

Student Funding Across the United Kingdom

**Tuition and maintenance in the four
nations and the impact of inflation**

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This paper was written to support a discussion that took place within the Higher Education Policy Development Group (HEPDG), a committee at the British Academy that is made up of both internal and external stakeholders. This is not a formal governance group and as such does not necessarily reflect the official position of the Academy.

The focus of the meeting was the financial sustainability of UK higher education, specifically student funding, an issue that has been brought into sharp focus as a result of the recent rise in inflation.

Education is a devolved matter in the UK and as a result each of the four administrations has seen a different system for student funding evolve over recent decades, each shaped by its own internal politics. This divergence serves as an interesting policy experiment in HE funding and provides interesting points of comparison to compare and contrast different approaches.

The first section of this paper outlines the different funding arrangements for student tuition and maintenance in the four administrations (funding available through individual institutions in the form of bursaries and grants is not considered in this paper). The second part explores the real-terms value of tuition funding and the degree to which state-provided maintenance support has been changed in response to the new inflationary environment.

Readers are invited to use this document to compare and contrast the different student funding systems of the UK and consider the merits and limitations of each. This is particularly relevant in the current climate of high inflation, where threats to the financial sustainability are being felt across the UK.

All figures for tuition and maintenance support are for the 2023-24 academic year, and are shown for full-time undergraduate students who are domiciled in that jurisdiction, unless otherwise stated.

England

Tuition

Higher education institutions registered with the Office for Students (OfS) can charge up to £9,250 per annum for UK-domiciled students.¹ The government provides extra recurrent funding for courses deemed “high-cost” through the OfS to provide support for extra costs associated with teaching. This funding is now highly concentrated in science-based subjects, and as recent policy reform has shown, is subject to influence from the political priorities of Government.²

The only courses where limits are placed on the overall number of students are those where there is a high “top-up” cost associated for government, namely health courses. The English system is therefore one that is driven primarily by student demand. The Dearing Report, which paved the way for the introduction of tuition fees in 1997, argued that money should follow the student rather than the institution, as a means of increasing the financial sustainability of the HE sector.³ This principle has remained unchallenged by subsequent independent reviews of higher education and successive governments.

The most common way for students to fund undergraduate tuition in England is through student loans, administered through the Student Loan Company (SLC).

Maintenance

Maintenance Loans are available in England for students through the SLC. The amount available to students is determined by household income and living situation and ranges from £4,651 to £13,200.⁴ There are no state-funded maintenance grants.

Loan Repayment

Student loans in England are income contingent, meaning the rate of repayment is determined by earnings after study. Maintenance loans and tuition fee loan accounts are considered as one lump sum, subject to the same repayment conditions. Incoming students in England will be paying 9% of their earnings above £25,000 per annum for up to 40 years (higher earners are forecast to pay off the loans before then).⁵

Repayment conditions for students in England can be altered without any legislative change. This offers the government flexibility to adapt the conditions of the loan book to suit the economic and political pressures of the day. But it means the rules can be changed retrospectively to loanees, as happened recently with the government’s response to the Augar review.⁶

¹ Office for Students, Fee limits <https://www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/access-and-participation-plans/fee-limits/> [accessed 10 February 2023].

² Office for Students (2021) What is really going on with arts funding in higher education <https://www.officeforstudents.org.uk/news-blog-and-events/press-and-media/arts-funding-in-higher-education> [accessed 10 February 2023].

³ Although demand played a role in shaping the system long before Dearing, and arguably was a key driver after the Robbins report in 1963.

⁴ UK government “Student finance for undergraduates” <https://www.gov.uk/student-finance/new-fulltime-students> [accessed 10 March 2023].

⁵ UK Government guidance on repaying your student loan <https://www.gov.uk/repaying-your-student-loan> [accessed 10 March 2023].

⁶ UK Government (2022) “Higher Education Policy Statement & reform consultation” https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1057091/HE_reform_command-paper-web_version.pdf [accessed 10 February 2023].

