1 Cubie Review recommendations

The Cubie Review's core recommendations relating to higher education fees were as follows:

- Tuition fees for full-time undergraduate courses should be abolished for Scottish domiciled students (from 2001-02), with the anticipated shortfall (£42m/€47.6m per annum) in funding to higher education institutions made up by the Scottish Executive.
- A Scottish Graduate Endowment should be established by October 2001, with a total contribution of £3,075/€3,487 through a loan taken out on qualification completion. The Graduate Endowment would be payable (at 2%¹⁰⁸ of total income) once a graduate's income exceeded £25,000/ €28,350.

In addition, in relation to student support, the recommendations included:

- An increase in the maintenance loan support available for full-time students;
- A Wider Access Bursary Scheme to be developed to target non-repayable support to particularly disadvantaged students in higher education, paid through the Graduate Endowment fund;
- A flexible support package for part-time and postgraduate students; and
- A realignment of the threshold at which parental contributions towards the costs of higher education are expected, and removal of the limit on parental contributions from better off parents and spouses.

From the perspective of the Scottish Government, the additional (annual) costs associated with the proposals were estimated to be £46m/€52.2m (from a base of £353m/€400.3m).

A5.1.2 Scottish Executive proposals and stakeholder response

Presented in January 2000, the Scottish Executive's proposals in response to the Cubie recommendations were as follows:

- Tuition fees for full-time undergraduate courses would be abolished (for students commencing their studies in 2000-01 (i.e. a year ahead of the Cubie recommendations)).
- A Graduate Endowment scheme would be established as part of the existing student loan scheme, with a total contribution for successful full-time undergraduates of £2,000/€2,268 (index linked for successive cohorts) payable on graduation (in April 2005) once a graduate's income exceeded £10,000/€11,340 (index linked).
- In terms of eligibility, the proposals in respect of the Graduate Endowment would not extend to Scottish-domiciled students studying outside of Scotland¹⁰⁹.

With respect to student support:

- Access bursaries would be re-introduced for poorer students and students from disadvantaged backgrounds, of up to £2,000/€2,268 a year (from 2001-02), funded through the Graduate Endowment scheme.

¹⁰⁸ Note that, as far as we are aware, there is no mention in the Cubie Report in respect of the rate of contribution to the Graduate Endowment. The reference to '2% of total income' is only available in secondary sources ([link](#)).

¹⁰⁹ EU-domiciled students also saw full-time undergraduate tuition fees scrapped, and were also expected to contribute to the Graduate Endowment fund on reaching the Statutory Repayment Due Date.

- An extra £500/€567 would be targeted to those students whose parental income is less than £15,000/€17,010 a year.
- Mature students would have access bursaries on top of their existing loan entitlement

Overall, in addition to the decision to abolish up-front fees a year ahead of the Cubie recommendations, there was considerable divergence between the recommendations and the proposals eventually implemented. In particular, rather than implementing a £3,075/€3,487 income contingent loan for tuition fees, the Scottish Executive proposed a considerably lower notional fee (of £2,000/€2,268). However, in terms of the loan's repayment terms, the Scottish Government's proposals were significantly stricter than the Cubie recommendations. In particular, the decision to align repayment terms to those associated with maintenance loans resulted in significantly greater repayments for graduates.¹¹⁰

Despite the fact that the headline fee proposed by the Scottish Executive was less than that proposed in the Cubie Report, the proposals drew a hostile response from student organisations, in part due to the belief that the proposals ran contrary to the spirit of the original recommendations being made.

A5.1.3 Political capture

The decision to propose a lower notional fee than the initial recommendations, and essentially load on the student contribution post-graduation, again illustrated the fine balance between political and economic decision making in the higher education arena. On the political front, the need to 'sell' the proposals to the electorate, combined with the potential complexity of the fees and funding system, resulted in economically sub-optimal decisions being taken.

Often, the changes implemented have related to elements of the fees and funding system where the potential impact is not necessarily obvious. In particular, as it may not be possible to quickly change the headline fee (for instance because of legislative requirements), often a decision has been made to target background elements such as the repayment rate, repayment threshold or the interest rate charged during study. However, there is often little understanding of the consequences of these decisions (especially in terms of equity). This element of 'political capture' is one of the most harmful features of the income contingent loan repayment system in England, and more generally leads to a patchwork of almost irreversible policy decisions in respect of higher education fees and student support.

