

Higher and Further Education Minister Michelle Donelan speech on the Augar Review

Thank you all for joining us today.

I want to begin by thanking Sir Philip Augar and his panel, whose tireless work and commitment to the future in higher and further education has enabled us to deliver this announcement today.

The Secretary of State has cut right to the heart of why these reforms are so important, and I will come onto the specific transformational changes these reforms will bring about in a moment.

I want to start by reiterating something I said to sector leaders very recently.

Our world class higher education system is one that millions of people rely upon.

There are extraordinary people out there – some of whom perhaps haven't even been born yet, whose ability to reach their potential relies on what we as a Government do today to secure the future of higher education.

Sustaining, future-proofing and improving higher education is one of the surest ways to guarantee that the UK flourishes, in a world where skills are more important than ever.

And we should be under no illusion that the UK's world class status in higher education is a fragile commodity.

We are competing in a global higher education market, and one in which students and taxpayers expect quality, transparency and fair access.

Our commitment to these three key pillars of world class higher education are why 4 of the top 10 universities in the world are in the UK.

It is why two thirds of British unicorn companies were founded by graduates of British universities.

And it is why on average, our system has produced a Nobel prize winner every year for the last two decades.

I have been clear from day one that none of this is possible without investment.

Spending as much time on university campuses as I do, you see that every penny that goes towards a piece of industry standard equipment, or towards a new seminar room, is utilised by a real person who is trying to change their

life through education.

Every lab, library book, study space and contact hour matters to a student's future.

Our relentless focus on quality is what has led us to where we are now, and it is why today I can announce that we will be investing almost £900m of new money in higher education over the next three years.

And for context, this is the largest increase to higher education grant funding for almost a decade.

£750 million will go towards delivering high quality teaching, facilities and equipment and expand the UK's provision of high-cost, high-return subjects that will in turn drive our economy in the future, including the growth of strategically important STEM subjects, and turbocharge something I am particularly passionate about – degree apprenticeships.

And on top of this, we are putting disadvantaged students at the forefront of our reforms.

I was the first in my family to go to university, and having grown up in an area where I saw so many talented people left out of higher education, I am determined to keep up the momentum for change.

So we are investing up to £75m in a new national state scholarship.

Talented students from disadvantaged backgrounds will be given the extra help that they need to achieve their dreams through education.

We also know that there are some people who need a second chance, an opportunity to get into higher education through a less conventional route.

Often this route is through foundation years, but we think it is unfair that some of those who take advantage of this transformational opportunity have to pay over the odds.

So we are reducing the fee limit for foundation years to make them more accessible and more affordable for those who need a second chance.

Remember that last year, 18-year-olds from disadvantaged backgrounds were 82% more likely to go to university than in 2010.

And right now, as I speak, there are more young people from disadvantaged backgrounds studying in higher education than ever before in our history.

This is a government, that believes our higher education system can be world class and inclusive at the same time.

It is also important that every student should have confidence in the knowledge that their investment in their future represents good value for money.

Under current plans, tuition fees are set to rise over the next two years in line with inflation.

This comes just as students have overcome the difficulty and hardship of the pandemic, and are finally getting back on track.

Students tell me on my visits across the country, that they want to know the fees they are paying are fair, and that the amount they have to borrow is kept at a level that maintains the long term employment benefits of attending university.

So I am pleased to announce a further two year freeze on tuition fees.

This means students are getting better value courses while simultaneously borrowing less to pay for them.

In fact, as a result of 7 years of fee freezes, a student finishing their course in 2024/25 will need to borrow over £5,000 less than they otherwise would have to.

But as with any form of borrowing, we need students to have confidence that the investment they make in their education is fair and supports the system that benefits them.

So on top of tuition fee freezes, we have gone even further to ensure a fairer deal for students.

I can announce today that interest on new student loans are being overhauled, to ensure that no new borrowers from the academic year 23 – 24 onwards will repay more than they borrowed in real terms. We are going further than the Augar report recommended.

