House of Commons Library

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2 February 2024

The value of student maintenance support

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Contents

Summary

Changes in maintenance support for full-time students from 2010

Maintenance grants, maintenance loan levels and income thresholds were all frozen in England at 2009/10 levels in 2010/11 and 2011/12.

2012/13 saw full grant levels for *new* students from England increased by 12%, maximum loan levels by 11%; changes to income thresholds and fee loans extended to part-time students.

The full grant increased by 3.2% in 2013/14; 1% in 2014/15 and was frozen in 2015/16. Maximum loans amounts were frozen in 2013/14, increased by 1% in 2014/15 and 3.3% in 2015/16. Income thresholds were frozen in 2012/13, 2014/15 and 2015/16.

Maintenance grants ended for new students in 2016/17. New students have received all their maintenance support as loans since then. The maximum value of support for students living away from home outside London was increased by around 10% in 2016/17.

The maximum value of support increased slightly in real terms over the following five years before falling in real terms in 2022/23 and 2023/24.

The household income level at which a student qualifies for the maximum level of support has remained unchanged in cash terms since 2008 at £25,000.

Key trends in the real value of the maximum maintenance support package over time are:

- A gradual real reduction during the 1960s
- A partial reverse in this cut in the late 1970s before some relatively small real cuts in the 1980s
- The introduction of loans in 1990/91 which initially increased the value of the overall support package and gradually replaced grants over time.
- The total value of support increased gradually each year during the 1990s and up to 2003/04.
- The reintroduction of grants in 2004/05 and their extension in 2006/07 both resulted in jumps in the maximum value of support
- The 2012 reforms increased the size of the support package for new students. Subsequent freezes or below inflation increases in grant and/or loan rates meant real values fell in the following few years.
- Loans replace grants for new students from 2016/17. Increases in the maximum loan amounts in the same year took the value to what was then its highest level in real terms.
- Maximum loan amounts increased gradually between 2016/17 and 2021/22.

- Inflations was much higher in 2022/23 and 2023/24 than the cash increase in maximum support levels. The real terms cut was 7% in 2022/23 and 4% in 2023/24.
- The maximum support in 2024/25 is expected to be around £1,250 less than in 2021/22 in September 2023 prices if adjusted by CPI inflation.
- This cut, at 11% over three years, is larger than any real cuts seen in student support going back to the early 1960s.
- Maximum loan amounts are increased by the Government in line with forecast inflation, but differences between forecast and actual inflation are not 'corrected' in later years.
- In January 2023 the IFS said that because the forecasting errors in the previous two years had not been corrected the maximum support amounts will be around £1,500 less in the future. This cut is now effectively baked into future support. It said that the way that forecast inflation is used to uprate maintenance loans "..is not a sensible policy" and "The government's framing of this announcement as a 'cost of living boost for students' is at best highly misleading".

It is only students from the poorest households who qualify for the maximum level of maintenance support, so they face the greatest impact of any changes in the overall amount available.

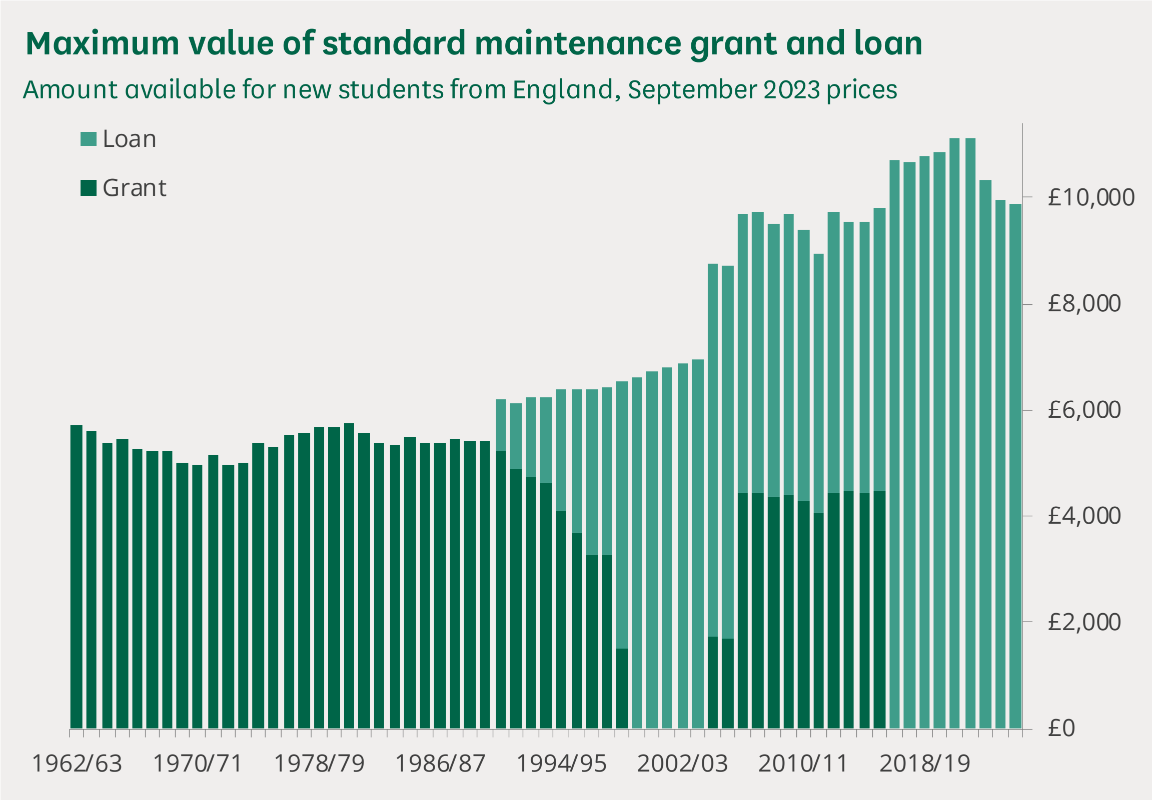
While the maximum value of support increased up to 2021/22 in real terms there was still concern that it was not enough to cover student living costs, particularly due to increases in the cost of accommodation. The real cuts since then make it more likely that students will not be able to cover their living costs without additional financial help.

The real level of household income level at which support starts to be reduced has fallen over time. This means that the maximum support package is only available at lower real household income levels. It also means that in higher income households parents of dependent students need to make larger contributions to bring support levels up to the maximum. Parental contributions are not made explicit in student finance material and there is a fear that this means that some students do not receive the support they need.

The independent Augar Report made a number of recommendations on maintenance support to a Government review of post-18 education and funding. These included bringing back maintenance grants of at least £3,000 for disadvantaged students. The Government's review did not accept the Augar report recommendation and made no changes to the student maintenance system.

This paper looks at the value of the support for student maintenance over time and its impact on public expenditure. Some of these older statistics refer to England and Wales, although devolution of student finance means that figures from 2006/07 cover England only.

The data and analysis in this paper are for full-time undergraduate students.



The following Library publications give more information about changes in this sector:

- Impact of increases in the cost of living on further and higher education students
- Cost of living support for students
- How is the rising cost of living affecting students?
- Student support for the over 60s
- The Post-18 Education and Funding Review: Government conclusion
- Higher education funding in England
- Higher education student numbers
- Tuition fee statistics
- Student loans
- Abolition of maintenance grants in England from 2016/17
- Changes to higher education funding and student support from 2012/13

The insight Student finance in England: How much would it cost to bring back grants? Looks at the hypothetical effect of reintroducing a means-tested grant for undergraduates, of up to £3,000 a year.

The briefing paper Student support for undergraduates across the UK outlines the student support systems for undergraduate higher education students in England, Wales, Scotland, and Northern Ireland. It sets out the amount of funding that students may receive and references recent debates and developments in HE funding across the UK.

