

The background of the entire page is a light blue grid. Overlaid on this grid are various architectural blueprints in a darker blue color. In the top left, there are two small perspective drawings of buildings. In the top right, there's a partial drawing of a curved structure. The middle section features a large circular plan with concentric circles and a series of small circles along a curved path. Below that is a detailed rectangular plan with various dimensions and labels like 'R200', 'R200', '716', '2335', '2292', '21,5', '114,6', '1096', '90', '114,6', '1106', '350', '21,5', '155', and 'E'.

Frequently Asked Questions

General Public

FUNDING OUR FUTURE

BLUEPRINT



Frequently Asked Questions – General Public

This document has been prepared to answer some of the questions that you may have about the direction of the **'Funding Our Future'** campaign and how this blueprint tackles the challenges that currently exist with the funding mechanism for Higher Education Funding in England. We recognise that this document does not present an exhaustive list of questions – so if you have a question that we have not answered here, please do get in touch. Please send all questions to Jean McLean – National Campaigns Organiser (jean.mclean@nus.org.uk)

[Why is NUS campaigning around the issue of Higher Education Funding?](#)

[What is wrong with the current system?](#)

[What is NUS advocating via its 'Blueprint'?](#)

[Why are you advocating this model?](#)

[Why is this model a better alternative?](#)

[What does NUS hope to achieve by publishing these proposals?](#)

Why is NUS campaigning around the issue of Higher Education

Funding?

In 2004 the Government passed the Higher Education Act 2004. This Act of parliament brought about the introduction of 'top-up fees'. Essentially meaning that instead of a flat fee of £1,200 per year for students to be paid up front, students would be charged up to £3,000 which could be varied from course to course. This would be paid back after graduation and students were asked to take out a student loan to match the value of their fees.

The debate around this act was highly controversial, and the Commons vote at second reading was the closest that this Government had come to defeat since 1997 – the Bill passed at that stage by only 5 votes.

As a concession for the Act to pass, the Government made a commitment to review this system after three years in operation. It is now three years since the system was introduced and we are set to see the first cohort of this regime graduate from university this summer.

NUS believes that the up and coming review of the system provides a golden opportunity to re-examine the current system and most importantly believes that the Government should look for radical, none market based alternatives to funding our higher education system.

What is wrong with the current system?

There are many things that are wrong with the current system. In a publication produced by NUS last autumn, [Broke and Broken](#): A critique of the current higher education funding system in England, we went through in some detail the flaws in the current system. In this FAQ document we will summaries the problems with the current system.

It is a system that fails on its own terms. On taking up a course of study in Higher Education students have to take on a huge personal financial risk, with no guarantee of success at the end of their course. There is no link between the individual's **actual** benefit from higher education to the price that they pay. In addition to this students lack the proper advice and guidance to navigate the HE 'market'. Students are not making well informed decisions about where they chose to study. Any market based system relies on its 'consumers' to make informed decisions – this system fails heavily in this area.

The system does not financially add up. The current repayment system will have to change if debt levels rise too high. We expect that the average student will have acquired, by graduation, around £25,000 worth of public debt (money that they owe to the state, this does

not include bank debt, credit card debt or commercial loan debt). Currently on this level of debt the annual interest charged is £950 – therefore under the present repayment system a graduate will need to earn £25,540 a year to offset that interest. The median graduate starting salary is £24,500. Add to this that the Exchequer really cannot continue to provide loans on the scale required because it costs the Government too much and we have a system which is not sustainable in the long term.

The system compounds inequality. Currently there is a major imbalance on the way in which people from different social groups attend different Universities. Right now – students from the most privileged backgrounds dominate the ‘best’ institutions. With this in mind, when we consider that a true market in higher education will result in the richest (and ‘best’) institutions becoming richer, it is hard to understand how higher education can be seen as a key driver for social mobility.

The system is not a fair settlement. If, as some people have called for, the cap is lifted or taken off of university fees, the increase would mean that students would be making a bigger financial contribution that of the state. Back in 1997 during the last major review of higher education Lord Dearing, whose report led to the introduction of fees for university, said that graduates should be expected to contribute around 25% of the average cost of tuition. Currently student’s paying fees at £3,300 are matching 80% of what is being paid for by the state, and in a world where the cap was at say £7,000 students would be paying the equivalent to 170% of the state contribution.

