AT THE HEART OF THE HIGHER EDUCATION DEBATE

Panel to review student funding model

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UUK to look at what changes would lower cost of system after report reveals meagre savings after fees hike

Source: Alamy

Extra places: lifting the cap will cost £1.7 billion a year in loan payments

A sector-wide panel of experts is to look at ideas for reforming England’s university funding system after an influential thinktank said that trebling fees has saved the taxpayer less than £400 a year per student.

According to a new report by the Institute for Fiscal Studies, the government now contributes about £7,600 per year of study for every undergraduate in England once university teaching grants, student maintenance payments and the cost of unpaid loans are considered.

That means the estimated state contribution per undergraduate of £24,592 is only 5 per cent lower than the £25,847 cost if the 2012 fee hike had not been introduced – a total saving of about £1,250 over the duration of an average course.

The IFS report, titled *Estimating the public cost of student loans*, published on 24 April, was commissioned by Universities UK, which announced on the same day that it will convene a high-level panel to examine the current fees and loans system and recommend changes up to, and immediately after, the May 2015 general election.

It will be chaired by UUK president Sir Christopher Snowden, vice-chancellor of the University of Surrey, who said he wanted to seek a “broad political consensus for a sustainable system of funding”.

Other members of the Student Funding Panel include six other university leaders, economist and principal of Hertford College, Oxford Will Hutton, and Emran Mian, director of the Social Market Foundation and the former civil servant who was lead author on the 2010 Browne Review.

The panel is likely to look at what changes would bring down the cost of the current loan system.

According to the IFS report, if graduates were asked to pay 12 per cent of their income over £21,000, instead of the current 9 per cent, the loan write-off rate would fall from an estimated 43.3 per cent to 35.6 per cent. A 15 per cent deduction would lead to a write-off of 30.9 per cent – close to the 28 per cent default rate originally predicted by ministers.

Lowering the repayment threshold from £21,000 to £18,000 would also yield savings, but less dramatically, by lowering the write-off rate to 36.9 per cent.

Meanwhile, the IFS warns that increasing the fee cap above £9,000 – something universities have called for as inflation erodes its value – would increase the costs of the current system. An inflation-linked rise in fees would increase the loan write-off rate to 44.1 per cent, while a £500 average fee hike would push it to 44.5 per cent, it says.

The report also says plans to scrap student number controls will cost the state about £1.7 billion a year in loan payments, assuming all 60,000 extra places are filled.

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