The aim of this briefing paper is to look at trends in the level of support for maintenance, not specific eligibility criteria or additional grants/allowances for different groups of students. Details of these for students from England, Wales, Scotland and Northern Ireland can be found at:

- www.gov.uk/student-finance
- www.studentfinancewales.co.uk
- www.saas.gov.uk
- www.studentfinanceni.co.uk

More detail on loan and grant levels in England, income thresholds and variations by where the student lives, studies etc. are included in the policy documents on the Student Loans Company's website.

1 Summary background to changes in maintenance support

The appendix to this paper gives full details of these changes.

Up to the late 1990s

Between 1962 and 1990 the provision of student support remained largely unchanged. Full-time UK based students studying for a first degree received 100% grants for maintenance, means tested according to parental income. Non income-assessed student loans first became part of the student support package in 1990/91. Over the following decade they gradually replaced maintenance grants as the main form of public support. Students' eligibility for various benefits in the short vacations was removed in 1986; most students became ineligible for Income Support, Unemployment Benefit and Housing Benefit in the long summer vacation from 1990.[1]

The new student support arrangements from 1998/99

The new system of student support was brought in by the Labour Government following the report of The National Committee of Inquiry into Higher Education, the Dearing Report.[2] In the first year new entrants received support through loans and grants. The maximum maintenance grant was £1,000 less than that for existing students. This was balanced by a matching increase in loan entitlement. Most new entrants were also expected to make an income-assessed contribution of up to £1,000 a year to the cost of their tuition. From 1999 new entrants and those who started in 1998 received **all** maintenance support as loans which were partly income-assessed.[3] Loans made under the new arrangements from 1998 were repayable on an income contingent basis rather than the old 'mortgage-style' system.

Changes from 2004/05 to 2011/12

The Higher Education Grant (HEG) was introduced for new entrants in England and Wales in 2004/05. This was fully means tested and had a maximum value of £1,000 in 2004/05. HEG recipients did not have their maximum loan amount reduced

1 There is some survey evidence on the effects of the loss of benefit entitlement during this period. However, methodologies vary and the make-up of students has changed over this time, hence comparisons should be made with caution. A National Union of Students survey from 1982/83 found that 60% of all students received some social security benefit in the summer vacation and only 7% at Christmas. The average value across all students in these vacations was £113 a year (*Undergraduate income and expenditure survey 1982/83*, NUS) or £520 in 2023/24 prices.

2 *Higher Education in the learning society*, National Committee of Inquiry into Higher Education 1997

3 There were some exceptions such as those with dependants, single parents and disabled students. From 2001/02 there was extra support for mature students, parents and disadvantaged young students.

The HEG was replaced for new entrants in 2006/07 in England by a new means tested maintenance grant with a maximum of £2,700. Unlike the HEG this grant affected loan eligibility. The maximum loan was reduced pound for pound up to a maximum reduction of £1,200.

In summer 2007 the Government announced changes to a number of the income thresholds for **new entrants** from 2008/09. These changes were expected to mean that around one third of new students would receive a full grant (as in earlier years) and increase the proportion of students who receive a partial grant to around one third.

Changes to income thresholds for grants applied to new students from 2009. They meant a *less* generous package of grants/loans for students with a household income above £25,000. Maintenance support was frozen at 2009/10 levels in 2010/11 and 2011/12.

2012/13 to 2015/16

In 2012/13 the Government increased maintenance support for new students, the first increase since 2009/10. This was introduced alongside higher tuition fees and the reforms to higher education funding. The biggest increase was for students from lower income households.

Summer Budget 2015 announcement: New students from 2016/17

In summer Budget 2015 the Chancellor announced that maintenance grants would be replaced in full by loans for new students in England from 2016/17. The maximum loan support (living away from home outside London) was increased to £8,200 per year (up from just over £7,400 in 2015/16)

From 2016/17 new students eligible for certain benefits who would previously have received a special support grant became eligible for an increased loan for living costs. In 2016/17 this was £9,347 or around £1,150 above the maximum for other new students.

Student support uptake in 2016/17 and later

In 2015/16 550,000 full or partial maintenance grants were awarded to students from England. This fell to 350,000 in 2016/17, 190,000 in 2017/18 55,000 in 2018/19, 10,600 in 2019/20 and fewer than 1,000 from 2021/22. These falls were gradual over time as only continuing students who started before 2016/17 were longer eligible.

The value of grants awarded fell from £1.64 billion for 2015/16 to £0.001 billion in 2022/23. The shift from grants to loans for 2016/17 entrants increased the value of maintenance loans for full-time students from £4.0 billion in 2015/16 to £4.9 billion in 2016/17 and £8.2 billion in 2021/22. The average maintenance loan amount awarded to new students in 2022/23 was £7,100 compared to £4,000 in 2020/21 for students who started between 2012 and 2015.[4]

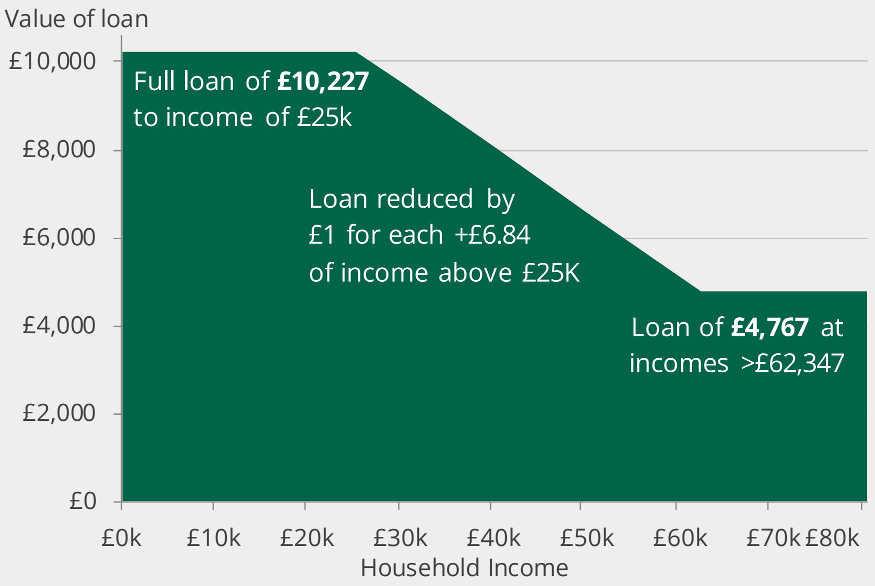
[4] Student Loans Company, Student Support for Higher Education in England 2023 . Tables 2 and 3A(i)

2 Illustrations of support levels and income thresholds

The following chart shows how loan levels vary with income for full-time students living away from home (outside London). The maximum loan available starts to fall at incomes over £25,000 at a rate of £1 for every extra £7.01 of income. If the student's parents[5] have to make up the difference, then this is effectively a marginal deduction rate of around 15% on incomes from £25,000 to £62,347. If there are two dependent students at university in a family then the effective marginal deduction rate would be double this for the period when both were in higher education (although there are allowances for other dependent children -see box below).

Maximum loan available in 2024/25 by income

Post 2016 English students living away from home outside London



Source: Student Finance Memorandum for the 2024/25 Academic Year, SLC

At household incomes above £62,347 the maximum loan is £4,767, the non-income assessed element of the loan.

5 Or the student themselves if they are independent

Variations for different groups of students

Most of the values in briefing are for full-year students living away from home outside London. The next section looks at figures for those studying in London. The maximum maintenance loan for students living away from home is £8,610 in 2024/25

Final year students are eligible for lower maintenance loans. Students aged under 60 who are entitled to benefits are eligible for an additional special support element which is not covered in this paper.