Although the cost of tuition is nominally privatised, there is a large subsidy built into the system through the write-off of loans. From a public policy perspective, this creates an unusual dynamic, as the true cost to the treasury is deferred into the future.

Calculations are made to predict how much of the loans will be repaid by graduates through the Resource Accounting Budget (RAB) charge, which is essentially the proportion of student loans estimated to be paid by government. The RAB charge is currently at 44%. The aforementioned governments reforms (in response to the Augar review) reduced the RAB significantly, which had stood at 54%. Another way to look at the impact of these reforms is that currently only 27% of current students are forecast to pay off all of their loans, but this will rise to 61% for the 2023-24 cohort.⁷

Wales

Tuition

Tuition funding in Wales operates in a similar way to England. Tuition fee loans are administered through the SLC. Higher education institutions in Wales can charge up to £9,000 per annum. The amount charged is determined by the Welsh Government (hence the discrepancy in the maximum fee that institutions can charge in Wales & England).

Small levels of recurrent teaching funding are available for Welsh institutions and are delivered by the Higher Education Funding Council for Wales (HEFCW). This funding is more evenly spread across different disciplinary areas, in contrast to England, where it has been progressively concentrated in health-related courses.⁸

Maintenance

A combination of loans and grants are available to students in Wales to fund maintenance. The Welsh maintenance system is distinctive in the level of maintenance grants offered to students. These grants are means-tested and all students are entitled to the at least £1,000, rising to £10,124 depending on the circumstances of the student. The level of maintenance loan that Welsh students are eligible for is inversely related to the level of grant, so that students have access the same total level of funding, depending on their living situation.⁹ The hallmarks of this system are a legacy of the Diamond Review¹⁰, led by Professor Ian Diamond FBA. This review identified maintenance support as a priority for reform over tuition with respect to equity, particularly in relation to part-time students. The Welsh maintenance support system is widely regarded as the most generous in the UK.

⁷ UK government statistics, Student loan forecasts for England <https://explore-education-statistics.service.gov.uk/find-statistics/student-loan-forecasts-for-england> [accessed 7 July 2023].

⁸ HEFCW, Funding Allocations for Academic Year 2022/23 Annex B Units of Funding https://www.hefcw.ac.uk/wp-content/uploads/2022/07/W22-27HE-HEFCWs-Funding-Allocations-for-Academic-Year-2022_23-English-V2.pdf
⁹ Student finance Wales website <https://www.studentfinancewales.co.uk/undergraduate-finance/full-time/welsh-student/what-s-available/> [accessed 10 March 2023].

¹⁰ Welsh Government HE review team (2016) Review of Higher Education Funding and Student Finance Arrangements in Wales <https://www.gov.wales/sites/default/files/publications/2018-02/higher-education-funding-final-report-en.pdf>

Loan Repayment

Recent reforms in England mean that new Welsh and English students are subject to notably different repayment conditions on their loans. Welsh-domiciled students repay their loans at 9% of earnings above £27,295 per annum for up to 30 years. In short, Welsh students are paying off less of their monthly income, and paying back for a shorter period, than those in England.

Scotland

Tuition

Scottish undergraduate teaching is funded by the Scottish Government. This is administered by the Scottish Funding Council (SFC), and delivered through a block teaching grant. This includes a core teaching grant as well as allocations for high-cost subjects. There are also relatively small tuition fees for Scottish domiciled students of £1,820 per annum, which are paid for by the Scottish government.

The fact that grant allocations are made at an institutional level means that the amount invested in each student, sometimes referred to as the “unit of resource”, can vary quite readily from year to year. In England, in contrast, legislation has to be passed to increase or decrease the maximum fee that can be charged, meaning the unit of resource is more stable in nominal terms.

The funding available for teaching in Scotland, and therefore the number of Scottish students that can engage in higher education, is capped by government. The SFC sets allocations for the number of students to be taught at each institution. Universities are enabled to recruit up to 10% over the allocation to allow for flexibility.¹¹ Stipulations are made (informally) by government with respect to the socioeconomic status of students that are to be recruited.

