



## Higher education tuition fees in England – party policies 2015

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This note aims to give a brief overview of the current higher education tuition fee debate in English universities. It provides a history of the changes and gives an outline of the post-2012 tuition fee changes. The note also sets out fee arrangements in the UK regions and provides information on party policies on tuition fees.

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## **Contents**

<b>1</b>	<b>Higher education tuition fees in England</b>	<b>3</b>
1.1	Background	3
<b>2</b>	<b>Higher education tuition fees from September 2012</b>	<b>4</b>
<b>3</b>	<b>Impact of the higher fees since 2012</b>	<b>4</b>
3.1	Other policies impacting on higher education funding	5
<b>4</b>	<b>Higher education tuition fees in the UK regions</b>	<b>5</b>
4.1	Wales	5
4.2	Scotland	5
4.3	Northern Ireland	5
<b>5</b>	<b>Party policies on higher education fees in England</b>	<b>6</b>
5.1	Conservative policy	6
5.2	Labour policy	6
5.3	Liberal Democrats	7
5.4	UK Independence Party (UKIP)	9
5.5	Green Party	9

# 1 Higher education tuition fees in England

## 1.1 Background

Higher education tuition fees were introduced by the Labour government under provisions in the *Teaching and Higher Education Act 1998*; this Act brought in upfront annual tuition fees of £1,000.<sup>1</sup> These fees applied in all UK higher education institutions (HEIs). Over the following years fees rose by a small annual inflationary amount until in 2005/06 annual fees were £1,175. These fees, small as they were by today's standards, were criticised at the time for hampering attempts to widen access to higher education because they had to be paid upfront by students.

### Changes to fees in 2006

In 2003 the Labour government revisited the issue of higher education funding and published a white paper *The Future of Higher Education*. This paper outlined the need for greater investment in higher education and made the case for increased graduate contributions. The white paper provisions, which included raising tuition fees to £3,000 per year, were set out in the *Higher Education Act 2004*. This Act was highly controversial and after much debate it passed its second reading stage in the House of Commons by a narrow margin of 5 votes. The Act made other significant changes to higher education tuition fees arrangements by introducing variable fees and fee loans – these changes meant that upfront fee payments were abolished as fees could be paid on a deferred basis through the repayment of a tuition fee loan after graduation. This Act also aimed to introduce a market into higher education by allowing HEIs to set their own fees up to a maximum of £3,000 per year provided that they had an access agreement in place that was approved by the Office of Fair Access (OFFA). In the event all but a handful of HEIs chose to charge £3,000 fees. Tuition fees of £3,000 per year began in the academic year 2006/07.

### Changes to fees in 2012

During the passage of the *Higher Education Bill 2004* the Government gave a commitment to review the workings of the new tuition fee system after three years. To fulfil this commitment in 2009 the Labour government commissioned an independent committee under the chairmanship of Lord Browne to conduct a review of higher education funding. The report of the review, *Securing a sustainable future for higher education* was published in October 2010.<sup>2</sup> The report recommended removing the cap on tuition fees and allowing universities to set their own fee charges with a levy on universities charging over £6,000 per year.

The Government broadly endorsed the thrust of the Browne report and on 3 November 2010 David Willetts the Minister of State for Universities and Science made a statement<sup>3</sup> in the House of Commons setting out the Government's proposals for changes to the higher education funding and student finance system. The Government proposals contained significant changes to the Browne recommendations; the cap would remain on tuition fees, universities would only be allowed to charge between £6,000 and £9,000 in fees and universities would not be charged a levy for higher rates of fees.<sup>4</sup> On 9 December 2010 the

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<sup>1</sup> This Act also brought in income-contingent maintenance loans

<sup>2</sup> Information on the review is available in briefing note SN/SP/5739 *The Browne Review of Higher Education Funding and Student Finance*, 29 October 2010

<sup>3</sup> Oral Statement *Higher Education Funding and Student Finance* HC Deb 3 November 2012 c924

<sup>4</sup> The Government's proposals are discussed in briefing note SN/SP/ 5791 *The Government's proposals on higher education funding and student finance and their impact on access to higher education*, 8 December 2010

proposals were approved in a House of Commons vote by a majority of 21 votes. The new fee system commenced in September 2012.