Students aged 60 or older on the first day of their course are eligible for reduced income related maintenance loans. In 2024/25 the maximum was £4,327 at household incomes of £25,000 or less. The amount available reduces with income and there is no loan for those with household incomes of over £43,380. The briefing Student support for the over 60s gives more detail.

When calculating household income there are allowances for parents who are also students and dependent children. In 2024/25 these are £1,130 for parents who are eligible students and £1,130 each for any other children who are dependent on the student's parent, their parent's partner or any children dependent on the student themselves or their partner. These 4allowances are the same as in the past two years.

The level of household income above which the maintenance support package[6] is reduced has remained at £25,000 since 2008/09. Its real value fell by 39% over this period.[7] In other words, the maximum support package is only available at lower (real) household income levels. The impact of this is shown in the proportion of students[8] who received the maximum maintenance loan which fell from 57% in 2012/13 to 38% in 2021/22.[9]

The real value of the income threshold for the maximum maintenance loan has fallen by 39% in real terms since 2008

The household income level at/above which students are only eligible for the minimum (non-income assessed) amount was cut from around £65,850 in 2019/20 to around £62,250 in 2020/21.[10] It has increased by just under £100 (0.16%) over the following three years. This will have increased the proportion of students who are eligible for the minimum maintenance loan amount.

If it is assumed that the student's parents top up their loan to the maximum level then this means that over time more families on lower incomes are making some maintenance contributions. The effective marginal deduction rate has also *increased* over time which also means that assumed parental

6 Loans plus grants in relevant years

7 Q1 2009 to (forecast) Q1 2025 values adjusted using the CPI. OBR, Economic and fiscal outlook November 2023 (Supplementary economy table 1.7)

8 Students living away from home and studying outside London

9 PQ 127876 [on Students: Loans] 31 January 2023

10 For students living away from house outside London

contributions are higher for any given income between the maximum and minimum levels; £25,000 and £62,347[11] in 2024/25.

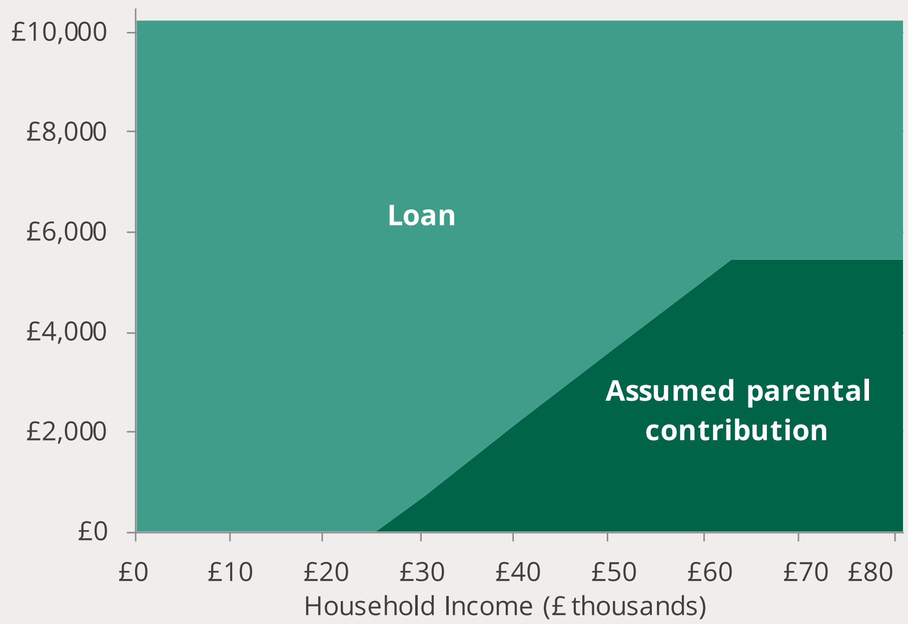
2.1 Parental contributions

The Government does not set out any explicit level of parental contributions. The earlier section assumes that parents top up the maintenance loans of dependent students to the level of the maximum. This implicitly assumes that students from all backgrounds need the same amount of support which is determined by the maximum loan. If this is the case, then the balance between loans and parental contributions are illustrated below.

The assumed maximum contribution is £5,460 (for a single dependent student) in 2024/25 at household incomes above £62,347 for students living away from home outside London. The maximum contribution is £4,820 at incomes over £58,307 where the student is living at home and £6,701 for incomes over £70,098 where the student is away from home in London.[12]

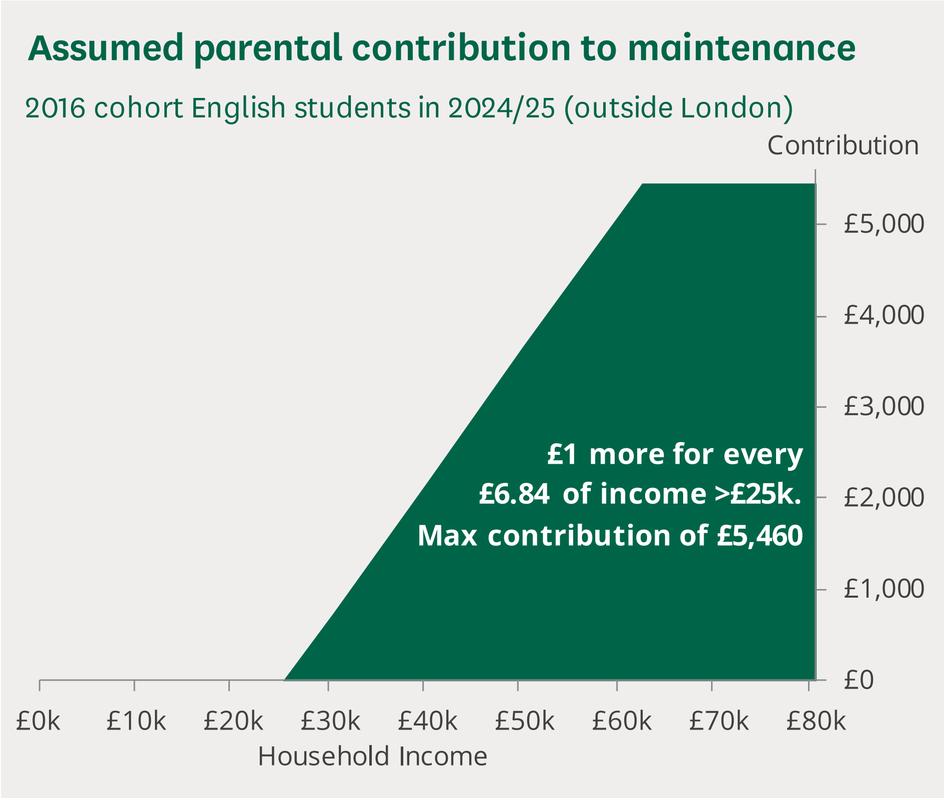
Balance of maintenance support

2016 cohort English students in 2024/25 (outside London)



