

Media release

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New report raises concerns over future financial sustainability of higher education in England

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A new report published today (Tuesday 18th November 2014) raises significant concerns over the future financial sustainability of higher education in England, arguing that Coalition reforms to the higher education funding model have put the sector on a long-term footing that is 'far from clear'.

The report by the Higher Education Commission expresses significant concern over growing levels of graduate indebtedness. With the IFS estimating that 73% of graduates will not in future repay their debt in full, the Commission 'fundamentally questions' the sustainability of a system that charges higher education 'at a rate where the average graduate will not be able to pay it back'.

It further warns of the concerning potential 'cumulative impact' of recent sector reforms on future financial robustness, arguing that all political parties appear 'reticent' about how any future government will safeguard the long-standing 'excellence of English higher education' as it continues to amass significant and uncertain future liabilities.

The 86-page report follows a nine-month inquiry chaired by Dr Ruth Thompson, former Director General, Higher Education at Department for Innovation, Universities & Skills (now part of the Department for Business, Innovation and Skills), and Lord Norton of Louth, Professor of Government in the Department of Politics and International Studies at the University of Hull.

It warns that post-2012 reforms have meant that an 'experiment' is now underway in higher education, with 'potential consequences stretching decades into the future'. It further argues that the current higher education funding model represents the worst of both worlds, with government effectively funding HE by writing off student debt rather than investing directly in teaching grants.

The report suggests that, rather than improving standards and simultaneously driving down costs, the Coalition's introduction of market forces into higher education has succeeded in creating a 'pseudo market' without bringing benefits that will assure the sector's long-term financial sustainability.

The Commission lays out six options for funding higher education in England, assessing the positives and negatives of each potential route forward. It warns however of the inherent difficulty in striking the correct balance, with different funding structures each benefitting different parts of the sector, be it students, universities or government.

While accepting that higher education institutions are ‘alive to the risks’ that post-2012 reforms have created in financial terms, the report argues that ‘more can and must be done’ to ensure that the HE system can continue contributing the enormous economic and social benefits to both individuals and the wider taxpayer.

Speaking ahead of the report’s publication, inquiry co-chair Dr Ruth Thompson commented:

“We have at present a funding system that represents the worst of both worlds, where all parties feel that they are getting a bad deal. While our higher education system has the strength and resilience to withstand considerable turbulence and volatility, the Commission found that present levels of uncertainty and risk mean that the future financial sustainability of the current funding model is far from guaranteed.

We have not identified a crock of gold or magic bullet solution. What we have done is identify a number of recommendations for action, and lay out six potential options for further consideration. The Commission reasserted its view of the importance of higher education for the future of the nation. Routes to long term financial sustainability must be found.”

Lord Norton of Louth, fellow co-chair of the inquiry, also commented:

“Striking the balance of contribution between students, universities and government is fraught with difficulty. Different views of how to assess the value of higher education affect the debate over how this funding balance is struck and how we decide who should bear the greater burden of contribution. What is clear is that the current balance is far from assured. Policymakers and politicians must confront the issue and keep in mind what is necessary to ensure higher education remains financially sustainable for the long term.”

The report will be launched formally in Parliament on Monday 24th November. It is the third report by the Higher Education Commission, following 2013’s *Regulating Higher Education* and 2012’s *Postgraduate Education* reports.

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NOTES TO EDITORS

1. The full report may be downloaded [here](#). It is subject to the same embargo as this media release.
2. Inquiry co-chairs Ruth Thompson and Lord Norton of Louth are available for interview.
3. The report will be launched formally in Parliament on Monday 24th November. Media are invited to attend. Contact Peter Barrett on peter.barrett@policyconnect.org.uk; 079142 745841; 0207 202 8587, to register.
4. The [Higher Education Commission](#) is an independent body made up of leaders from the education sector, the business community and the three major political parties. Established in response to demand from Parliamentarians for a more informed and reflective discourse on higher education issues, the Commission examines higher education policy, holds evidence-based inquiries, and produces written reports with recommendations for policymakers. The Commission is chaired by Lord Norton of Louth.

5. Download the Higher Education Commission's two previous reports [Postgraduate Education](#), and [Regulating Higher Education](#).
6. Visit the [Higher Education Commission website](#) for more information.