No limits are placed on the numbers of students that institutions can recruit from the rest of the UK, or internationally, where the unit of resource is much higher. Universities can charge higher tuition fees for international students, as in the rest of the UK. But the Scottish government also receives more money for students from the rest of the UK (via the student loan company). This produces strong incentives for Scottish institutions to focus on students from outside of Scotland to bolster their financial position.

The Scottish system is distinctive within the UK for more closely resembling a European model of state-centred university funding. It is interesting to note, however, that the Scottish system seems to display greater limits on the expansion of higher education, with respect to its domestic students, than some European comparators. That is to say, access to higher education is more universal in most no/low-fee systems in Europe. The Scottish government funds tuition through a finite education budget allocated by Westminster, which results in greater restrictions on the aggregate number of people who can enrol at a university.

¹¹ Scottish Government (2020) University Fees EU students: FOI release, <https://www.gov.scot/publications/foi-202000017313/>, [accessed 10 February 2023].

Maintenance

Maintenance loans are available for students living in Scotland of either £6,000 or £7,000 per annum, depending on the circumstances of the individual. There is also a means-tested bursary of up to £2,000, as well as some other more targeted maintenance funding.¹² Eligibility for loans and bursaries is determined by the Student Awards Agency Scotland (SAAS).

Loan Repayment

Repayment of maintenance loans is administered by the SLC. Students start repaying their loans at 9% of earnings over £25,375 for a (maximum) 30 year period.¹³

Northern Ireland

Tuition

Tuition in Northern Ireland operates as more of a dual funding system than the rest of the UK, with substantial parts being funded through both tuition fees and teaching grants. Teaching grants are administered by the Department for the Economy. Grants vary depending on the subject studied, but the average level of teaching grant per undergraduate student in Northern Ireland in 2020-21 was £2,726.¹⁴

Institutions in Northern Ireland can charge up to £4,710 for tuition fees for those students domiciled in Northern Ireland. Student loans are issued by Student Finance NI, a service managed by the SLC.

It is worth noting that Northern Ireland is distinctive in the UK for the high number of students that go on to study elsewhere in the UK and the EU. When studying elsewhere in the UK, students are able to access the requisite level of funding for their chosen place of study through student loans (i.e. £9,250 tuition fee loans in England). This is also the case in other devolved administrations. But because this constitutes a more significant proportion of students from Northern Ireland, it has greater implications for the balance of public spending on higher education for this administration.

Maintenance

Maintenance support is also provided through a mix of grants and loans in Northern Ireland. Maintenance grants are means-tested and eligible students can receive up to £3,475 per annum when studying in Northern Ireland. The level of maintenance loans available to students is dependent on the level of grant received, ranging from £3,135 to £6,766.¹⁵ This represents a considerable increase in the level of support available to students from the previous academic cycle, the first significant uplift since 2009.

¹² SAAS website, <https://www.saas.gov.uk/full-time/funding-information-undergraduate>, [Accessed 10 March 2023]

¹³ UK Government "Repaying your student loan" <https://www.gov.uk/repaying-your-student-loan/what-you-pay> [accessed 10 March 2023].

¹⁴ This figure is calculated by dividing the total amount of undergraduate recurrent funding by the number of undergraduate students for that academic year, using Higher Education Statistics Agency data, www.HESA.ac.uk

¹⁵ Student Finance NI (2023) "Full Time: A Guide to Financial Support for Full Time Students in Higher Education" https://www.studentfinancenl.co.uk/media/1655/sfni_ft_main_guide_2324_o.pdf

Loan Repayment

Like in England & Wales, these loans are income-contingent. Students repay 9% of earnings over above £22,195 per annum,¹⁶ with a maximum repayment period of 25 years.¹⁷ Students in Northern Ireland start paying off their loans at a lower earnings threshold than elsewhere in the UK, but do so for a shorter period before their loans are cancelled by government.