[11] Living away from home outside London

[12] Student Finance Memorandum for the 2024/25 Academic Year, SLC

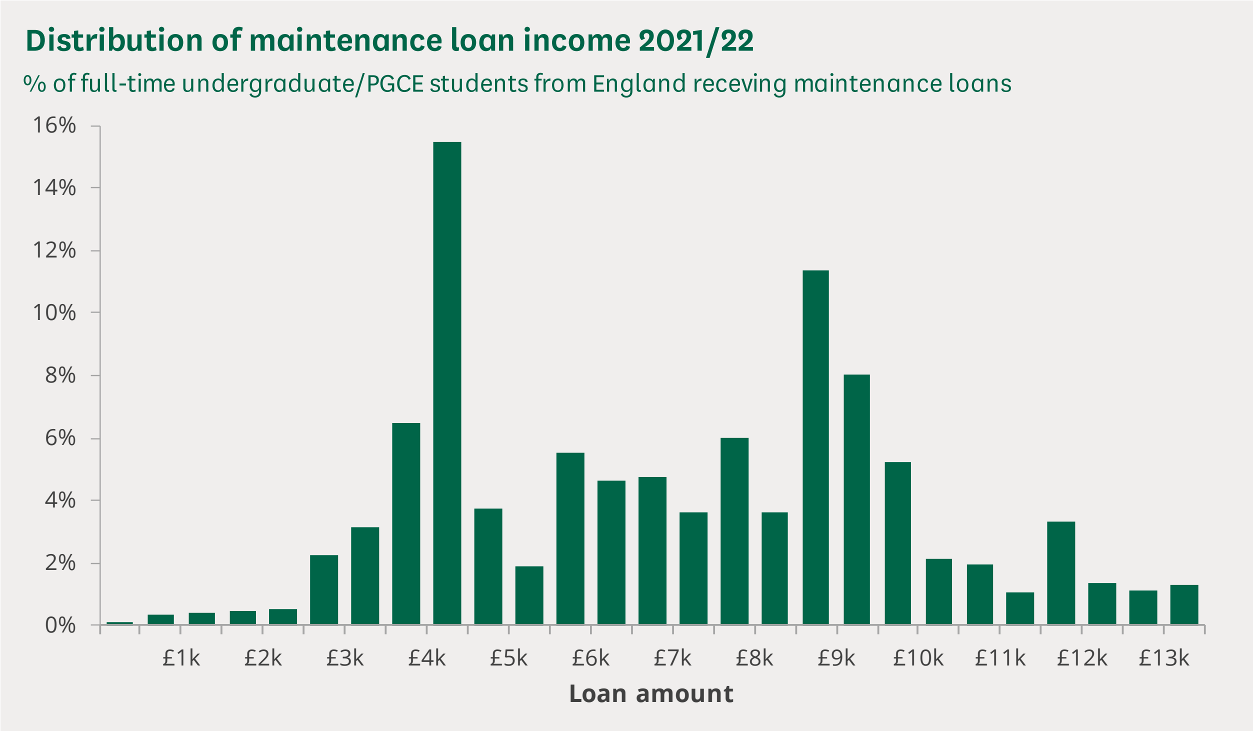


Source: [Student Finance Memorandum for the 2024/25 Academic Year](), SLC

In reality the **actual** costs a student incurs on top of their loan, rather than notional contributions shown above, will determine the broad parameters of what parents 'need' to contribute towards the maintenance costs of a dependent child. As will any other sources of income, such as part-time work or support from their university.

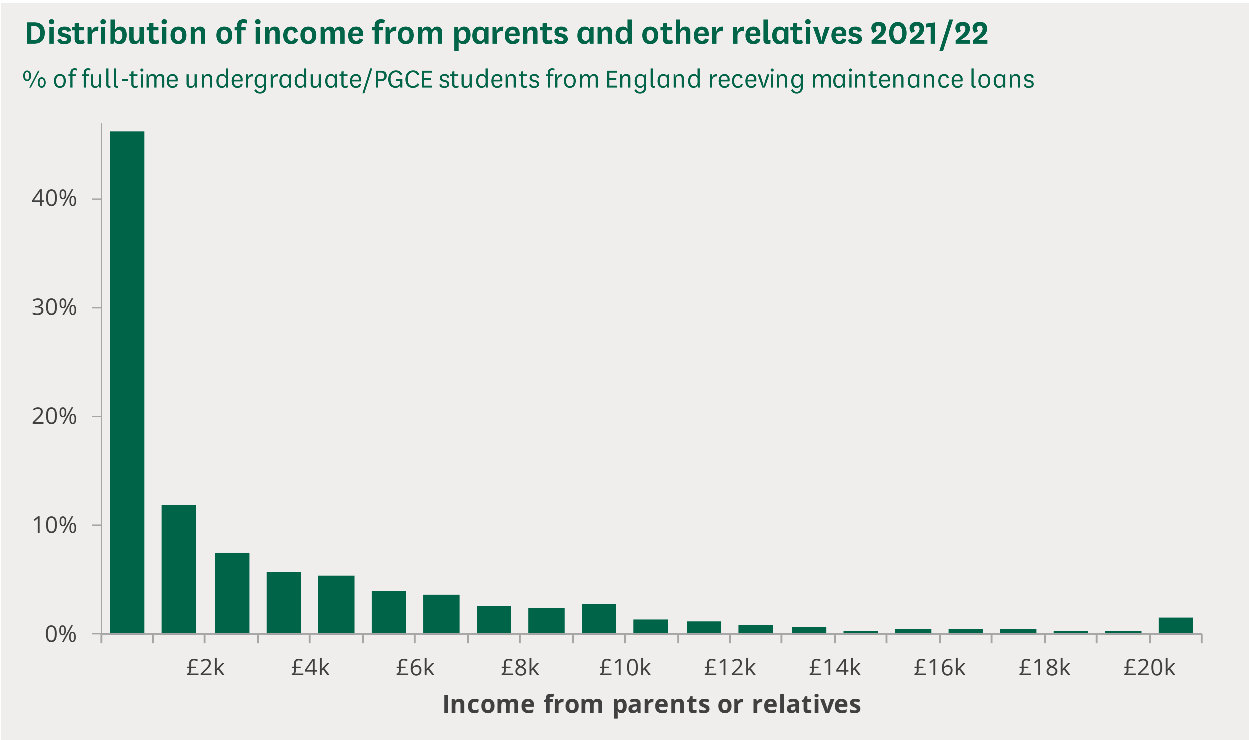
2.2 Survey evidence on the size of loans and amount of income from parents/relatives

The following chart shows the different amounts that students claimed in maintenance loans in 2021/22. There were 'local' peaks at or just below the maximums for students living away from home outside London (loan value of £9,488) and for those above the upper household income threshold (£4,422). There was a smaller peak just below the maximum for those living away from home and studying in London (£12,382).



Source: DfES, Student income and expenditure survey: 2021 to 2022 (source of income table 3.5)

The next chart shows the different amounts that students received from their parents and other relatives in 2021/22. 29% received less than £1,000no income from this source. The data for the chart is based on the remaining 71% of students who did receive some income from parents or relatives. Nearly half of them received up to £1,000, 31% between £1,001 and £5,000, 16% 5,100 to £10,000 and 8% received more than this amount.



Source: DfES, Student income and expenditure survey: 2021 to 2022 (source of income table 3.15)

3 Value of support package

3.1 Students living away from home outside London

A system of standard rates of maintenance grants replaced the earlier discretionary system in 1960. In 1960 the standard rate for students living away from home outside London was £255, or around £4,900 in current prices. The Anderson Report recommended increases in the Maintenance Grant which was raised to £320 in 1962 (£5,700 in current prices).[13]

The accompanying spreadsheet shows the maximum amount of grant and loan that students outside London have been able to claim since 1960.

Given the number of recent changes in the support package, data from 1998/99 onwards are for new students only to simplify the table. These figures are also given in constant September 2023 prices[14] and are illustrated in the chart below. The key points are:

- Gradual real reductions in the value of the maintenance grant during the mid/late 1960s totalling around 11%.
- This reduction was reversed in the late 1970s.
- Real values fell at the start of the 1980s and this lower level was broadly maintained during the rest of the decade.
- The introduction of maintenance loans in 1990/91 increased the maximum value of support from around £5,400 to £6,200 (in September 2023 prices, as will the rest of the figures in these bullet points).
- Loans gradually replaced grants over the following years.
- The total value of support increased steadily during most of the 1990s and up to 2003/04.
- The reintroduction of mainstream grants in 2004/05 saw a jump in the maximum value of support to the equivalent of £8,800 a year; just under 30% of new students received this.