A5.2 Abolition of the Graduate Endowment

Following the Scottish Executive elections in 2007, the Scottish Parliament voted narrowly in favour to abolish the Graduate Endowment. Costing approximately £17m/€19.2m, critics of the Graduate Endowment argued that the resources could be better spent or targeted on widening access (rather than subsidising loan write-offs). Since then, there have been no higher education fees levied on (full-time undergraduate) Scottish-domiciled students studying in Scotland (only), or EU-domiciled students undertaking higher education in Scottish higher education institutions; however, Welsh, English and Northern Irish domiciled students are charged up to the maximum permissible fee (£9,250/€10,489).

¹¹⁰ For example, under the Cubie recommendations, a graduate earning £20,000/€22,680 per annum would make no repayments, whereas under the proposals eventually implemented, a graduate would have been expected to make £900/€1,021 in repayments.

A5.3 Gadhia Review

Announced in December 2016 as part of the re-elected Scottish government's *A Plan for Scotland*¹¹¹, the Gadhia Review's overall remit was to assess the effectiveness of the current system of student support for all students engaged in further and higher education in Scotland, and to make recommendations for beneficial change. However, importantly, the remit also asked that the Review group acknowledge the constraints on public funding and make connections with relevant policy development in other areas (e.g. the expansion of child-care provision).

Focusing entirely on student support – and not on tuition fees – the main recommendations of the Review were:

- Entitlement to a Minimum Student Income of £8,100/€9,185¹¹² in both further and higher education, delivered through a mix of bursaries and student loans, with means-testing of bursaries to target support for those from the poorest backgrounds¹¹³; and
- Enhancement of the student loan terms, including:
 - Repayment threshold being increased to £22,000/€24,948;
 - Write-off period for student loans being shortened from 35 to 30 years; and
 - Low interest rates continuing (lowest of RPI or 1% above Bank of England base rate).

In terms of the response from the Scottish Government, it was agreed to provide the Minimum Student Income of £8,100/€9,185 (though this has not yet been implemented, and is only expected to be implemented for some groups of students by the end of the parliamentary term). In terms of loan repayments, potentially again reflecting the *political capture* of higher education fees and funding (see Annex A5.1.3), the Scottish Government has proposed to increase the repayment threshold to £25,000/€28,350 (instead of £22,000/€24,948) by April 2021. Furthermore, the period of repayment was reduced from 35 to 30 years in 2018. Although there are no detailed costings provided by the Scottish Government in relation to raising the repayment threshold, given the experience in England in 2017, it is likely to be very significant, and limit the scope for the changes proposed in relation to wider student support. In other words, graduates have been specifically favoured over students.

A5.4 University finances in Scotland

Funding of Scottish universities – a sector in deficit

Although the abolition of the Graduate Endowment should not have had severe consequences for the Scottish higher education sector (because it was technically being used to fund access and widening participation activities), the fact that this resource was not ring-fenced continued the ongoing underfunding of Scottish higher education institutions compared to their English counterparts.

In Figure 12, we present information on the average total funding (not accounting for loan repayments) per undergraduate full-time student studying in Higher Education Institutions within the Devolved Administration in which they are domiciled (i.e. English-domiciled students

¹¹¹ Scottish Government (2016), *A Plan for Scotland: the Scottish Government's programme for Scotland 2016-2017* ([link](#))

¹¹² Following the approach adopted by Diamond Review of higher education in Wales in 2016 (and subsequently by the Augar Review in England in 2019), this was calculated using the Scottish Government's Living Wage in 2016-17 (£8.45/€9.58 per hour) assuming 25 hours of study per week for 38 weeks. The level of support for a dependent student at the time consisted of a means-tested maintenance grant of £1,875/€2,126 and £5,750/€6,520 in maintenance loans.

¹¹³ Although in different proportions of grants and loans depending on whether undertaking higher education or further education qualifications.