Inflation & real terms funding

The new inflationary environment is putting significant financial pressure on UK higher education institutions in a number of ways, but the principal impact is the reduction in the real terms value of the unit of resource. This has prompted Universities UK to start a “national conversation” about alternative funding structures.¹⁸ In a similar vein, the University of Arts London recently commissioned London Economics to model the cost of alternative approaches to student funding.¹⁹

Tuition

Chart 1. Unit of resource in UK higher education for full time degrees, 2020-21

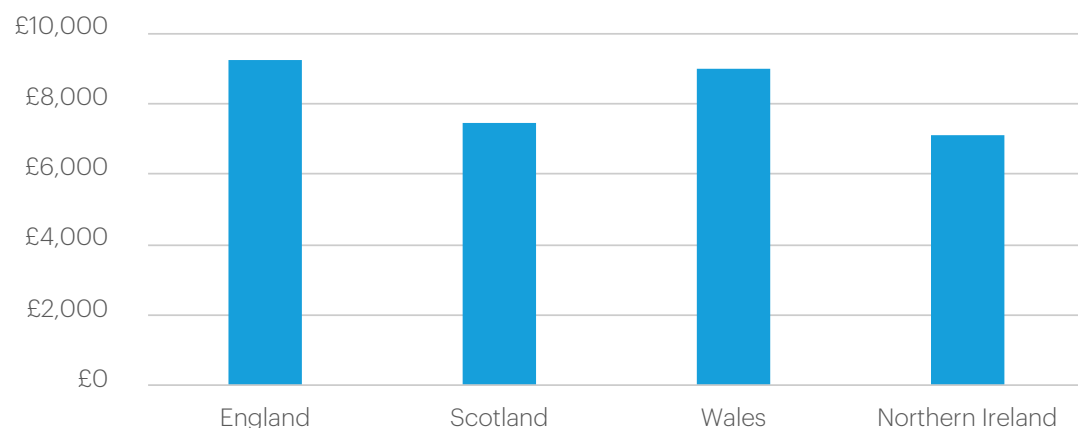


Chart 1 above shows the unit of resource, effectively the amount of money invested in each student, for the 2020-21 academic cycle. This is shown for students studying in the part of the UK in which they were domiciled.

The system of higher tuition fees, introduced in England and Wales by the Coalition Government, was partly justified on the basis of ensuring the financial sustainability of institutions and to protect funding from the politics of government. Indeed, the then Minister for Universities has since offered this as the primary justification for the reforms that came into effect in 2012.²⁰

¹⁶ NI Direct, government services: student loans <https://www.nidirect.gov.uk/articles/student-loans> [accessed 10 February 2023].

¹⁷ Student Finance NI (2020) Student Loans: a guide to terms & conditions https://www.studentfinance.ni.co.uk/media/1387/sfni_terms_and_conditions_guide_2021_o.pdf