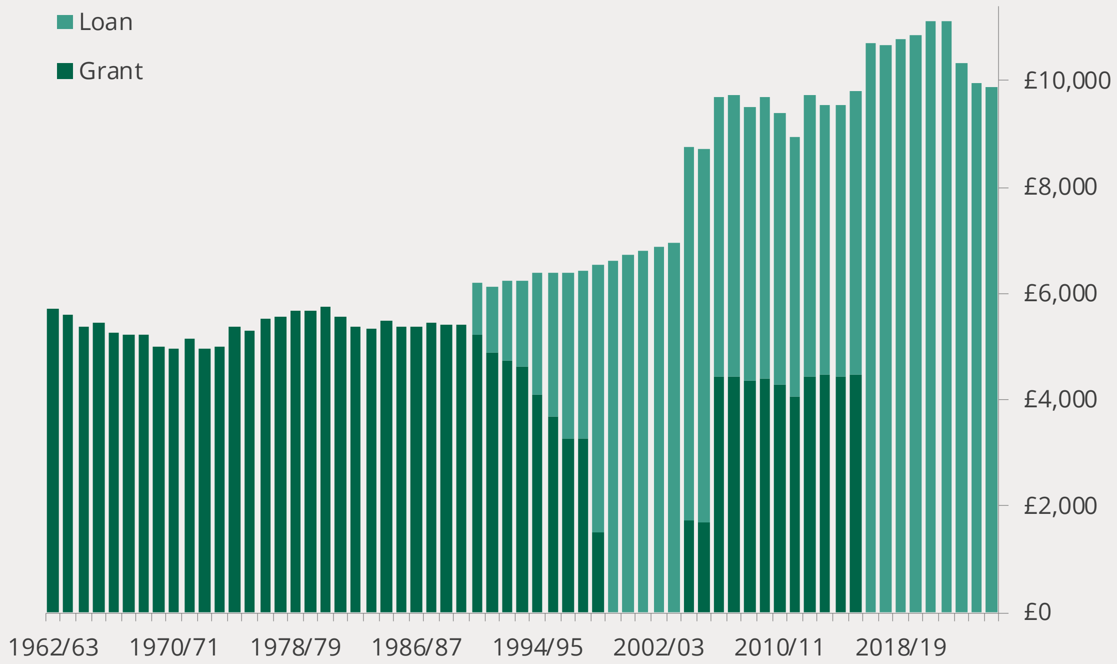
13 HC Deb 1 February 1982 c33-4W

14 This revalues the entire maintenance package at the CPI level from the start of the academic year. Earlier versions of this briefing used RPI inflation which is normally higher than CPI. Using CPI therefore shows larger real terms increases in support (and small real cuts), especially when expressed over longer time periods. For instance, 1962 grant levels adjusted for CPI inflation are worth around £4,900 in September 2023 prices compared with around £7,600 is adjusted for RPI inflation. CPI is a the preferred measure of inflation and RPI is no longer given national statistics accreditation and is not considered a good measure of inflation.

- In 2006/07 the introduction of the new maintenance grant for new students meant that those from the poorest backgrounds studying outside London were eligible to receive support of around £9,700 a year.
- Support levels were frozen in cash terms in 2010/11 and 2011/12, so the real value fell in these years.
- The 2012 increases for new students took these headline maximum values back to around their 2009/10 levels in real terms. Subsequent freezes or below inflation increases in grant and/or loan rates mean real values fell over the following two years
- The increase in the support package in 2016/17 took it to a new highest level in real terms, substantially higher than in 1999 when grants were last abolished.
- Maximum loan amounts gradually increased in real terms from 2016/17 to 2021/22.
- The 2.3% cash increase in 2022/23 was said by the Government to be in line with forecast inflation at the time.[15] The Government uprated maximum amounts by the OBR forecast from the time for Q1 2023.[16] However, inflation was much higher than these forecasts, driven by higher energy and food costs. The actual CPI inflation in the year to September 2022 (used to calculate the series below) was 10.1%.[17]
- The series in this briefing shows a further real cut in 2023/24 and a small cut in 2024/25.
- The Government uses forecasts of RPIX inflation, generally higher than CPI, to uprate support levels.

Maximum value of standard maintenance grant and loan

Amount available for new students from England, September 2023 prices



15 Written statement on Higher Education Student Finance 21 October 2021

16 PQ 93859 [On Students: Loans] 15 December 2021

17 ONS series D7BT

Sources and underlying data: See accompanying spreadsheet

The real cut in the maximum value of support in between 2021/22 and 2024/25 is 11% or £1,250. The series in this briefing uses the price level at the start of the academic year to produce a real terms series. If instead it follows the Government's uprating approach and uses prices in the first quarter of the year (effectively the middle of the academic year) then the overall cut is broadly similar, but largely happens in academic years 2021/22 and 2022/23.[18]

The IFS published analysis of the 2022/23 real cuts in maintenance support in November 2022. This sets out in detail how the Government uprates maximum support levels and the impact of inflation being much higher than forecast. At the time they estimated that the policy had effectively reduced maximum support (received by students from the poorest families) by more than £1,100.[19] When the 2023/24 support levels were announced they said that students from the poorest families would in the future be around £1,500 a year worse off because of the way the Government uprates support levels. It said that the way that forecast inflation is used to uprate maintenance loans "..is not a sensible policy" and "The government's framing of this announcement as a 'cost of living boost for students' is at best highly misleading".[20]

3.2 London students

Students attending institutions in London receive more support to reflect the higher costs of living in the capital. When loans were introduced there were different rates of maximum grants and loans for London students. From 1998/99 onwards, grants for new students have been the same inside and outside London and the difference in support has been in the maximum value of loans that London students can take out. In the early 1990s the maximum value of support available to London students was around 18% higher than those studying elsewhere. This differential gradually increased to 20% in 1993/94 and jumped to 23% in 1994/95. It then stayed at around this level for the next decade.

The introduction of the HEG, which did not have a higher level in London, meant the differential was cut for new students to 19% in 2004/05. 2006/07 saw the new maintenance grant which, again, did not vary across the country, but the maximum value of loans in London was increased by £1,000 for new students, taking the differential to 30%.[21] This has been broadly maintained in the levels announced for 2007/08 to 2015/16. In 2016/17 it was

18 Adjusted using CPI data and forecasts in the Bank of England's modal forecast from its August 2023 Monetary Policy Report

19 IFS, Cost-of-living crisis to hit students harder than expected (30 November 2022)

20 IFS, Large real cuts to student financial support to become permanent (11 January 2023)

21 *Student support for higher education in England, academic year 2006/07 (provisional)*, SLC/DfES, and earlier editions

increased to £10,702,[22] and has been raised in each subsequent year to £13,348 in 2022/23.[23]

3.3 Who takes out maintenance loans?

The latest Student Income and Expenditure Survey 2021/22. Reported that the 79% of full-time undergraduate/PGCE students in England took out a maintenance loan. The mean average amount was £7,100. The following groups of students had higher average amounts than the overall level:

- Women
- Aged 25+
- Black/Black British ethnic group
- Living in London
- Independent students
- Studying subjects allied to medicine

The were below average rates of maintenance loan uptake (of any value) among students living with their parents, older students/those with dependent children and among students studying medicine dentistry and subjects allied to medicine. [24]

3.4 Adequacy of maintenance support

The cost of living has increased rapidly over the past year and while the Government has provided measures to support the general population, many do not directly benefit students as they go to households on means tested benefits, pensioners and those who pay energy bills directly. The previous section showed that maintenance support levels have fallen in real terms in 2022/23 and are expected to do so in 2023/24.

