



University and College Union

‘Further, higher, better’

**Submission to the government’s
second Comprehensive Spending
Review**

Section 3

3 Public spending on higher education in England

Grant and fees

Recurrent grant from the Department for Education and Skills to the Higher Education Funding Council for England (HEFCE) and the Teacher Training Agency/Training and Development Agency for Schools rose by 75% in cash terms over the period 1997-8 to 2007-8. Capital grants rose massively, from £85m to £738m between 1999-0 and 2007-8. Put together, recurrent and capital grants went up by 95% (in cash terms) over the period.

Public or government contributions to tuition costs in higher education in England were £997m in 1997-8. The following year, private contributions to full-time undergraduate courses were introduced. But over the period from 1998-9 to 2005-6, as private contributions increased, public contributions decreased. So, by 2005-6, the total amount of public and private contributions was less in cash terms than public fee payments in 1997-8. Only with the introduction of variable top-up fees payable by students from 2006-7 has fee expenditure gone well beyond its 1997-8 level.

Grant and fees, England

	Recurrent grant	Recurrent grant	Capital grants	Recurrent grant & capital	Recurrent grant & capital	Fees	Fees	Fees	Fees
England	cash £m	% change	cash £m	cash £m	% change	public cash £m	private cash £m	total cash £m	total change %
1997-98	3667			3667		997		997	
1998-99	3674	0.2%		3674	0.2%	1006	130	1136	13.9%
1999-00	4199	14.3%	85	4284	16.6%	561	243	804	-29.2%
2000-01	4353	3.7%	150	4503	5.1%	517	302	819	1.9%
2001-02	4587	5.4%	256	4843	7.6%	489	355	844	3.1%
2002-03	4822	5.1%	283	5105	5.4%	447	406	853	1.1%
2003-04	5176	7.3%	364	5540	8.5%	411	415	826	-3.2%
2004-05	5422	4.8%	584	6006	8.4%	415	445	860	4.1%
2005-06	5798	6.9%	649	6447	7.3%	434	508	942	9.5%
2006-07	6116	5.5%	704	6820	5.8%	434	966	1400	48.6%
2007-08	6428	5.1%	738	7166	5.1%	434	1389	1823	30.2%
1997-8 to 2007-8	75.3%			95.4%					

Public fee data for 2006-7 and 2007-8 has been held steady in cash terms at the 2005-6 level, because level of income following the introduction of variable top-up fees was not known at the time of the 23.12.2004 or 31.1.06 grant letter. Private fee data for 2006-7 and 2007-8 from OFFA.
Source: annual government grant letters to HEFCE; calculations by UCU

If private contributions to tuition are taken out of the equation, then recurrent government funding from grant and fees for higher education in England in 1997-8 to 2005-6 is relatively modest, rising by 11% above inflation.

Recurrent grant and public fees, England

	Recurrent grant & public fees	Recurrent grant & public fees
England	cash £m	Real terms £m
1997-98	4664	4664
1998-99	4680	4562
1999-00	4760	4550
2000-01	4870	4595
2001-02	5076	4674
2002-03	5269	4702
2003-04	5587	4858
2004-05	5837	4969
2005-06	6232	5182
1997-8 to 2005-6 change %	33.6%	11%

Source: annual government grant letters to HEFCE; percentage and real terms calculations by UCU, using HMT GDP deflator @ 23.12.05.

Top-up fees

What difference will top-up fees make in England from 2006-7? English higher education institutions have estimated that their top-up income will be approximately £458m in 2006-7, rising to £881m in 2007-8. If added to the flat rate undergraduate contributions to tuition, total fee income in England will rise by 49% in 2006-7 and by 30% the following year.

HE fee income, England

	Fees	Fees	Fees	Fees
	Public*	private	total	total
	cash £m	cash £m	cash £m	change %
1997-98	997		997	
1998-99	1006	130	1136	13.9%
1999-00	561	243	804	-29.2%
2000-01	517	302	819	1.9%
2001-02	489	355	844	3.1%
2002-03	447	406	853	1.1%
2003-04	411	415	826	-3.2%
2004-05	415	445	860	4.1%
2005-06	434	508	942	9.5%
2006-07	434	966	1400	48.6%
2007-08	434	1389	1823	30.2%

*For this estimate, public fee contributions have been held constant in cash terms in 2006-7 and 2007-8 at 2005-6 level. Source: annual government grant letters to HEFCE; percentage calculations by UCU.

HE spending as a percentage of GDP

Excluding fee payments by students, public spending (recurrent & capital grant and public fee contributions) on higher education in England has remained steady as a proportion of GDP over the period from 1997-8 to 2007-8 (public fee contributions have been estimated for 2006-7 and 2007-8).

Including fee payments by students, spending on higher education in England will grow from 0.57% of GDP in 1997-8 to 0.66% of GDP in 2007-8. Over the same period, public spending on education as a whole in the UK as a proportion of GDP will grow by slightly over one percentage point.

HE spending as a percentage of GDP, England

	England: Public spending on HE as % GDP*	England: Public & private spending on HE as % GDP	UK public spending on education as % GDP**
	%	%	%
1997-98	0.57%	0.57%	4.5%
1998-99	0.54%	0.55%	4.5%
1999-00	0.53%	0.55%	4.4%
2000-01	0.52%	0.55%	4.6%
2001-02	0.53%	0.57%	5.0%
2002-03	0.52%	0.56%	5.0%
2003-04	0.53%	0.57%	5.3%
2004-05 estimated outturn	0.55%	0.58%	5.4%
2005-06 plans	0.56%	0.60%	5.5%
2006-07 plans	0.56%	0.64%	5.5%
2007-08 plans	0.56%	0.66%	5.6%

* including recurrent and capital grants, and public fee contributions.