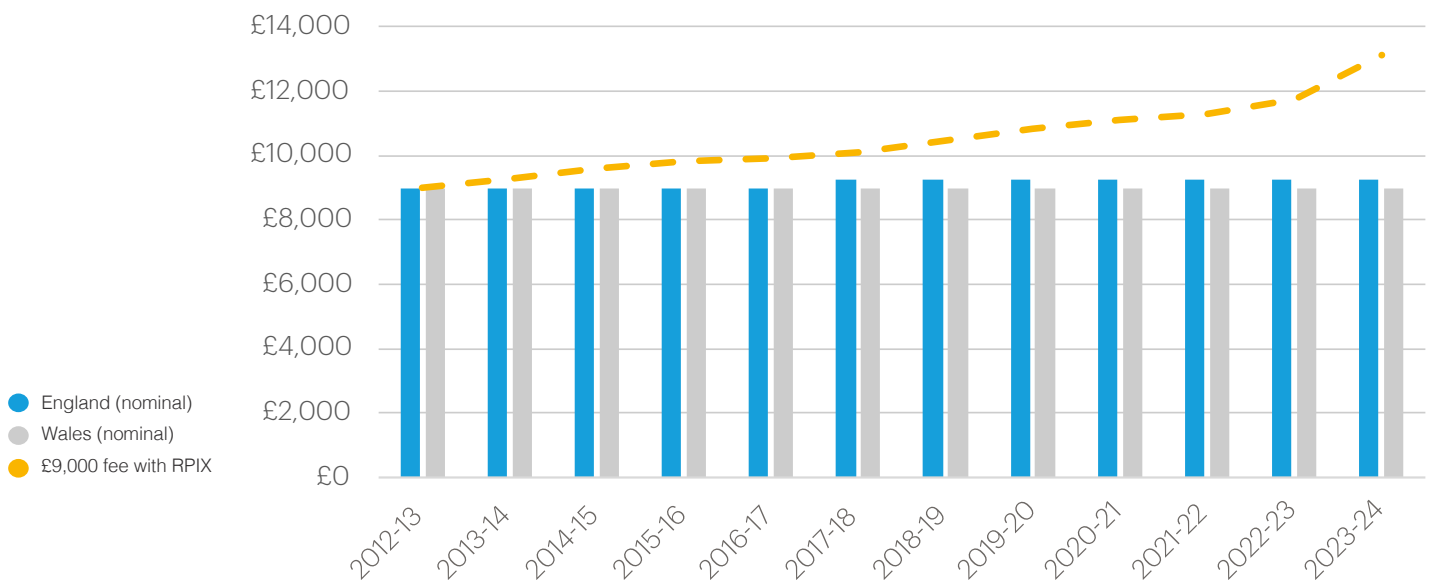
¹⁸ Universities UK website <https://www.universitiesuk.ac.uk/what-we-do/policy-and-research/publications/opening-national-conversation-university> [accessed 10 March 2023].

¹⁹ London Economics (2022) “Higher education fees and funding: presentation to the University of Arts London” <https://londoneconomics.co.uk/wp-content/uploads/2022/12/LE-UAL-Higher-education-fees-and-funding-Full-Report.pdf>

²⁰ Willets, D (2017) “A University Education” Oxford University press, Chapter 4.

However, there has been a lack of political will in either country since then to raise fees to match inflation, except for a marginal increase in England in 2017. This means that inflation has eroded the real terms value of the tuition fee for universities – this is now worth £6,585 in 2012 prices.²¹ The effect of this is accumulative over time, but it is particularly acute in the current climate where we are seeing such a large levels of inflation. Chart 2 below shows how much the tuition fee would have be if it had risen with inflation, compared to its actual value in England and Wales. In 2023-24, tuition fees would be £13,119 if they had risen with RPIX.²²

Chart 2. The projected value of tuition fees in England & Wales if they had risen with inflation since 2012-13²³



In Wales, concerns have been raised by university leaders over the future sustainability of the system.²⁴ Universities are also facing a perfect storm of a real terms drop in the unit of resource, combined with the loss of European structural funds, from which Welsh institutions have benefited particularly well over recent years.

In Scotland, concerns about the sustainability of the system had been identified prior to the new inflationary environment. As noted above, the unit of resource in Scotland is not nominally fixed as in England or Wales, where tuition fees provide the majority of funding for tuition. Since 2015-16, Scotland has seen a net reduction in its nominal unit of resource. This is before any real terms calculations are made. Back in 2019, an independent report from Audit Scotland highlighted significant variation in the financial health of institutions and identified a 7% real terms reduction in funding from the SFC between 2014-15 and 2017-18, which corresponds to a period of very low inflation.²⁵

²¹ Universities UK website, <https://www.universitiesuk.ac.uk/what-we-do/policy-and-research/publications/opening-national-conversation-university>

²² RPIX has been used as a measure for inflation here, as suggested by the Office for Students as the most appropriate inflationary measure for the context of HE finance <https://www.officeforstudents.org.uk/media/8c6f0623-3d13-4a31-b9d0-3fafd8e61096/bd-2019-july-61-annex-b-changes-unit-of-resource.pdf>

²³ ONS figures for RPIX have been used to generate the projected values here. <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/cdkq> [accessed March 20 2023].