Even before the 'cost of living crisis' there was concern about the adequacy of maintenance support. The chart in the previous section shows that levels of maintenance support in 2021/22 were higher in real terms than at any time in the last 50 years (before falling in 2022/23 and 2023/24). However, It is important to note the changes to benefit entitlement detailed in the appendix. All support is now provided through loans and not all students are eligible for the maximum loan, as shown in section 2.2. In addition, students

[22] *Higher education: student finance changes*, BIS news release 9 July 2015
[23] DfE, Higher Education Fees and Student Support for 2024/25: Details (25 January 2025)
[24] DfES, Student income and expenditure survey: 2021 to 2022 (sources of income data tables)

may decide not to take out the maximum maintenance loan for various reasons, including concern about debt.

The chart adjusts for inflation faced across the whole population. Costs faced by students, particularly accommodation, may not be accurately reflected by this adjustment. For instance, the average cost of purpose built accommodation increased by 31% between 2011/12 and 2018/19,[25] while inflation over the period was 13%. Accommodation costs will have increased by more than this in some areas and less in others.

Review of post-18 education and funding

In February 2018 the Conservative Government launched a review of post-18 education and funding. The Independent Augar report to the review said that significant concerns had been expressed about the cost of student accommodation. The report stated that standards of accommodation had improved but it made comments on the cost of accommodation:

> A significant theme in the call for evidence was concern about the student cost of living; indeed several surveys have found that this is often a greater cause of anxiety for students than the level of debt incurred from tuition fees. The Accommodation Costs Survey calculates that in 2018/19 weighted average rents for student accommodation absorbed 73 per cent of the maximum funding available to students in the form of grants and loans, up from 58 per cent in 2011/12, reflecting the significant recent increase in accommodation costs. (p188)
>
> [...]
>
> **Recommendation 7.6** The OfS should examine the cost of student accommodation more closely and work with students and providers to improve the quality and consistency of data about costs, rents, profits and quality. (p196)

The review went on to make the following recommendations about overall maintenance support:

- **Recommendation 7.1** The government should **restore maintenance grants** for socio-economically disadvantaged students to at least £3,000 a year.
- **Recommendation 7.2** The expected **parental contribution should be made explicit** in all official descriptions of the student maintenance support system.
- **Recommendation 7.3 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.

Recommendation 7.3 would have resulted in a "marginal reduction" in the amount of support available at the time and it would have been be lower than

25 NUS/Unipol, Accommodation Costs Survey 2018

the amount spent by students outside London. The authors noted that many students can and do work part-time while studying.

An article on the WonkHE website pointed out that increases in the national minimum wage for 21-22 year olds, particularly in Autumn Budget 2021, mean the Augar recommendation implies a loan of around £10,300, or £600 above the rate set by the Government for 2022/23.

Government conclusion to the review

On 24 February 2022, the Government concluded its review of post-18 education and funding. This proposed a number of changes to student loan repayments. However, it did not accept the Augar report recommendation to reintroduce maintenance grants and made no changes to the student maintenance system.[26] The briefing paper The Post-18 Education and Funding Review: Government conclusion give gives more details.

Survey data on student finances

The Library article How is the rising cost of living affecting students? and the debate pack Impact of increases in the cost of living on further and higher education students look at a broad range of sources on the issue.

An Office for National Statistics (ONS) survey of students in late January/early February 2023 This found that more than 90% of student were somewhat or very worried about the rising cost of living, 49% felt they had financial difficulties, 78% said they were worried that rising costs of living would affect their studies and 58% said their student loan did not cover their living costs. The most common responses from students to the rising cost of living were spending less on non-essentials (75%), spending less on essential (65%) and using savings/credit more than usual (52%).[27]

The ONS also published reports of interviews with students about difficulties they are facing with the rising cost of living in Student voices: experiences of the rising cost of living.[28]

According to the Save The Student National Student Money Survey 2023 average living costs of respondents were £1,078 compared with average maintenance loans of £492. This was a gap of £582 which was substantially higher than that found in earlier surveys (£439, £340 and £223 in 2022, 2021 and 2020 respectively). 64% of respondents said the maintenance loan was not big enough, down from 66% in 2022, but up from 60% in 2021 and 55% in 2020. The average parental contribution was £227 per month. 15% of students felt their parents did not give them enough financial support. Among the 71% of respondents who had considered dropping out, ‘money worries’ were

26 DfE, Higher education policy statement and reform (24 February 2022)

27 ONS, Cost of living and higher education students, England: 30 January to 13 February 2023 (24 February 2023)

28 ONS, Student voices: experiences of the rising cost of living (6 September 2023)

mentioned as a cause by 54%, up from 52% in 2022 and from 41% in 2021. These results are based on around 1,800 students who decided to respond to the online survey, so should not be seen as necessarily representative of the entire student population.[29]

In April 2022 Unit Students published results of a survey of students and their parents. 73% of parents and 66% of students said they were extremely worried about the increasing costs of living. 50% of students said that financial issues were affecting their mental health, 49% had part-time jobs and 15% were planning to get one. 36% of parents said they were struggling to support their child financially and 55% were worried that the rising cost of living would affect their ability to do so in the future.[30]

A June 2022 survey by the NUS of students and apprentices across the UK found only a small proportion of those with a maintenance loan or grant agreed that it was enough to cover different costs: Educational materials (32%), a weekly shop (29%), transport (25%), living comfortably (15%) and energy bills (11%). They were even less confident that this support would cover these costs in the future. More students/apprentices put the cost of housing as the major factor putting pressure on their finances than any other factor. The next most common were energy and travelling.[31]

A 2021 survey of year 13 students and those about to start university carried out for the All-Party Parliamentary University Group found that 55% of respondents said they knew of thought they knew how much maintenance loan they could access. 51% of prospective students did not know whether grants and loans would be enough to cover all the costs of going to university. 25% of those about to start university did not know how much their living costs would be. The focus group research for the report also found that living costs could affect students' choices about where to study and whether to live at home or not:[32]

> We encountered many students who were planning to go to university locally to study a specific course - students who said they would be able to keep costs down by studying locally and living in their family home. A reduction in the number of universities, or a reduction in choice available, would likely hurt these less affluent students most.

Student Income and Expenditure Survey data

The latest Student Income and Expenditure Survey was carried out in 2021/22 and was the first for seven years. The key findings for full-time undergraduate students in England were:

29 Save the Student, Student Money Survey 2023 (September 2023).

30 Unite Students, Rising cost of living increases pressure on parents with children at university -new study by Unite Students (April 2022)

31 NUS, **Cost of Living Research June 2022 - Students and Apprentices**

32 Is university worth it? Young people's motivations, aspirations and views on student finance- APPUG report 2021

- Mean average total income (including loans) was £20,400.
- Average income from student support sources was £11,350 or two-thirds of total income.
- Almost 60% did some form of paid work outside of the summer vacation. The median average earnings for those that did was £3,600.
- The mean average contribution from parents/other relatives among students with this source of income was £3,300. Half of student received little or no income from this source.
- Mean average total expenditure (including fees) was £22,500 or almost £2,000 more than average income.
- Participation costs (mainly tuition fees) were the largest single element of expenditure at almost £10,000.
- Mean living costs were £7,600. Average housing costs were £4,800, but this includes those living in their family home. Average costs for those renting alone or with family were £4,500 and £4,900 for those who were renting with friends.[33]

Compared to the previous survey in 2014/15 the main real (inflation adjusted) changes in income sources were a 45% increase in income from work, a 40% fall in benefits/financial support, and a 15% fall in income from family. The overall value of student support income had changed little in real terms.[34] However, if tuition fee loans are excluded the total of all other student support sources had fallen by almost £1,000 (11%).

