



Rt. Hon. Michelle Donelan MP

Minister of State for Higher and Further Education

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Dear Lord Bridges of Headley,

Higher Education Reform and Lifelong Loan Entitlement

I am writing to inform you that today the Secretary of State for Education and I are announcing the Government's proposed plans to reform the Higher Education sector through the launch of two linked consultations on Higher Education Reform and the Lifelong Loan Entitlement. Our university sector is a great success story – home to world-leading universities that are true powerhouses of innovation and research, and I am very proud that four of our great institutions are ranked as the top ten in the world.

That does not mean our system is perfect – and it is our duty as Ministers at the Department for Education to deliver solutions to the problems the Higher Education system is facing and to deliver a fairer deal for students and taxpayers.

These problems were examined in great detail with the Review of Post-18 Education and Funding, launched in 2018. I am grateful to Sir Philip Augar and his panel for their thoughtful and important recommendations across the Higher and Further Education sectors, and I am pleased to say that with the publication of these documents, which address the pivotal Higher Education recommendations, we have brought this review to its long-awaited conclusion. I am aware that this will be of particular interest to the House of Lords Economic Affairs Committee, not least given the thoughtful report, '*Treating Students Fairly: The Economics of Post-School Education*', which was published by the Committee shortly after the Review of Post-18 Education and Funding was announced in 2018.

Lifelong Loan Entitlement

One of the Independent Panel's core recommendations was the provision of a lifelong loan entitlement. That is why we, the government, are launching today a consultation on the Lifelong Loan Entitlement, to seek views from the sector and public on the shape and scope of this policy.

Under this flexible skills system, new students will be able to sign up and log in online to find a Lifelong Loan Entitlement worth the equivalent of four years of post-18 education (e.g., £37,000 in today's fees) to be used across Higher and Further Education as they choose. This entitlement can be used for individual modules or full years of study, at higher technical and degree levels, provided in colleges or universities.

People will have the opportunity to train, retrain and upskill as needed, in response to changing skill needs and employment patterns. The Lifelong Loan Entitlement will turn education from a narrow, set destination, into an accessible, long-term and flexible journey.

Picture vehicle technicians who have worked building and fixing diesel vans for 10 years. They know their current roles will eventually become extinct and they want to move to higher wage, higher skilled jobs in a growing part of their sector like electric vehicle production. Maybe they have children and time constraints, so they never imagined they would be able to flexibly reskill on a Higher Education course.

Well, after 2025, these technicians will be able to log onto their online Lifelong Loan Entitlement account and see their loan entitlement and receive clear signposting of the courses and modules they can enrol on in order to reach their career goals.

We will be the first country in the world to implement a system like this at scale. This places us in a brilliant position to have an education system and economy that work hand-in-glove together to produce a highly skilled, highly paid workforce. I look forward to working closely with the sector to implement this entitlement as part of the wider levelling up agenda.

Interest rates and tuition fees

We have thought carefully about fairness for students in our consideration of the Independent Panel's recommendations. I am delighted to announce that we will deliver our manifesto commitment to address the interest rates on student loans, by reducing interest to inflation only for new borrowers starting their courses in academic year 2023/24. This will mean that, under these new terms, borrowers will not repay more, in real terms, than they borrow.

We will also continue to freeze tuition fee caps for undergraduate degrees up to and including academic year 2024/25, meaning the maximum fee cap will have remained at £9,250 for seven years. This will reduce debt levels for students in real terms and encourage Higher Education providers to increase efficiency further. I am sure you will be pleased to note the similarity between these reforms and the recommendations made on interest rates and tuition fees in the *Treating Students Fairly* report. In combination, the reduction in interest rates and the two-year fee freeze mean a borrower entering a three-year course in academic year 2023/24 could see their debt reduced by up to £6,500 at the point at which they become eligible to repay. When the total seven-year fee freeze is taken into account, this totals up to £11,500 less debt (at the point at which they become eligible to repay).

Fairer system for students and taxpayers

It is now more important than ever that we have a funding system for Higher Education that is fair for both students and taxpayers. Without intervention, the student loan book is estimated to reach over half a trillion pounds, in financial year 2020/21 prices, by April 2043 (up from £161 billion pounds in April 2021). Only 23% of borrowers who enter full-time Higher Education in academic year 2023/24 are forecast to repay their loans in full.

This is not fair for taxpayers, many of whom will have chosen not to go to university. This is not a sustainable basis upon which to maintain a world-class university sector.