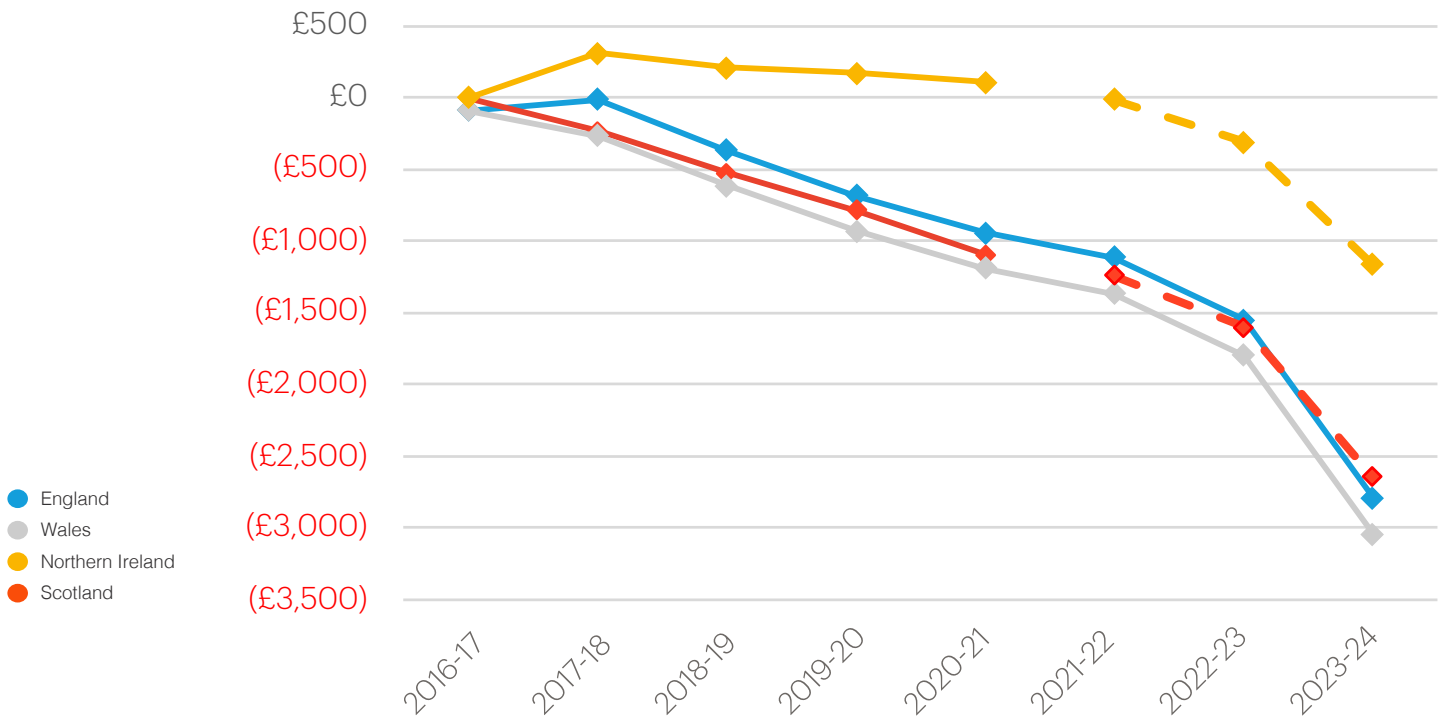
²⁴ McIntyre, F. (2023) “Welsh university finances are unsustainable” Research Professional <https://www.researchprofessional.com/0/rr/news/uk/universities/2023/2/-Welshuniversity-finances-are-unsustainable-.html>

²⁵ Audit Scotland (2019) Finances of Scottish Universities https://www.audit-scotland.gov.uk/uploads/docs/report/2019/nr_190919_finances_universities.pdf

In Northern Ireland, the unit of resource has fared better over recent years. Due to successive increases in tuition fees, the real terms value of the unit of resource increased between 2015-16 and 2020-21. However, as Chart 1 shows, even with these increases it still remains considerably below that in England & Wales.