Nearly half of all full-time students said they had faced financial difficulties

The survey found that 46% of students had faced financial difficulties during their course. 91% of those who had reported this had affected how well they were doing at university said it had caused worry and distress, 50% said it meant they had to find work, 36% reported it meant they had to work extra hours, 28% had difficulties buying books/course materials, 26% said it meant they were unable to cover travel costs and 19% reported it had led to health problems.[35]

33 DfES, Student income and expenditure survey: 2021 to 2022 (data tables)

34 DfES, Student income and expenditure survey: 2021 to 2022 (income comparison data tables)

35 DfES, Student income and expenditure survey: 2021 to 2022 (influence of finances data tables)

4 Appendix – Background to changes in maintenance support

Up to the late 1990s

Between 1962 and 1990 the provision of student support remained largely unchanged. Full-time UK based students studying for a first degree received 100% grants for maintenance, means tested according to parental income. Non income-assessed student loans first became part of the student support package in 1990/91. Over the following decade they gradually replaced maintenance grants as the main form of public support. Access funds for students in particular financial difficulties were introduced at the same time. Students' eligibility for various benefits in the short vacations was removed in 1986; most students became ineligible for Income Support, Unemployment Benefit and Housing Benefit in the long summer vacation from 1990.[36]

The new student support arrangements from 1998/99

The new system of student support was brought in by the Labour Government following the report of The National Committee of Inquiry into Higher Education, the Dearing Report.[37] They were partially introduced for students starting in autumn 1998 (academic year 1998/99). In the first year new entrants received support through loans and grants. The maximum maintenance grant available was £1,000 less than that for existing students. This was compensated for by a matching increase in loan entitlement. Most new entrants were also expected to make an income-assessed contribution of up to £1,000 a year to the cost of their tuition. From 1999 new entrants and those who started in 1998 received **all** maintenance support as loans which were partly income-assessed.[38] Loans made under the new arrangements

[36] There is some survey evidence on the effects of the loss of benefit entitlement during this period. However, methodologies vary and the make-up of students has changed over this time, hence comparisons should be made with caution. A National Union of Students survey from 1982/83 found that 60% of all students received some social security benefit in the summer vacation and only 7% at Christmas. The average value across all students in these vacations was £113 a year (*Undergraduate income and expenditure survey 1982/83*, NUS) or £265 in 2005/06 prices.

[37] *Higher Education in the learning society*, National Committee of Inquiry into Higher Education 1997

[38] There were some exceptions including those with dependants, single parents and the disabled. Extra support was available for mature students, parents and disadvantaged young students from 2001/02.

from 1998/99 are repayable on an income contingent basis rather than the old 'mortgage-style' repayments.

Changes from 2004/05

The Higher Education Grant (HEG) was introduced for **new entrants** in England and Wales in 2004/05. This was fully means tested and had a maximum value of £1,000 in 2004/05. HEG recipients did not have their maximum loan amount reduced. In 2004/05 87,000 (26%) students received the full grant and a further 20,000 (6%) a partial grant.[39]

The HEG was replaced for **new entrants only** in 2006/07 in England by a new maintenance grant. Again this was fully means tested, but the maximum value in 2006/07 was £2,700. Unlike the HEG the maintenance grant could affect the amount of maintenance loan a student was eligible for. The maximum loan was reduced pound for pound up to a maximum reduction of £1,200. From 2006/07 a different student support system applies in Wales. In 2006/07 98,000 new students in England (33%) received a full Maintenance Grant and a further 68,000 (23%) a partial grant.[40]

In summer 2007 the Government announced changes to a number of the income thresholds for **new entrants** from 2008/09. These changes were expected to mean that around one third of new students would receive a full grant (as in earlier years) and increase the proportion of students who receive a partial grant to around one third. The Government also announced student loan 'repayment holidays' of up to five years for these students.[41]

On 29 October 2008 the Secretary of State for Innovation, Universities and Skills announced a number of changes to income thresholds for grants which were intended to reduce expenditure by £100 million a year. These changes were to apply to new students from 2009 and meant a less generous package of grants/loans for students with a household income above £25,000. 40% of new students were then expected to receive a full grant and around 25% a partial grant. All those with a family income of £18,360 to £57,708 were said to be entitled to a more generous package of grants and loan support than in 2007-08.[42] [43]

As mentioned at the start of this note, maintenance support was frozen at 2009/10 levels for 2010/11 and 2011/12.

39 *Higher education Grants in England and Wales academic year 2005/06 (provisional)*, Student Loans Company (SLC)

40 *Student support for higher education in England academic year 2007/08 (provisional)*, SLC

41 DIUS press release 5 July 2007 *Increased support for students in higher education*

42 HC Deb 29 October 2008 c32-33WS

43 Full details are given in this DIUS memorandum: http://www.parliament.uk/deposits/depositedpapers/2008/DEP2008-2869.doc

2012/13 to 2015/16

In 2012/13 the Government increased maintenance support for new students, the first increase since 2009/10. This was introduced alongside higher tuition fees and the reforms to higher education funding. In 2012/13 the maintenance grant for new students was increased by around 12% to £3,250. Compared with the earlier support package the grant was more generous in cash terms at all household income levels up to around £39,000. The total cash value of the support package was also more generous at all income levels other than a small range around £50,000 per year. The biggest increase was for students from lower income households.[44] The maximum maintenance grant for continuing (pre-2012) students was increased by just under 3% in 2012/13. There was no increase in the maximum maintenance loan they could apply for.[45]

All maximum loan levels remained the same in 2013/14. The maximum maintenance grant for students who started in 2012 or later was increased by just over £100 to £3,354.[46] In 2014/15 the maximum grant was increased by 1% to £3,387. The maximum Maintenance Loan was increased by 1%.[47] In 2015/16 the maintenance grant was frozen, maximum loan levels increased by 3.3% and income thresholds were frozen.[48]

Summer Budget 2015 announcement: New students from 2016/17

In summer Budget 2015 the Chancellor announced that maintenance grants would be replaced in full by loans for new students in England from 2016/17. He also said that the maximum loan support (living away from home outside London) would increase to £8,200 per year.[49] The 2015/16 maximum (grant plus loan) is just over £7,400. The Budget stated:[50]

> There is evidence that students are more concerned about the level of support they receive while studying than the long-term repayment of their income contingent loans.
>
> […]
>
> But the expansion of higher education relies on funding being put onto a sustainable footing. The government must therefore ask graduates to

[44] *The Government Student and Graduate Finance Proposals*, BIS (3 November 2010)
[45] *Loan, grant and tuition charge rates for academic year 2012/13, memorandum*, BIS
[46] *Loan, grant and tuition charge rates for academic year 2013/14, memorandum*, BIS
[47] *Student finance arrangements for academic year 2014/15*, SLC
[48] *Student finance arrangements for academic year 2015/16*, SLC
[49] *Summer Budget 2015*, HMT
[50] ibid. paras 1.264 to 1.265

> meet more of the cost of their degrees once they are earning. From the 2016-17 academic year, **maintenance grants will be replaced with maintenance loans for new students from England**, paid back only when their earnings exceed £21,000 a year, saving £2.5 billion by 2020-21 …

In 2015/16 41% of post-2012 students received a full grant, 14% a partial one and 45% no grant

In 2015 there were provisionally 399,000 students in receipt of a full maintenance or special support grant and just over 136,000 who received a partial one. The total value was just under £1.6 billion.[51]

The Chancellor also announced a consultation on freezing the loan repayment thresholds for five years.

From 2016/17 new students eligible for certain benefits who would previously have received a special support grant became eligible for an increased loan for living costs. In 2016/17 this was £9,347 or around £1,150 above the maximum for other new students. The analysis in the rest of this paper does not look at support for these students.