## 2 Higher education tuition fees from September 2012

Under the new system of tuition fees which started in September 2012 all HEIs were permitted to charge a basic rate of fees of £6,000 per annum. HEIs with access agreements in place which had been approved by OFFA could charge a higher rate of up to a maximum of £9,000 per year. At the time of the fees changes David Willetts said that he expected the highest fees to be charged only in 'exceptional circumstances'<sup>5</sup> and the Government's new scheme was based on the assumption that in 2012/13 the average fees for new students would be around £7,500 per year after fee waivers.<sup>6</sup> However as in 2006 most HEIs opted to charge higher fees and taking into account fee waivers and other discounts the average tuition fee for new full-time undergraduate students in England in 2012/13 was thought to be around £8,100.<sup>7</sup>

Universities charging the higher rate of fees were expected to offer fee waivers, or other support to students from disadvantaged backgrounds and a National Scholarship Programme was set up to assist low income students. Library briefing SN/SGS/917 [Tuition fee statistics](#), 1 December 2014 gives a detailed account of tuition fees under the old and new system.

In 2015/16 the average tuition fee is expected to be around £8,800 as more institutions charge the maximum and many cut spending on waivers.<sup>8</sup>

## 3 Impact of the higher fees since 2012

Concerns have been expressed about the impact of higher tuition fees on student admissions and in particular on the effect that they might have on widening access to higher education.

University admissions dropped by 6.6 per cent in 2012 compared to 2011, however this drop followed a peak in 2011 as students enrolled in large numbers to beat the fee increase. Following the 2012 drop student admission numbers have been steadily increasing and in January 2015 UCAS reported that applications were the highest number ever recorded at that stage in the admissions cycle.<sup>9</sup> Most surprisingly the fee increase does not seem to have deterred students from disadvantaged backgrounds - a statement on the UCAS website says:

Young people from the most disadvantaged areas across the UK are more likely to apply to higher education than ever before, continuing to close the gap on the most advantaged.<sup>10</sup>

However this increase in masks a reduction in the numbers of applicants from older age groups and a steady fall in the number of applications for part-time study. An article in the *Times Higher Education* commenting on the increase in applications also points out that the increase in applications is not evenly spread across HEIs:

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<sup>5</sup> Oral Statement Higher Education Funding and Student Finance HC Deb 3 November 2012 c924

<sup>6</sup> Higher education funding for 2011-12 and beyond, BIS (December 2010)

<sup>7</sup> SN/SGS/917 [Tuition fee statistics](#), 1 December 2014

<sup>8</sup> *Ibid* p4

<sup>9</sup> UCAS News, "[Number of students applying to UK universities and colleges rises by 2%](#)", 30 January 2015

<sup>10</sup> *ibid*

Demand is also not evenly distributed, with a fifth of providers experiencing growth of 10 per cent or more since 2012, while more than a quarter of providers are seeing enrolments fall by 10 to 20 per cent, he said.<sup>11</sup>

### **3.1 Other policies impacting on higher education funding**

There have been several changes to higher education finance under the Coalition Government which have had an impact on institutional funding.

When the higher tuition fees were introduced in 2012 the Government cut the amount of funding that institutions received from the Higher Education Funding Council for England (HEFCE) in the form of teaching grants for low cost subjects – funding for these subjects now comes from student loan funding. This means that in most subjects from 2012-13 the costs of higher education teaching will primarily be funded through tuition fees paid by students. Any cut in tuition fees would therefore mean a reduction in teaching funding for HEIs.

Following this the Government gradually began the removal of the cap on student numbers by allowing HEIs to recruit unlimited numbers of students with AAB+ grades. The cap on student numbers will be entirely removed in 2015/16.<sup>12</sup> Further education colleges teaching undergraduate degrees have particularly benefited from the loosening of student number controls.

These policies along with the raising of fees have introduced a level of insecurity among higher education providers over funding.

## **4 Higher education tuition fees in the UK regions**

### **4.1 Wales**

Students who are domiciled in Wales and who study at a publicly-funded HEIs can be charged a maximum tuition fee of £9,000 per year. The Welsh Government provides students with a tuition fee loan to cover the first £3,685 of their tuition fees. If a university or college charges more than this, students can apply through Student Finance Wales for a non-repayable fee grant of up to £5,315 to cover the difference. These arrangements apply to Welsh students studying anywhere in the UK.

### **4.2 Scotland**

Students who are ordinarily resident in Scotland on the first day of the first academic year of their course and who are studying in Scotland are eligible to have their tuition fees paid for them by the Scottish Government. Scottish students studying outside Scotland are liable to pay the fees that are charged by their chosen institution and they can apply for a tuition fee loan to cover the cost of fees of up to £9,000 per year.

### **4.3 Northern Ireland**

In 2014/15 students who are living in Northern Ireland on the first day of the first academic year of a course can be charged fees of up to £3,685 per year for courses at HEIs in Northern Ireland - students can apply for a tuition fee loan to cover the full amount of tuition fees. Students studying in other parts of the UK must pay the fees applicable at their chosen HEI and they can apply for a tuition fee loan to cover the full amount of tuition fees up to a maximum of £9,000.