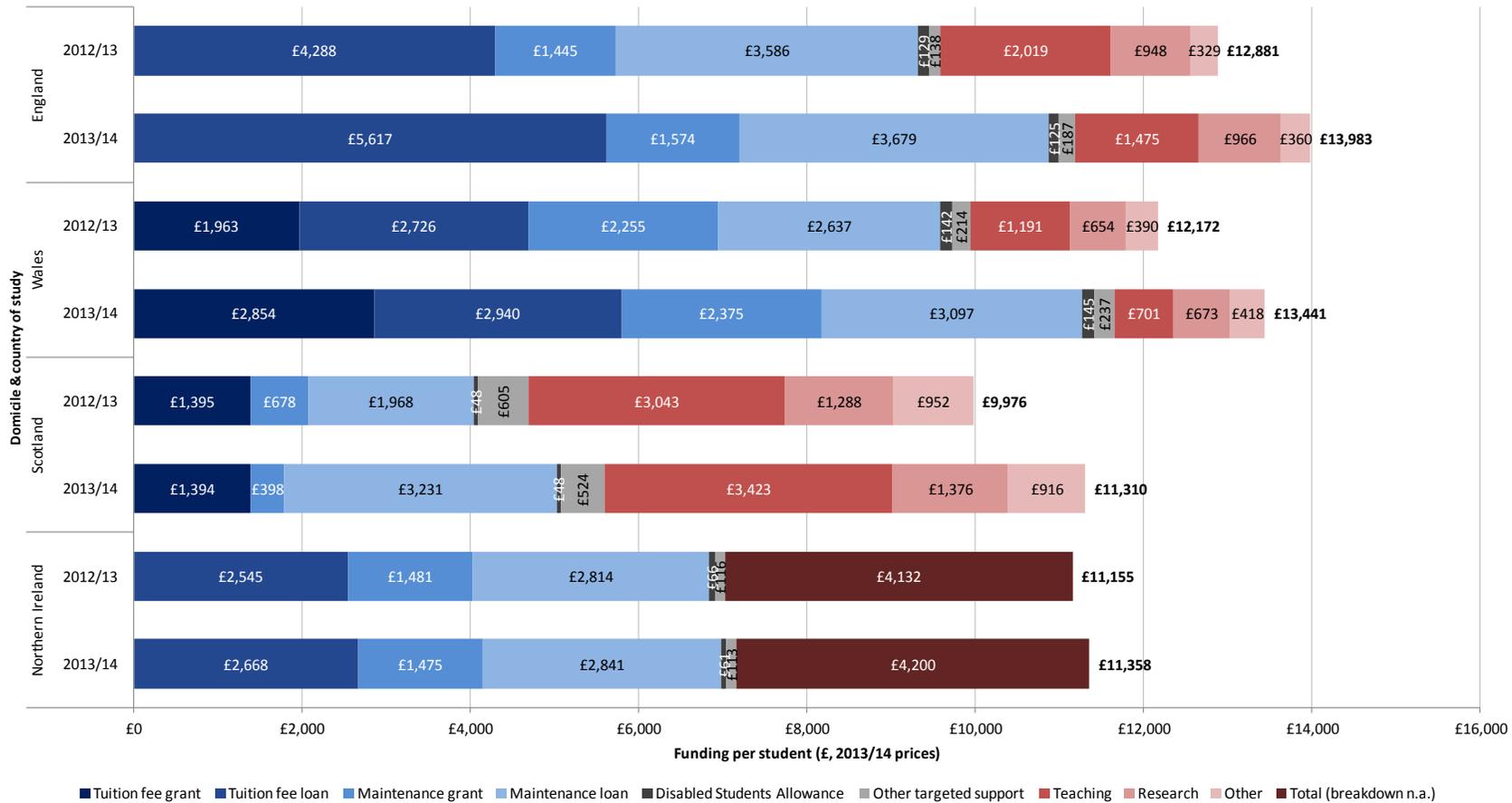
studying in England, Scottish-domiciled students studying in Scotland etc), separately by academic year (2012/13 and 2013/14) and funding item.

Before accounting for the proportion of fee loans and maintenance loans expected to be repaid, it was estimated that, on average, the highest level of **funding per student** was associated with English students studying in England, standing at £13,983/€15,856 in 2013/14. In contrast, funding per student was estimated to be lowest for Scottish students studying in Scotland, with estimates standing at £11,310/€12,825 in 2013/14. These differences are driven by discrepancies in the level of tuition fee support between these jurisdictions, which clearly reflects differences in the tuition fees charged for students from different domiciles.

The differences in source of the funding (in terms of either student support funding or block grant funding from the Funding Councils) is of particular interest. In the case of Scottish students studying in Scotland, the analysis suggests that a relatively large proportion of total funding is received directly by Higher Education Institutions through Funding Council grants (£5,535/€6,277 in 2013/14), whilst for English students in England, the dominant means of allocating public funding is via the student in the form of tuition fee and maintenance loans in England (alongside a lower allocation from funding councils (£2,801/€3,176 in 2013/14)).