Potential impacts on students

Loan amounts and repayments

As grants are income assessed and loans are partly income assessed, so the biggest impact of this change will be on students from the lowest income households. They will see their *total* maintenance support increase by the greatest amount, almost £800, compared with 2015/16 starters. Their maximum *loan* eligibility over a three year course could be around £12,000 higher. Their debt on graduation could be around £13,500 higher (with interest) if they take up their full loan entitlement. Those who would have been on a partial grant will see smaller changes, while students from the highest income households will only see their loan increase in line with inflation.[52]

[51] Student Support for Higher Education in England: academic year 2015/16 (Provisional), SLC

[52] *Higher education: student finance changes*, BIS new release 9 July 2015

Freezing the repayment threshold increases repayments by the largest absolute amount among middle earners and by the largest proportionate amount among the lowest earning graduates

The individual *financial* impact of the shift from grants to loans depends on how much the student earns as a graduate. If they are among the majority who are currently not expected to repay their loan in full then there is no financial impact. They still will not repay after grants are abolished; loan repayments remain unchanged. If they would have repaid their (smaller) loans under the current system then higher loans mean greater loan repayments, but not until much later in life (the date at which they would repay in full under the current system).

The Institute for Fiscal Studies has estimated that students from the poorest 30% of households will repay an average of around £3,000 more (2016 prices) because of the switch from grants to loans. They also point out that the cost of this will fall on graduates from these lower income families who go on to become higher earners. Overall they expected that around 35% of those previously entitled to a full grant will see their loan repayments increase.[53]

Government analysis, published as part of its response to the consultation on freezing repayment thresholds,[54] estimated that graduates would repay almost £700 more (discounted) on average due to this policy. It looked at repayments by earnings decile of graduates rather than household income of students. The highest additional repayments were in the top three earnings deciles. Those in the lowest deciles would repay little or no more simply because they are not expected to earn enough to make any additional repayments. Overall the impact of the change in repayment threshold combined with the shift from grants to loans had a more even impact across the graduate earnings distribution than freezing the threshold alone.

Government analysis accepts that ending grants will mean that, unlike now, students from poorer families will have the highest debts

The analysis does state that "…we can expect new students from poorer families to graduate with the highest levels of debt". But adds that only those who go on to earn above average (for graduates) will actually repay more. [55]

The proposed freezing of the repayment threshold, if implemented, increases graduate loan repayments and hence the likelihood that graduates will repay in full. It has a proportionately larger impact on repayments by graduates with lower lifetime earnings. As there is some link between lower household income and lower graduate earnings[56] this change is also likely to have a greater impact on students from poorer backgrounds.

In general, freezing the repayment threshold is likely to have a greater financial impact on those from poorer households (increase lifetime repayments) than the shift in maintenance support to loans for this group. Neither change is expected to have much impact on the repayments of graduates from the richest households.

The combined impact of ending grants and freezing thresholds is complex and will vary considerably *within* the group of students from lower income

53 Analysis of the higher education funding reforms announced in Summer Budget 2015, IFS
54 *Freezing the student loan repayment threshold. Equality Analysis*, BIS (November 2015)
55 ibid. p66
56 See for instance *Economic and Fiscal Outlook July 2015*, OBR

households as well as *between* this group and those from more affluent backgrounds.

Participation in higher education

Whether the abolition of grants and higher maintenance support will affect the decisions of potential students from low income households is open to question. The (much larger) increase in loans for higher fees from 2012 did not stop the existing trend for higher participation among disadvantaged groups. However, this does not automatically mean that further substantial increases in loan/debt levels will have no impact on participation.

The Government analysis of the impacts of freezing repayment thresholds acknowledges that the higher debt levels among students from poorer families "…may create an additional risk to participation." This is said to be offset where individuals understand that only the higher paid will repay more, so while there is a risk that participation will fall it is said to be low.[57]

In their analysis of the Summer Budget 2015 higher education reforms the IFS pointed out that the post-2012 changes in student numbers happened after reforms that increased grants for poorer students and were expected to reduce the (discounted) value of loan repayments from lower earning graduates. They said:[58]

> The effect on participation?
>
> - Whether these reforms lead to a reduction in participation, especially amongst students from the poorest backgrounds, will depend on how debt averse students are and how credit constrained they are, as well as on how responsive participation decisions are to expected increases in the long-run cost of higher education.
>
> - Full-time participation rates amongst students from poor backgrounds did not fall following the major changes to higher education finance introduced in 2012, but the changes introduced in 2012 differ significantly from those due to be introduced in 2016–17. In 2012, grants went up for the poorest students (by 10%) and the net present value of loan repayments went down for those in the bottom 30% of lifetime earnings (in which those from the poorest families are likely to be over-represented).
>
> - Under the 2016–17 system, grants have been abolished and the net present value of repayments is likely to increase substantially for those from the poorest backgrounds. We would expect both of those changes to have negative effects on participation for the poorest students, all else equal. However, up-front support at university will also rise for this group (because maintenance loans have increased by more than the reduction in grants) and this may have an offsetting effect if these individuals are

57 *Freezing the student loan repayment threshold, Equality Analysis*, BIS (November 2015)
58 Analysis of the higher education funding reforms announced in Summer Budget 2015, IFS

not very forward looking and/or they are very credit constrained and/or they expect to have low lifetime income.

- If, in addition, the income threshold is frozen and fees are increased for some students, then both debt and total repayments are likely to rise. We might therefore expect the potential negative effects on participation to be stronger if all of the proposed reforms are introduced. Of course, only time will tell what the overall impact will be for students from the poorest backgrounds, but there are reasons to believe that the effects may not be as benign as they appeared to be following the 2012 reforms.

The Sutton Trust has raised concern over the Government's use of evidence[59] which they describe as "…somewhat misleading" and point to their own research on the subject:

> The Budget Report refers to a Universities UK (UUK) survey of current home undergraduates in support of this claim. There are two relevant questions. The first asks, "how concerned are you about meeting the costs of living during your course?", with 21% of respondents saying that they are unconcerned, and 79% that they are concerned. The second asks, "how concerned are you about your ability to repay your student loan after your course?", with 37% saying that they are unconcerned, and 63% that they are concerned. While the Budget Report is literally accurate, it is somewhat misleading. Though more students are concerned about meeting the costs of living during their course than their ability to repay their loans afterwards, nearly two thirds of students are still concerned about their repayments. This echoes a recent Sutton Trust/ComRes survey of 16-18 year-olds, which showed that the majority of young people (58%) are either fairly concerned or very concerned about repaying student loans after they finish studying.

Variable fees and bursaries

Variable fees of up to £3,000 were introduced in 2006/07 for new students attending institutions in England and Northern Ireland. Students could take out a Tuition Fee Loan to cover the cost of these fees. Take-up does not affect maintenance loan eligibility. This option was also available to cover the (fixed) fees of students who started before 2006/07.

Institutions that charge variable fees above the level of the full maintenance grant are required to provide additional non-repayable financial support, such as bursaries, to students who receive the full maintenance grant.

[59] The claim in the Budget "There is evidence that students are more concerned about the level of support they receive while studying than the long-term repayment of their income contingent loans."

According to Universities UK most institutions offered bursaries above the statutory minimum to students in receipt of the maximum maintenance grant. The median level was £1,000 in 2006/07 and a similar figure was estimated for 2007/08.[60] By 2011/12 the mean bursary for those in receipt of full state support was £915. 348,000 students received a bursary for this reason (36% of all students). Average bursaries of £635 were paid to 95,000 students who were on partial state (grant) support and 13,500 from other under-represented groups. Most institutions also offered a reduced bursary to students who received a partial grant.[61] Total expenditure on such support in higher education institutions in England was £387 million in 2010/11. This support is not included in the data in the rest of the note, which is restricted to public support.

Institutions which planned to charge fees of more than £6,000 for new students from 2012/13 had to have an access agreement approved by the Office for Fair Access (OFFA). Analysis of the first set of access agreements for students
scholars
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Spending
contribu
£50 milli

60 Access
Scholar
61 Variabl
institut
62 Access
63 Access
Scholar
64 Outcom
65 Spending Round 2013, HM Treasury