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<sup>11</sup> “[Undergraduate applications hit record number, says Ucas](#)”, *Times Higher Education* (THE) 30 January 2015

<sup>12</sup> Information on the is available in HEFCE document [Guide to funding and student number controls 2013-14 and 2014-15 How HEFCE allocates its funds and controls student numbers](#) March 2014/06

## 5 Party policies on higher education fees in England

### 5.1 Conservative policy

Conservative policy on tuition fees has not yet been clearly stated. David Cameron gave a speech on 2 February 2015<sup>13</sup> in which he discussed education – the speech referred to removing the cap on student numbers but made no mention of tuition fees. Similarly Greg Clarke the Minister for universities and science gave a speech at the annual Higher Education Funding Council for England (HEFCE) conference on 4 February 2015 [Higher education: funding and co-operation](#), in which gave an overview of the Government's policy on HE in general, however this did not explicitly mention fees and it should be noted that this speech was made by Mr Clarke in his capacity as a Minister for the coalition Government.

On 27 February George Osborne made the following comment in response to the Labour announcement of their intended cut in tuition fees:

the chancellor, said: "Far from hitting only the richest as Ed Miliband claimed, his new tax on pensions will hit many people on middle incomes including nurses, teachers and firefighters. So a tuition fees policy that only benefits better off students is being paid for by hardworking taxpayers on middle incomes."<sup>14</sup>

There has also been some speculation that the Conservative party might consider raising HE tuition fees or removing the cap on fees after this was mentioned by some Conservative politicians, this is discussed in an article in the *Independent*, [Labour demands pledge that Coalition will not raise tuition fees beyond £9,000](#).<sup>15</sup>

### 5.2 Labour policy

On 27 February 2015 the Labour party announced that it would reduce higher education fees to £6,000 per year. The policy is set out on the Labour Party website at [Labour's plan to cut tuition fees – five things you need to know](#):

#### 1. Raising tuition fees to £9,000 has been bad for students and bad for taxpayers

The decision by the Tories and Lib Dems to increase tuition fees to £9,000 means that the average student will now graduate with £44,000 of debt. That's bad for them, because they have tens of thousands of pounds of debt hanging over them for decades – but it's bad for the taxpayer too, because almost three quarters of students will never pay their loan back in full, and the cost of writing it off has to be met by the Government. In fact, government forecasts show that the current student fee system is set to add £281 billion to the national debt by 2030-31.

#### 2. Labour's plan will be fairer to students and taxpayers

Cutting tuition fees from £9,000 to £6,000 will reduce average graduate debt by nearly £9,000. And because our plan is fully funded, it means £40 billion less government debt by 2030-31, or over £10 billion less government debt over the next Parliament. We will also help students from lower and middle-income families by increasing student grants by £400, so that the full grant goes up from around £3,400 to around £3,800. More than half of students will benefit. We will pay for the grant increase by asking the highest earning graduates to pay more: increasing the interest rate on the

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<sup>13</sup> Conservative website, [David Cameron – a Britain which gives every child a good start](#), 2 February 2015

<sup>14</sup> "[Labour challenged over 'cast-iron' guarantee to cut tuition fees](#)", *The Guardian*, 27 February 2015

<sup>15</sup> "[Labour demands pledge that Coalition will not raise tuition fees beyond £9,000](#)", *Independent* 1 March 2015

loan from 3 to 4 per cent for those earning over £41,000. This will make the overall system of repayment fairer, but all students will be better off overall as a result of our plan – with less debt, and less to repay.

### **3. Students who are currently in their first year at university will benefit from Labour's plan**

We will cut fees to £6,000 from September 2016. That means that students who are now in their first year at university will see their fees capped at £6,000 in their third year. Students who start university this autumn will see their fees capped at £6,000 from their second year onwards. And students who start in 2016 will see their fees capped at £6,000 from the start.

### **4. Universities will not lose out**

Our plan is fully funded, so we will increase the teaching grant universities receive by the same amount that their fee income from English students falls – around £2.7 billion.

### **5. Labour's plan is fully funded by restricting Pension Tax Relief for those on the highest incomes**

At the moment, people with incomes over £150,000 get tax relief on pension contributions at a rate of 45 per cent – more than twice that of basic rate taxpayers. This means that although they are only the top 1 per cent of taxpayers, they receive 7 per cent of all Pension Tax Relief. So we will make the system fairer by restricting Pension Tax Relief by £2.9 billion for those on the highest incomes. We will reduce the rate of relief for those with incomes of over £150,000 to 20 per cent – the same as basic rate taxpayers. And we will reduce the annual and lifetime allowances to cap the amount that people can put into their pensions tax free: £30,000 a year, or £1 million across a lifetime. This is far more than most people can ever afford to put into their pension pots.