Even after removing the level of maintenance support in order to identify the level of funding per student received by higher education institutions, the average funding per student associated with English full-time undergraduates in English higher education institutions in 2013/14 was estimated to be £8,418/€9,546. This compares to £7,109/€8,061 per student per annum in Scotland. In other words, this equates to an 18% funding gap between home domiciled students in England and Scotland (£1,309/€1,484). Essentially, the introduction of tuition fees, backed by income contingent loan repayments resulted in additional resources for higher education institutions, and in the case of England, a reversal in the erosion of funding throughout the 1980s and 1990s (see Figure 2).

Figure 12 Funding before loan repayment: Funding per undergraduate full-time student studying at HEI by domicile, country of study, funding item and year (£, 2013/14 prices)



Note: We assume that other targeted support is only available to undergraduate full-time students domiciled in the same Devolved Administration in which they are undertaking their studies (i.e. English students studying in England, Welsh students studying in Wales, etc). Further, we assume that the same eligibility rules apply to Higher Education students studying in Further Education Institutions as to students studying in Higher Education Institutions.

Source: London Economics (2015) on behalf of the Universities and Colleges Union ([link](#))

More recent developments

According to a recent investigation by Audit Scotland (2019),¹¹⁴ although total income in the Scottish higher education sector had increased by approximately 3% between 2014-15 and 2017-18 (from £3.7bn/€4.19bn to £3.8bn/€4.31bn), funding from the Scottish Funding Council had declined by 7% over the same period (£91m/€103.2m). However, despite the overall relatively positive picture, according to Audit Scotland,

“This masks significant variation across universities, and many sector-level indicators are disproportionately affected by the financial results of three of the four ancient universities¹¹⁵. At an aggregate sector level, the operating position has remained broadly stable over the past four years, but six universities reported deficits every year. Between 2014-15 and 2017-18, the underlying position for the sector improved, but the position was worse for six universities.”

Reflecting both the reduced contribution from the Scottish Funding Council, as well as the reliance of many Scottish universities on the pool of domestic students (as opposed to the four ancient universities, which have a significantly higher proportion of international students), more than half of Scottish universities were in deficit in 2017-18, and the position had deteriorated for most modern¹¹⁶ and chartered universities¹¹⁷ compared to 2014-15.

More recently, the 2020-21 Scottish Budget¹¹⁸ provided a zero real-terms increase in funding available to Scottish higher education institutions. In response, Universities Scotland¹¹⁹ stated:

“This budget gives university funding real-terms protection at 0%. The reality is that universities have no more money, in real-terms, to spend on students and staff than they had last year.

*We said this year’s budget was pivotal and we welcome the fact that the settlement interrupts a five-year pattern of **real-terms cuts** to universities. However, it does not relieve the set of funding pressures facing universities. What they need now is for this to be a turning point, with significant new investment to follow, so that universities get to a sustainable funding position and can fully support Scotland’s success.”*

This ongoing real-terms reduction in public funding in Scotland has resulted in the European Universities Association describing Scotland’s university sector as a ‘*declining system under pressure*’.

¹¹⁴ Audit Scotland (2019), Finances of Scottish Universities ([link](#))

¹¹⁵ The University of Glasgow, University of Edinburgh, St Andrew’s University and the University of Aberdeen.

¹¹⁶ Institutions receiving university status post 1992 (Queen Margaret University, Robert Gordon University, Glasgow Caledonian University, Edinburgh Napier University, University of the Highlands and Islands, University of the West of Scotland and Abertay University).

¹¹⁷ Institutions receiving university status in the 1960s (University of Dundee, University of Stirling, University of Strathclyde and Heriot Watt University).

¹¹⁸ Scottish Government Budget 2020-21 ([link](#))