Another reason the system is unfair, is that problems for part-time students have still not been addressed. The new system made no provision for supporting part-time students with their fees. Part-time students have to pay all their fees up front, and when we look at who these part-time students are we can see that they are non-traditional applicants from lower socio-economic backgrounds, women and those from ethnic minorities who often don’t have the alternative to study full-time, and for many part-time study is their first experience of higher education.

The current system also does not adequately provide for employers to contribute financially to the system. Again, the initial ‘compact’ envisaged by Lord Dearing looked at employers being one the main beneficiaries of the higher education system, and as such the review presents an opportunity to relook at the way a new compact can be created.

What is NUS advocating via its 'Blueprint'?

A new People's Trust for Higher Education. This would prevent truly variable fees and an open market within undergraduate higher education. It would be a stakeholder fund, where contributions would be made by former undergraduate students and their employers, and the employers of current students. It would be independent of government and funds from the Trust would be channelled to higher education institutions via the Higher Education Funding Council (HEFCE) – in the same way that universities currently receive their funding.

Former students would make contributions to the Trust for a fixed period of twenty years. Instead of paying fees fixed when they start their courses, they would pay back linked to the benefit they obtain from higher education over a longer period, but this would not be a simple 'graduate tax'.

Full-time and part-time fees would be abolished; no up front payment at all, for either full-time or part-time students.

The actual proportion of earnings sought in contributions would be variable and progressive; rates of contribution would range from 0.3% for those with very low earnings, to 2% for average earners and 2.5% for very high earners.

Payments would be spread over a longer period and would therefore be more affordable; for example, a person earning £30,000 would be £37 better off each month than under the current system and a lower threshold would be put in place to ensure no contribution is sought from very low earners. Additionally the payment time limit of twenty years would ensure people do not contribute for their whole working lives.

Far more flexibility and support for lifelong learning through the use of academic credit-related structures, and a major boost of employer funding and support. People would be asked to make a contribution related to how much studying they have done. This will allow people to be able to go in and out education over time, meaning they can break up studying as appropriate for their own personal circumstances.

There would be a voluntary scheme for employer contributions. This would operate in parallel with the main personal contribution system, supported through the tax system, additionally employers would be able to help their employees to study by paying for some of their credits up front, or by 'paying off' credits they have already taken.

More funding for the higher education sector would be available, bringing long-term security and sustainability. After twenty years of operation, we estimate the total revenues from personal contributions would be £6.4bn each year, after thirty years it would be £7.9bn each year, and after forty years it would be £8.5bn each year. This is almost double the current amount that top-up fees raise.

Why are you advocating this model?

Put very simply we believe that the five key benefits of our alternative model are as follows:

- It is fairer, more progressive and supports widening access
- It prevents variable top-up fees so all students are treated fairly in the future
- There will be more money for higher education in the long-term
- It presents an end to up front fees and a better deal for part-time students
- It provides greater flexibility and focus on lifelong learning

Why is this model a better alternative?