Chart 3 below illustrates the funding gap in the unit of resource for each of the four funding systems over recent years. This takes the 2015-16 academic cycle as a starting point and works out how much higher education institutions have missed out on per student, should the value of the unit of resource have increased with inflation.

Chart 3. Gap in funding, unit of resource from 2016-17 across the UK²⁶



Data on recurrent teaching funding was not available for Scotland or Northern Ireland beyond 2020-21 at the time of writing. Dotted lines on the graph indicate the gap in funding if the nominal unit resource was held at the same level as in the 2021-22 academic year.

England, Wales and Scotland all show very similar patterns in their funding gaps, although the absolute figures vary. Wales, whose tuition fee has remained fixed throughout the period, has the largest absolute gap in funding at -£3,041. However it worth noting that in relative terms, the funding gap per student in Scotland is the largest. This is because funding in Scotland has nominally decreased over the period as well. So the gap between what funds are available and what would have been available (if investment had risen with inflation) is greater.

²⁶ To generate this graph the projected value of the unit of resource is subtracted from the nominal value for each year. The projected value of the unit of resource takes 2016-17 as a fixed starting point and applies RPIX as a measure of inflation. The unit of resource for England and Wales is taken as the maximum tuition fee charged per student. For Scotland & Northern Ireland the nominal unit of resource is calculated by adding the maximum fee charged at institutions in Northern Ireland to the level of recurrent funding per undergraduate student for that academic year. ONS figures on RPIX are used to calculate the projected values. <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/cdkq> [accessed March 20 20223] and all recurrent funding figures are taken from the Higher Education Statistics Agency database, www.HESA.ac.uk [accessed 16 March 2023].