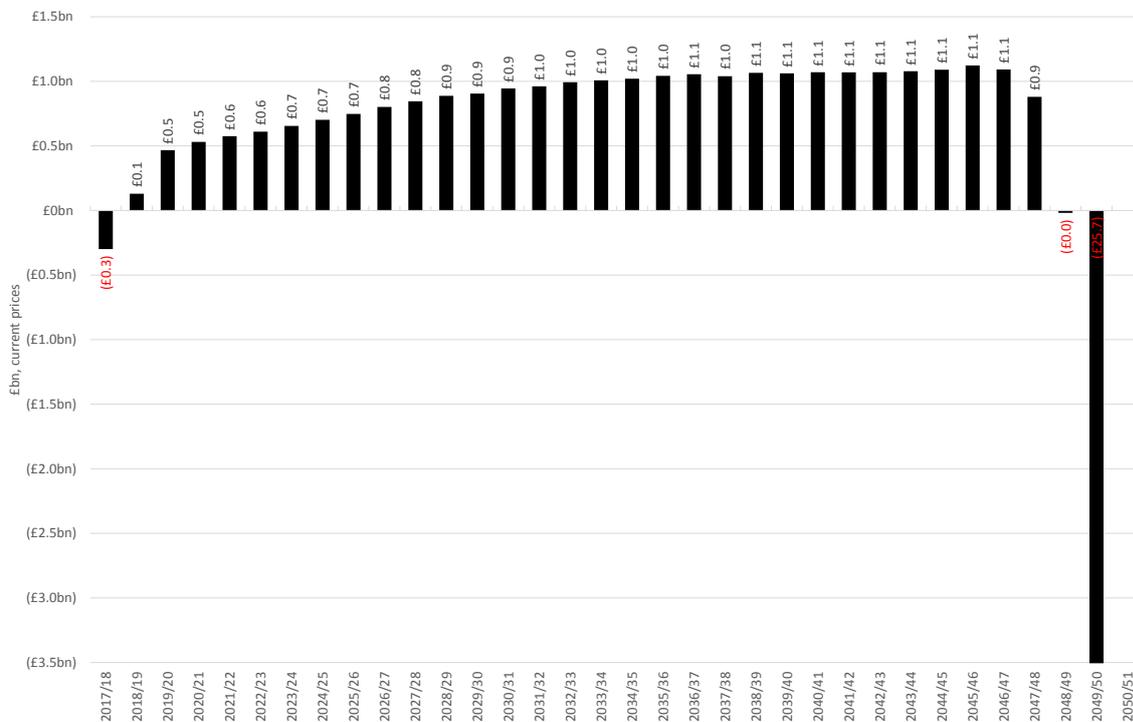
¹¹⁹ Universities Scotland ([link](#))

Annex 6 UK National Accounting treatment of student loans

In UK National Accounting terms, the deficit is essentially a measure of public sector expenditure minus income. If expenditure exceeds income, the measure is in deficit, and if income exceeds expenditure, the measure is in surplus. Prior to the 2019-20 financial year, the National Accounting treatment of student loans in the United Kingdom counted the interest *receivable* on any student loans (rather than interest actually repaid over the course of the repayment period) as income. In terms of expenditure, the National Accounting treatment only counted loan write-offs at the end of the repayment period as contributing to the deficit.

The result of this treatment was that items such as maintenance grants paid to students or Teaching Grants paid to institutions were counted as immediate expenditure (and worsen the deficit). In contrast, issuing either maintenance or tuition fee loans resulted in a) not incurring expenditure in the short run as loans replaced direct expenditure, b) generating income over the course of the repayment period through interest receivable, and c) impacting the deficit only at the time of loan write-off. This approach is illustrated in Figure 13 for the 2017-18 cohort of English-domiciled undergraduate starters.

Figure 13 Public surplus/deficit per year [2017/18 cohort (£bn in current prices)] – original National Accounting treatment



Approach	Income [+]	Expenditure [-]
Current approach	Interest <i>receivable</i> each year	<ul style="list-style-type: none"> Loan write offs (interest + principal) occurring intermittently over the 30 year repayment period (because of death and disability), as well as at the end of the repayment period Teaching grants paid during study Tuition fee and maintenance grants paid during study (if any)