## **5.3 Liberal Democrats**

Liberal Democrats policy on tuition fees is to maintain the current system; this was stated by Vince Cable in an interview on 27 February 2015:

**Cable:** (The current system) is working very well and it doesn't need to be changed. It's working well on all different levels. We've got growing numbers of people want to go to university. We've got exceptionally large numbers of people from disadvantaged backgrounds going to university and applying to go to university. Universities are very well funded relative to other organisations that depend on the public sector, which means they can provide quality education. And we've got a repayment system, which Martin Lewis very eloquently described a few minutes ago, is effectively operating like a fair form of graduate tax where higher earning graduates are paying more and those that earn under £21,000 don't pay anything.

**Mardell:** And the Higher Education Commission said it was the worst of both worlds - everybody thinks they are getting a bad deal.

**Cable:** Well the Higher Education thing is one think tank with its own political agenda. If you get away from the politicians, and obviously we are going to criticise each other, and you look at a respected international body like the OECD who have done a comparative study of higher education across the developed world: Their conclusion was that Britain has the best in Europe - it is the only one that is financially sustainable, and it's achieving all our objectives of getting more people who want to into higher

education, and particularly people who haven't historically been able to, and is generating good quality graduates and getting them to pay on a progressive basis.

**Mardell:** But we've heard that Labour's figures add up as an alternative to what you've got, there's nothing wrong with it, is there?

**Cable:** There is a lot wrong with it, and what is particularly - and I use the word carefully - but it is fraudulent about it....

**Mardell:** That's a very serious charge...

**Cable:** It is. Because this tax on pensioners will not go to universities, it will go into the treasury and we know from all past experience the treasury will pocket the money, it will be used to reduce the deficit. There is no guarantee that that money goes to universities. Under our current system the money automatically goes to universities. So that, under the student tuition system and the graduate contribution, universities benefit directly. They would not under Labour's system. It depends entirely on the discretion of future chancellors.

**Mardell:** Of course, your party has a tortured history in this business...

**Cable:** It has, yes.

**Mardell:** ...and Ed Miliband said directly that tuition fees - the history of that - was one of the reasons that young people have such little faith in politics.

**Cable:** I think he is right on that particular point. And my party has a very tortuous history on it, and we've suffered badly - politically - as a result of making a pledge that we weren't able to keep. But we're not the only party that's been in this position...

**Mardell:** But I mean Nick Clegg said that he was sorry...

**Cable:** Let me just finish the point - the Labour party has twice made pledges on tuition fees they've had to abandon. The Tories also had a free tuition policy that they quietly dropped. So we've all been in this space. And the thing is, as Martin Lewis very eloquently said in his contribution, we should all grow up and all learn from experience. And Ed Miliband's just taking us and his party backwards.

**Mardell:** Nick Clegg said that he was sorry. You don't sound very sorry. You seem to be saying that the saying that the system is working and you're glad you changed.

**Cable:** Nick Clegg, rightly, and we all, apologised for the pledge. I certainly don't apologise for the policy we've now got, because it is a good one, and it is sustainable and it achieves our objectives.<sup>16</sup>

The Liberal Democrats Pre-Manifesto 2014 contained a commitment to establish a review of higher education finance:

Establish a review of higher education finance within the next Parliament to consider any necessary reforms, in the light of the latest evidence of the impact of the existing financing system on access, participation (including of low-income groups) and quality, covering undergraduate and postgraduate courses.<sup>17</sup>

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<sup>16</sup> Liberal Democrat website at "[Vince Cable: Labour's Tuition Fees Plan is 'Fraudulent'](#)", 27 February 2015

<sup>17</sup> The Liberal Democrats' Pre-Manifesto 2014 p45



## 5.4 UK Independence Party (UKIP)

UKIP higher education policy is set out on their website, the party had pledged to abolish fees for some students:<sup>18</sup>

### Higher Education

Scrap the target of 50% of school leavers going to university.

Scrap tuition fees for able students pursuing courses in the sciences, technology, maths or medicine

Charge the 70,000 university students from the EU the same amount in tuition fees as foreign students from non-EU countries, raising £600million per year

## 5.5 Green Party

The Green Party's higher education policy is set out in their policy document [Green Party for the common good - Education](#), the party has pledged to abolish tuition fees for all students:

ED234 Under a Green government there would be no student loans as there would be no tuition fees and living costs would be met by Citizen's Income. In the short term we will reintroduce student grants to meet living costs.

ED245 Currently many Higher Education Institutions are dependent on international students due to the inflated fees they pay. In some cases this can lead them to accept international students who are less able than EU students who they reject.

ED246 Under a Green Government Higher Education Institutions will be properly funded by the state so that where international students are fee-paying the amount the institution charges will more accurately reflect the true cost

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<sup>18</sup> UKIP website, "[Paul Nuttall: 'A Better Education System for a Better Britain'](#)", 26 September 2014