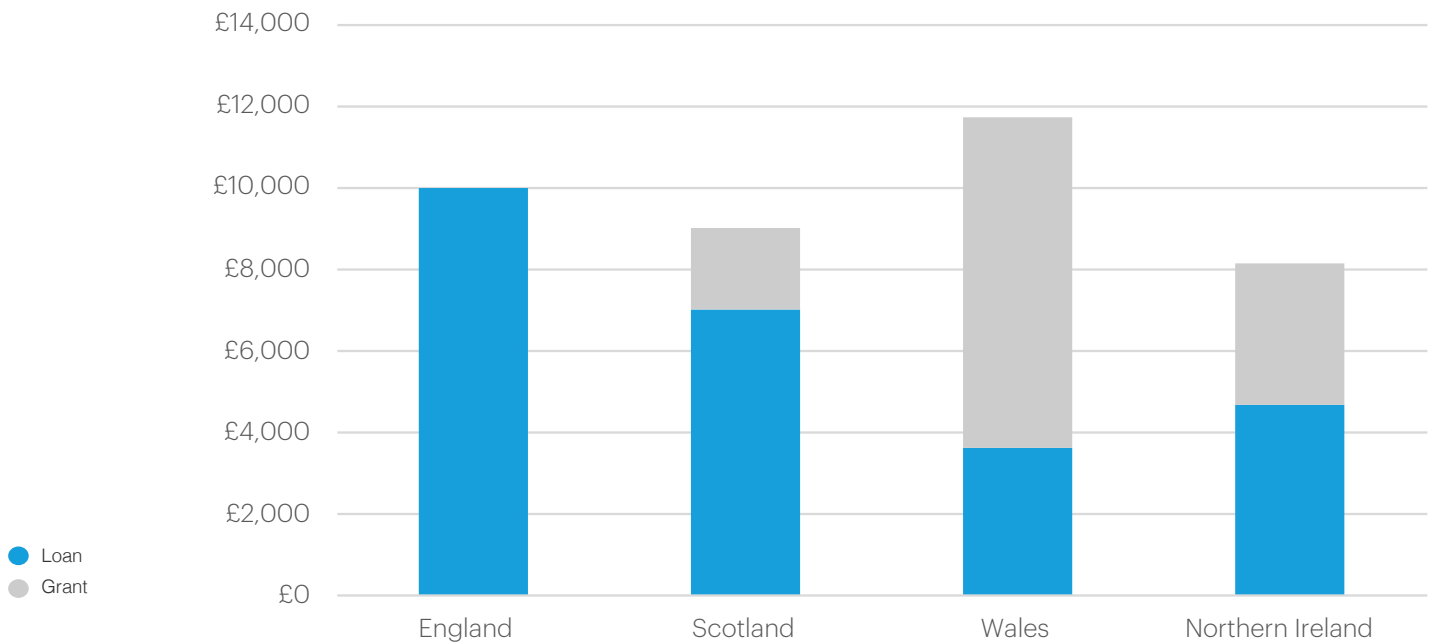
Maintenance

Inflation is also putting pressure on students, by eroding the real terms value of maintenance support available to them. Analysis from the Institute for Fiscal Studies last year showed that maintenance support in England is at its lowest level in real terms since 2016-17.²⁷ Moreover, due to inaccurate forecasts of inflation, students in England were hit particularly hard by the cost of living crisis.²⁸

ONS data shows that: 91% of students were worried about the rising cost of living; 25% had taken on new debt in response to rising cost of living; and over three quarters were concerned it was going to impact negatively on their studies. It has also been highlighted that students who are Black, mature, or from lower socioeconomic groups are more likely to be affected by this.²⁹

It is difficult to compare levels of maintenance funding per student across different systems in the UK as all have means tested elements to their support packages, and consequently, funding varies considerably between students. Chart 4 offers a comparison of the maximum maintenance support available to students in different parts of the UK in 2023-24.

Chart 4. Maintenance support in the UK 2023-24³⁰



²⁷ Waltman, B. (2022) "Student living cost support cut to lowest level in seven years", Institute for Fiscal Studies <https://ifs.org.uk/articles/student-living-cost-support-cut-lowest-level-seven-years>

²⁸ Waltman, B. & Ogden, K. (2022) "Cost of living crisis hits students worse than expected" Institute for Fiscal Studies <https://ifs.org.uk/news/cost-living-crisis-hit-students-harder-expected>

²⁹ MillionPlus (2022) "Learning with the Lights off: students and the cost of living crisis" <https://www.millionplus.ac.uk/policy/policy-briefings/learning-with-the-lights-off-students-and-the-cost-of-living-crisis>

³⁰ UK government "Student finance for undergraduates" <https://www.gov.uk/student-finance/new-fulltime-students> [accessed 10 March 2023].

Student finance Wales website <https://www.studentfinancewales.co.uk/undergraduate-finance/full-time/welsh-student/what-s-available/> [accessed 10 March 2023].

SAAS website <https://www.saas.gov.uk/full-time/funding-information-undergraduate> [Accessed 10 March 2023]

Student Finance NI (2023) "Full Time: A Guide to Financial Support for Full Time Students in Higher Education" https://www.studentfinancenl.co.uk/media/1655/sfni_ft_main_guide_2324_o.pdf

In England, maintenance support has been increased by 2.8% for the 2023-24 intake in response to inflation. In Wales, maintenance support has increased by 9.4%. Northern Ireland has seen the largest increase, with maintenance loans rising by 40%. However, it is important to note that this was starting from a very low base. The Scottish government recently announced that maintenance loans would be rising by £900 per annum. This constitutes a 14% increase in the maximum amount of maintenance loan available to students.³¹

³¹ McIntyre, F (2023). "Scottish students to get living cost lift next year" Research Professional https://www.researchprofessional.com/0/rr/news/uk/universities/2023/3/Scottish-students-to-get-living-cost-lift-next-year.html?utm_medium=email&utm_source=rpMailing&utm_campaign=personalNewsDailyUpdate_2023-03-14 SAAS Scotland, information on undergraduate funding support <https://www.saas.gov.uk/full-time/funding-information-undergraduate> [accessed 30 March 2023].

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