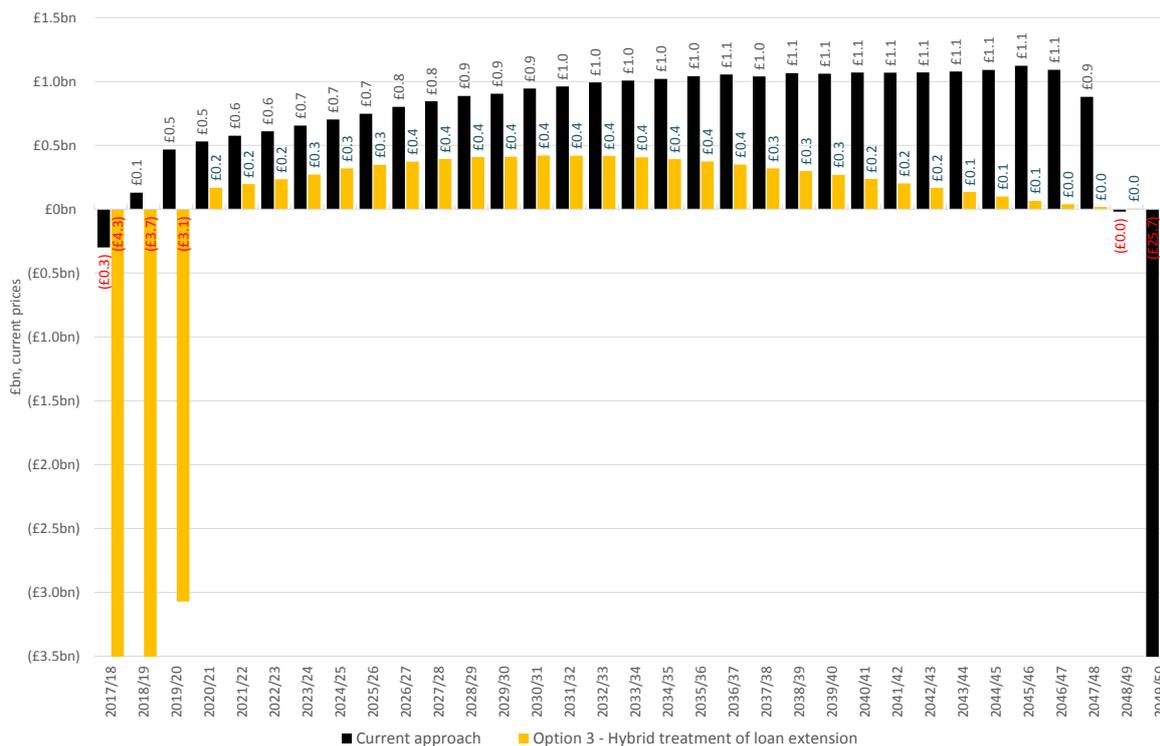
Source: London Economics ([link](#))

In particular, Teaching Grant funding resulted in a small deficit in the first year – outweighed by the income from interest receivable in subsequent years. Counting interest receivable resulted in almost immediate fiscal surpluses – lasting for most of the repayment period.

However, there was a significant deficit incurred from loan write-offs after 30 years (£25.7bn/€29.1bn per cohort).

However, given the fact that student loans were structured with the specific policy objective of potential non-repayment (i.e. the income contingency and write-off features), in December 2018, the Office for National Statistics announced that the proportion of the loan that was expected to be written off must be scored against the deficit at the time of loan issuance, and that only the interest accrued on the proportion of the loan that was expected to be repaid could be counted as income over the duration of the repayment period.

Figure 14 Public surplus/deficit per year [2017/18 cohort (£bn in current prices)] original and revised National Accounting treatment



Approach	Income [+]	Expenditure [-]
Current approach	Interest <i>receivable</i> each year	<ul style="list-style-type: none"> Loan write offs (interest + principal) occurring intermittently over the 30 year repayment period (because of death and disability), as well as at the end of the repayment period Teaching grants paid during study Tuition fee and maintenance grants paid during study (if any)
'Hybrid treatment of loan extension'	Interest <i>receivable on loans expected to be repaid</i> each year	<ul style="list-style-type: none"> Proportion of loan principal expected to be written off counted as an <i>immediate transfer</i> to students during study (i.e. the value of loan principal expected not to be repaid) Teaching grants paid during study Tuition fee and maintenance grants paid during study (if any)

Source: London Economics ([link](#)).

Presented in Figure 14, the result of this change (known as the *Hybrid* approach) was to add approximately £4.0bn/€4.53bn to the deficit in the first three years (during study), and reduce the surplus in each of the subsequent 27 years. At the end of the 30-year period, this approach

would result in a zero deficit (compared to the £25.7bn/€29.1bn impact under the previous accounting regime)¹²⁰.

¹²⁰ This fiscal illusion has driven government policy with respect to higher education for a decade and was one of the primary facilitators of the increase in tuition fees in 2006-07 and 2012-13. It also allowed the government to replace maintenance grants with maintenance loans in 2016-17, as well as replace NHS bursaries for students in Subjects Allied to Medicine in 2017-18. However, some commentators would also suggest that this approach facilitated the removal of student number caps in 2015-16.

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