** Total expenditure on services

For this estimate, public fee contributions have been held constant in cash terms in 2006-7 and 2007-8 at 2005-6 level.

Source: annual government grant letters to HEFCE; percentage calculations by UCU, using HMT data @ 23.12.05. Education data: HM Treasury, Public Expenditure Statistical Analyses 2005, table 3.4; 2004 Spending Review, table 7.2.

Spending per student, England

In the period 1997-8 to 2007-8 the number of full-time equivalent students funded by the Higher Education Funding Council for England grew by 22%. These students comprised full-time and part-time undergraduates and postgraduates domiciled in the UK and in other European Union countries studying at HE institutions and further education colleges.

During this period, the recurrent grant for teaching distributed by HEFCE to HEIs and FECs, and public contributions to tuition fees, grew by 54% in cash terms from £3.4bn to £5.2bn, or 22% in real terms. Over the period, the unit of public teaching expenditure per student in England stayed constant in real terms.

In 1998, the Labour government introduced private contributions to tuition fees by full-time undergraduates, which were increased in 2006 by the introduction

of variable top-up fees. If student fee contributions and variable top-up fees (minus the related costs of outreach and administration, and top-up income due to be spent on infrastructure) are added to recurrent funding for teaching and public tuition payments, then teaching funding over the period grew by 76% in cash terms and 40% in real terms; the unit of resource per FTE student grew by 46% in cash terms and 15% in real terms.

In summary, since 1997, the unit of public spending on teaching per FTE student has been maintained in real terms; the unit of public spending on teaching per FTE student plus private fee contributions has grown by 15% above inflation over the period – an annual increase of 1.5% above inflation over the period 1997-8 to 2007-8.

Recurrent HE funding per student, England (public fees only)

			Expenditure		Unit of resource	
			recurrent grant for teaching & public fees	recurrent grant for teaching & public fees	recurrent grant for teaching & public fees	recurrent grant for teaching & public fees
England	Students funded through HEFCE FTEs million	Notes	cash £m	RT £m	unit cash £	unit RT £
1997-98	0.952		3384	3384	3555	3555
1998-99	0.959		3722	3628	3881	3783
1999-00	0.985		3485	3331	3538	3382
2000-01	1.007		3537	3337	3512	3314
2001-02	1.028		3640	3352	3541	3260
2002-03	1.041		3715	3315	3569	3185
2003-04	1.056		3818	3320	3616	3144
2004-05	1.056		4241	3610	4016	3419
2005-06	1.117		4385	3646	3926	3264
2006-07	1.140	public fees as per 2005-6	4643	3768	4073	3305
2007-08	1.161	public fees as per 2005-6	5207	4117	4485	3546
1997-8 to 2007-8 change %	22.0%		53.9%	21.6%	26.2%	-0.3%

Recurrent grant for teaching data 2005-6 to 2007-8: December 2004 DfES grant letter (financial years); previous data from HEFCE allocations circulars, final amounts (academic year); HEFCE data includes funding for HE in FE. Student numbers are a full-time equivalent for full-time and part-time undergraduate and postgraduate students funded by HEFCE ie domiciles of UK and other EU countries, as given in the annual grant letters. Percentage and real terms calculations by UCU, using HMT GDP deflator @ 23.12.05. RT = real terms.

Recurrent HE funding per student, England (public & private fees)

	Expenditure		Unit of resource	
	recurrent grant for teaching & all fees	recurrent grant for teaching & all fees	recurrent grant for teaching & all fees	recurrent grant for teaching & all fees
England	cash £m	RT £m	Unit cash £	Unit RT £
1997-98	3384	3384	3555	3555
1998-99	3852	3755	4017	3915
1999-00	3728	3564	3785	3618
2000-01	3839	3622	3812	3597
2001-02	3995	3679	3886	3578
2002-03	4121	3678	3959	3533
2003-04	4233	3680	4009	3485
2004-05	4686	3989	4438	3778
2005-06	4893	4069	4380	3643
2006-07	5302	4303	4651	3775
2007-08	6006	4748	5173	4090
1997-8 to 2007-8 change %	77.5%	40.3%	45.5%	15.1%

Recurrent grant for teaching data 2005-6 to 2007-8: December 2004 DfES grant letter (financial years); previous data from HEFCE allocations circulars, final amounts (academic year); HEFCE data includes funding for HE in FE. Private fee contributions: basic student contribution as per grant letters; additional income from variable top-up fees provided by OFFA, with one-third of additional income subtracted to cover outreach and administration costs. Student numbers are a full-time equivalent, as given in the annual grant letters. Percentage and real terms calculations by UCU, using HMT GDP deflator @ 23.12.05. RT = real terms.

Comment

The level of recurrent public spending on higher education in England has risen little above inflation, and remained fairly constant as a proportion of GDP. In terms of recurrent public spending on teaching per student (excluding student contributions to tuition fees), the unit of resource has remained steady in real terms since 1997-8.

The introduction in 1998 of flatrate fees payable by undergraduates, and then variable top-up fees in 2006, has enabled expenditure on higher education to grow significantly, and the unit of resource to rise in real terms. Our policy has consistently been that undergraduates should not have to pay for higher education. If UK public expenditure on higher education as a proportion of GDP increased to the OECD country mean, at 1.1% of GDP, it is unlikely that undergraduate fee contributions would be necessary.

Over the next decade, it is of paramount importance that government contributions to tuition costs are increased in real terms, and not cut in proportion to income from variable top-up fees.

We welcome the sharp increase in capital funding for higher education in England over the period.