For me, this has been a very personal mission and one that students themselves have told me would be a real boost for them personally.

It puts to rest the issue of student loan interest rates, which do not fit with a fair, common sense student loan system, and it delivers on our manifesto commitment.

Combined, these reforms represent a significant real terms reduction of up to £11,500 in the amount that students borrow.

And the result is clear to see: quality is going up, while students will graduate with less debt.

Investment is going up, while interest rates are going down.

Access for the disadvantaged is going up, while foundation year costs will be capped.

It's a comprehensive fair package that gives a clear message to students and universities, that our world class higher education system values them.

But of course, decade-high investment for higher education and money saving reforms for students are not possible without a sustainable finance and funding system that is fair for both students and the taxpayer.

Rebalancing the student loan system is more than just a moral obligation.

It is now an absolute necessity.

Consider the fact that as of April 2021, the UK's student loan book stood at £161bn.

That is enough money to pay the entire English population's annual council tax bill 5 times over.

In fact, there are actually 150 countries whose entire GDP is smaller than our student loan book.

And without intervention, that figure is estimated to reach over half a trillion pounds by April 2043.

And More than three-quarters of students who started a full-time undergraduate degree in 2020/21 are currently not forecast to fully repay their loan.

Consider what that means for a graduate who completed their degree in their early 20s.

Just when many are reaching their peak salary age: – where they reap the greatest financial reward from the taxpayer's investment in their higher education, and – they have their loan written off and handed back to the taxpayer to deal with.

In fact, despite most taxpayers having never attended university, they are paying nearly half of every pound issued as a student loan, and we ask them to foot the bill precisely at the moment that graduates are most likely to be able to contribute.

I believe, that we should have a fair deal for the taxpayer and students.

Today we are setting out that as graduates enjoy the benefits of higher education for longer in their careers,

the taxpayer is right to expect that repayment terms should reflect this.

For new loans, we will bring repayment terms more in line with modern career lengths, with graduates eligible to contribute back to the system for 40 years depending on their earnings. Just as the Augar report recommended.

We are also announcing a new £25,000 repayment threshold – which will be introduced for new borrowers from 2023 – meaning graduates will make at least a modest contribution to paying back their student loan once they start benefitting from it.

This still means that graduates will not start paying back until they have reached well over the median young non-graduate starting salary of £21,500, ensuring that graduates have a financial gain from university before they start contributing back.

For context, under this new threshold, a graduate earning £28,000 a year would repay around £17 a month, and remember that following our interest rate overhaul, they would never be asked to repay any more than they had borrowed in real terms.

What underpins both the effectiveness and the necessity of these important updates are our measures aimed at improving outcomes for graduates as we continue to drive up quality.

Bringing repayment terms and thresholds more in line with the changing nature of modern careers means that we have to look at how we can guarantee quality, and protect that graduate earnings premium that attracts so many people to higher education in the first place.

In response to the recommendations made by the Augar panel, we are going to be seeking views on exploring the use of targeted student number controls as a possible option to stem the growth of low quality courses.

It is also right that we have the conversation about low level minimum eligibility requirements, which could be a return to the old requirement of 2 'E' grades at A Level or equivalent, with exemptions of course including for mature students.

Real social mobility is not achieved by pushing young people into university if they are not ready.

To do so, is doing them a disservice especially as this increases the likelihood they will drop out, but equally we should not be closing the door but helping them to prepare for university including with a foundation year or helping them pursue an apprenticeship or Further Education.

We need to leave the one size fits all system in the past – and focus on what is best for each individual.

And to be crystal clear by consulting on targeted student number controls, the Government is not taking a position on what the proportion of people going to university should be.

There is no correct answer – we need to stop the obsession with targets and quotas.

Rather than focusing on an arbitrary target, I believe that the goal should instead be on ensuring that every option on the table is high quality.