Further changes to student loan repayment terms are necessary to keep Higher Education accessible for students with the ability and desire to benefit from it, while keeping costs down for the taxpayer. The annual income threshold above which post-2012 student loan borrowers are required to make repayments on their loans will be kept at its current level of £27,295 until April 2025. For new student loan borrowers who start their studies from September 2023 onwards, there will be a repayment threshold of £25,000, rising with inflation from April 2027 onwards, and a loan term of 40 years. With the current 30-year loan term, graduates who finish their course in their 20s will have unpaid loans written off in their early 50s, a period when the earnings premium for most borrowers is still likely to be significant. These changes will increase the proportion of 2023/24 entrants who are forecast to repay in full to over half, as well as enabling the significant reduction in interest rates for new loan borrowers.

We have considered carefully how we can support disadvantaged students with this package of reforms. We want access to Higher Education to be dependent on attainment and ability to succeed rather than background. Our proposals to reduce the fees and loans for foundation years will help make them more affordable for those who would benefit from another chance to access high-quality Higher Education at lower cost. Our flagship national state scholarship worth up to £75 million will help support high-achieving young people from disadvantaged backgrounds to achieve their dream, regardless of course or university.

The changes to student finance and funding are detailed in full in the Higher Education policy statement and reform consultation.

Investment in higher education

In addition, we are putting almost £900 million of new investment into our fantastic system over the next three years. This includes the largest increase in government funding for the sector to support students and teaching in over a decade. £750 million will be invested in high quality teaching and facilities including in science and engineering, subjects that support the NHS, and degree apprenticeships.

Consultation proposals

We are consulting on policies that will help to ensure every student can have confidence that they are on a high-quality course that will lead to good outcomes. These policies build on the significant regulatory reform we are taking forward with the Office for Students to drive up quality and standards, and tackle pockets of low-quality provision, setting expectations on completion rates and progression to graduate jobs or further study, and taking action where provision does not meet these expectations. These are key priorities which we recognise the importance of taking forward.

We are also working to improve transparency in course advertising, so that in next year's admissions cycle, adverts provide comparable data on the percentage of students who have completed their course, and the percentage who have gone into professional employment or further advanced study.

Our consultation on low-level minimum eligibility requirements and limited student number controls will seek views on how we can ensure everyone who goes to university will be able to reap its benefits – and help us to deliver real social mobility. This means shifting from a focus of simply getting students through the door, to ensuring they complete their course and secure good outcomes after they graduate. It is therefore right that we have the conversation about low level minimum eligibility requirements, which could for example be a return to the old requirement of 2 E grades at A-level, or a grade 4 in GCSE English and Maths. These could also include a number of exemptions on which we are consulting. We shouldn't be pushing young people into university if they are not ready.

Bringing further education and higher education closer together

Higher technical skills are vital to meeting the needs of the economy now and in the future. As a result, and as a pathway to the Lifelong Loan Entitlement, we are rolling out Higher Technical Qualifications (HTQs). These are level 4 and 5 qualifications approved as providing the necessary knowledge, skills and behaviours that employers need. Higher Technical Qualifications are approved by the Institute for Apprenticeships and Technical Education, drawing on the advice of their employer panels, using the same framework of employer-led standards which underpin higher apprenticeships. They will be offered by further education colleges, universities, independent providers, and Institutes of Technology.

Higher technical courses can lead to better life chances for those who take them. We are addressing financial barriers for learners and moving towards the flexibility envisaged by the Lifelong Loan Entitlement by placing the student finance package for Higher Technical Qualifications on par with degrees, from academic year 2023/24. This means extending student finance access to Higher Technical Qualifications and allowing part-time learners to access maintenance loans, as they can with degrees. Together these reforms will help to bring together Further and Higher Education, in line with the Independent Panel's recommendations.

Post-Qualification Admissions

While we are considering and implementing a range of reforms, after careful analysis of responses to the separate consultation on Post-Qualification Admissions, we have decided not to proceed with this at this time. I want to thank the sector for their considered input and assure them that we will work to address underlying problems that underpinned calls to introduce Post-Qualification Admissions.

As a whole, I believe that these reforms are fit for a dynamic and growing economy. I am confident they will set up the sector for great success in the years to come.

These reforms will keep our student finance system future-proofed and fair for students and taxpayers and help to ensure that Higher Education remains open to anyone with the ability and desire to benefit from it.

Yours sincerely,

A handwritten signature in black ink, reading "Michelle Donelan". The signature is written in a cursive style with a large, stylized 'M' and a long, sweeping underline.

Rt. Hon. Michelle Donelan MP
Minister of State for Higher and Further Education