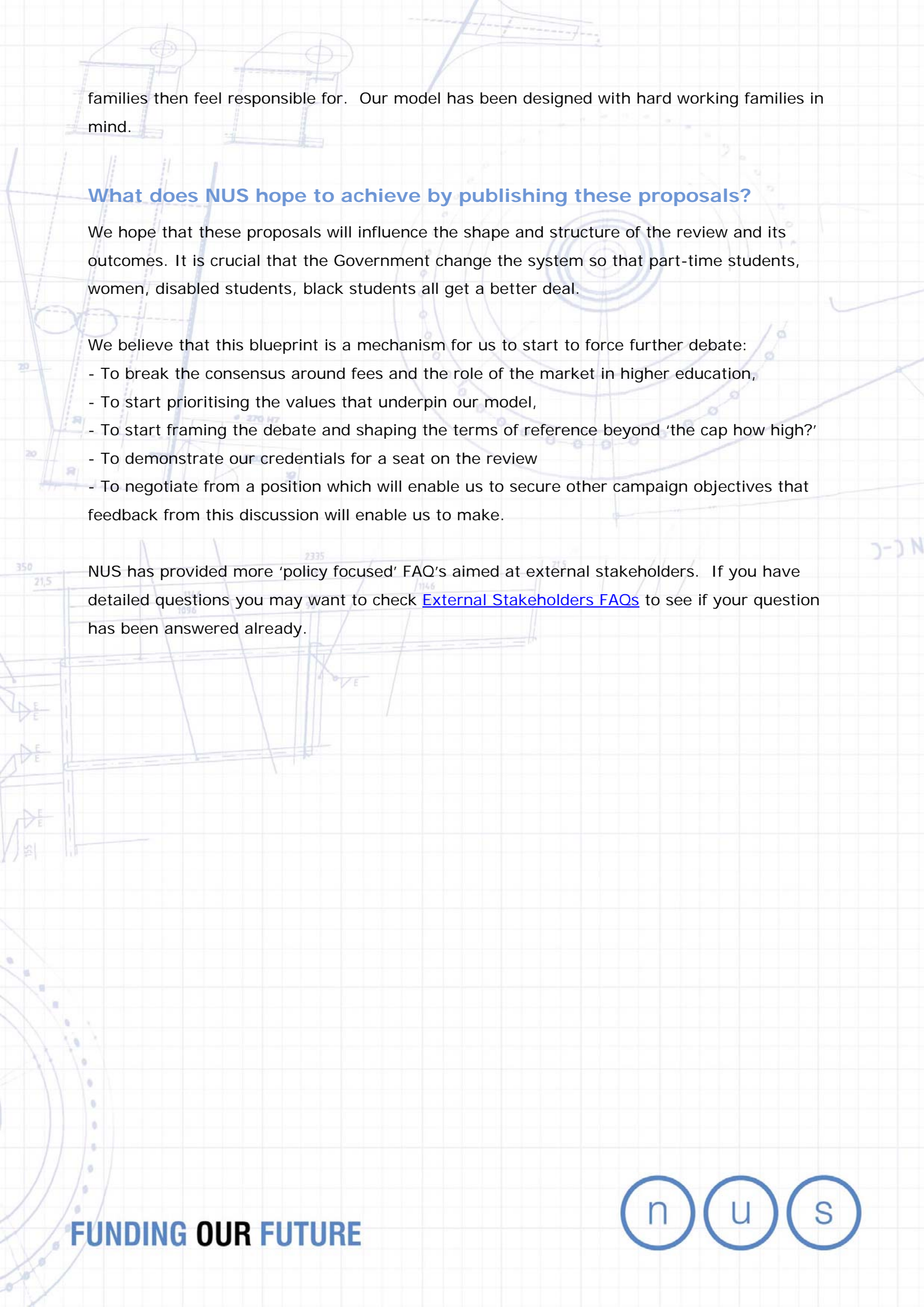
For Students: Individuals would no longer be saddled with unmanageable and high levels of individual and personal debt. Instead graduates will contribute according to their true means, and as such according to their own personal benefit from taking a course in higher education.

For Institutions: One of the things we wanted to achieve was to create a model that secured funding for universities that was both stable and sustainable. This model is much better for everyone in the sector when compared to the current model or one where the cap would be lifted.

For Government: Currently the Government has to provide from the money to pay for the loans for individuals up front. In the long term, once the People's Trust reaches its maximum input from graduates it will no longer have to provide this investment. It would also be providing the HE sector with a model which is stable and sustainable in the long term.

For Business: Currently there is no structured way for business to make a contribution. This model would provide a voluntary scheme for employers that would enable them to help their employees to study by paying for credits up front, or by 'paying off' credits they have already taken. We propose to stimulate these contributions that Businesses would be offered tax incentives to invest in their employees in this way.

For Families: Currently lots of families' not just students and graduates feel the burden of the graduate's individual debt. Our model eradicates the notion of individual debt, ensuring that when students graduate they are not burdened with debts of up to £25,000 that their



families then feel responsible for. Our model has been designed with hard working families in mind.

What does NUS hope to achieve by publishing these proposals?

We hope that these proposals will influence the shape and structure of the review and its outcomes. It is crucial that the Government change the system so that part-time students, women, disabled students, black students all get a better deal.

We believe that this blueprint is a mechanism for us to start to force further debate:

- To break the consensus around fees and the role of the market in higher education,
- To start prioritising the values that underpin our model,
- To start framing the debate and shaping the terms of reference beyond 'the cap how high?'
- To demonstrate our credentials for a seat on the review
- To negotiate from a position which will enable us to secure other campaign objectives that feedback from this discussion will enable us to make.

NUS has provided more 'policy focused' FAQ's aimed at external stakeholders. If you have detailed questions you may want to check [External Stakeholders FAQs](#) to see if your question has been answered already.