For Higher Education this means continuing our focus on completion rates and courses leading to graduate jobs.

So we think it is right that we have an open conversation with the public

about whether we should to continue to allow pockets of poor quality courses to grow uncontrollably, whilst remaining fully committed to enabling choice, investment and growth in the rest of the sector.

Graduates and the taxpayer deserve to know that the Government has their interests at heart, and we will encourage an open debate on measures that could help drive up positive outcomes for students.

To all those with a view or a stake, we want your input on both of these important issues.

We have of course already consulted on the proposal for post qualification admissions, and having carefully considered all responses, we have decided not to proceed with PQA.

Though an idea with noble intentions, the evidence was not conclusive nor was there consensus that it would overall, be a fairer system and help the disadvantaged.

In addition, the major disruption to both the school and university system would also be inappropriate at a time when teachers, students and lecturers are all recovering from the impact of the pandemic.

We believe instead that it is more effective to advance fair admissions through other means and, last November, I announced a major overhaul of the Access and Participation Regime, which John Blake is now taking forward within the Office for Students.

We are also working with UCAS, Universities UK, the Office for Students and others to reform personal statements, tackle conditional unconditional offers and increase transparency in advertising – all of which we will continue to do.

The final part of today's announcement is our consultation on the Lifelong Loan Entitlement delivering a key recommendation of the Augar review.

As part of the Prime Minister's Lifetime Skills Guarantee, the LLE will be introduced from 2025, providing individuals with a loan entitlement to the equivalent of four years of post-18 education to use over their lifetime.

It will be available for both individual modules and full years of study at higher technical and degree levels, regardless of whether they are provided in colleges or universities.

Under this new, flexible skills system, people will build up learning over their lifetime and have a real choice in how and when they study to acquire new life-changing skills.

They will have the opportunity to train, retrain and upskill as needed in response to changing skills needs and employment patterns.

So from 2025, we will have lifelong learning accounts.

Individuals will be able to log in online and they will find a learning loan entitlement worth the equivalent of four years of post-18 education to be used on any studies they choose.

Their fund can be used to study flexibly, module-by-module, as-and-when they want throughout their life.

LLE turns education from a narrow, set destination into to an accessible, flexible journey.

It is a journey that can stop and start when you like.

Above all, it is a system that will support a life long learning culture that will improve opportunities, support businesses and in turn increase our productivity.

Our LLE consultation is a huge opportunity to allow everyone to take part in the discussion, and it will help us to realise the transformational potential of LLE.

This is taking place alongside our large scale reforms to Further Education set out in the Skills for Jobs White Paper last year – the first half of our response to the Augar Review.

We want to make sure that students, regardless of their level of education, are equipped with the skills they need to progress, on whichever pathway suits them best.

We are also investing £3.8bn more in Further Education and skills over this Parliament, giving a real vote of confidence our mission to level the playing field between academic and technical education.

I want to finish with a brief look at what all of our announcements today mean for an individual student looking at higher education.

If you are thinking about going to university in the coming years, you can do so, knowing that you have access to world class learning that is going to stay world class.

If you are disadvantaged or had a tough time in education previously, you have scholarships, affordable foundation year courses and unprecedented career pathways at your fingertips.

And thanks to our quality and transparency drive, including new minimum thresholds for drop-out rates and progression to graduate jobs, you will know with confidence that your course will reward you professionally.

With all these incredible opportunities ahead, you also know that you can benefit from all of this without paying a penny until you start to financially benefit from your qualification.

When you do start to contribute, you will never have to pay back more than you borrowed in real terms.

It is a package of reforms that is a fairer deal for students, graduates, universities and the taxpayer all at once.

We are giving universities investment, stability and clarity.

We are giving students quality, transparency and value.

We are giving taxpayers better returns, value for money and confidence in the system.

Together, our reforms today solidify the UK as the best place in the world to study in higher education.