

## CONSULTATION RESPONSE

# Response to QAA consultation on fees charged for its work as the designated body for England

A consultation was launched in March 2019 on the fees that are to be charged by the Designated Quality Body (DQB), the Quality Assurance Agency (QAA). DQB fees will apply across the UK, including the approval and assessment of registered providers as well as the assessment of new degree awarding powers (NDAPs). There will be extra costs for providers in England as a result of the extra fees that are incurred by the extra duties that are performed on their behalf. There is some stipulation within the Higher Education and Research Act (HERA) on how DQB fees should be administered and calculated, as explained in the consultation document:

*“Section 28 of HERA requires the DQB to charge fees that are cost reflective. This means that our fees must correspond only to the cost of performing the assessment functions set out in HERA and we are not allowed to recover more than this total cost.”*

There are parallels here with the “risk-based” approach embedded within the framework of the OfS and the corresponding fees for institutions. But risk and cost are evidently different and require differing methods of measurement, even if the approaches are similar. The DQB fees that are being proposed by the QAA have been drawn up through work with London Economics. The annual cycle of fees is planned to run from 31<sup>st</sup> March to 1<sup>st</sup> April each year. The costs of the fees have been split into two principal categories:

- **Infrastructure costs:** general costs in carrying out services shared across providers. There are two proposed models here for consideration, an “equal share” or “banded model”
- **Assessment costs:** those that can be attributed directly to individual providers

The table below, taken from the consultation document, provides an overview of the proposed framework:

**Table 1: The DQB activities attributable to each of the proposed four fees**

Fee	Fee with description of activities	Justification for allocation to relevant part of section 28
1 (section 28(2)(a) of HERA)	Annual fee for <u>all registered providers</u> for: <ul style="list-style-type: none"> <li>• infrastructure costs for DAPs - an equal share for each registered provider OR a share allocated on the basis of a banded fee model.</li> <li>• infrastructure costs for QSR for new providers seeking registration <u>and</u> for assessing whether the ongoing conditions are satisfied for registered providers - an equal share for each registered provider OR a share allocated on the basis of a banded fee model.</li> </ul>	Activity relating to infrastructure for degree awarding powers (DAPs). Maintenance of infrastructure for DAPs benefits all registered providers as they rely directly or indirectly on the authorisation, variation or revocation of DAPs and it is therefore a service provided in relation to them all.  Activity relating to infrastructure for QSR for new providers seeking registration with the OfS. Activity relating to infrastructure for QSR for registered providers to determine whether the ongoing conditions of registration are satisfied - this includes infrastructure for QAA's activity to support the OfS's monitoring processes and random sampling. Maintenance of infrastructure for these activities benefits all registered providers and it is therefore a service provided in relation to them all.
2 (section 28(2)(a) of HERA)	Assessment fee for <u>a registered provider requiring a DAPs assessment</u> - each provider pays the costs directly attributable to its own assessment.	Activity relating to DAPs assessment for registered providers. Those providers that require a DAPs assessment - for authorisation, variation, or revocation - carry the cost of such an assessment.
3 (section 28(2)(b) of HERA)	Assessment fee for <u>a new provider</u> seeking registration and requiring a QSR - each provider pays the costs directly attributable to its own assessment.	Activity relating to QSR for new providers seeking registration to determine whether initial conditions of registration are satisfied. Those new providers that require a QSR for initial registration carry the cost of such an assessment.
4 (section 28(2)(c) of HERA)	Assessment fee for <u>a registered provider</u> to assess whether the ongoing conditions are satisfied - each provider pays the costs directly attributable to its own assessment.	Activity relating to assessment for registered providers to determine whether the ongoing conditions of registration are satisfied. This includes assessment for the OfS's monitoring and intervention processes and random sampling. Those registered providers that require an assessment carry the cost of such an assessment.

Question 1: Do you agree with the activities attributed to each of the four separate fees set out in Table 1 above? If not, please give your reasons

MillionPlus is unclear as to how the costs of assessing providers seeking new degree awarding powers (NDAPs) are to be weighted within the infrastructure costs as laid out in the consultation document. Based on the description of infrastructure costs that are made throughout the document, it is clear that much of these costs correspond to overarching financial expenditure and miscellaneous operational activity that cover the full scope of the QAA's activity in assessing or monitoring quality within the higher education sector. These costs, therefore, should correspond to all providers who generate running costs or necessitate any use of resource from the QAA.

One concern is that the vast majority of the work involved with assessing new providers to pass through the gateway to the register, or to receive DAPs, or university title does not relate to existing, established providers. Therefore, arguably that means that the current cost model is incorrect – it would be more sensible to skew the infrastructure costs towards this entry activity, and so lower the fee to established providers.

On the whole, MillionPlus agrees with the activities attributed to each of the four separate fees set out in Table 1. However, one area where it would be useful to have more information is relating to the assessment of ongoing conditions. Since these costs have been proposed as being directly attributable to the provider, and they are in many respects a new entity to consider for existing providers (in their current form), it would be useful to have some indication of the range of potential costs that could be incurred by providers in this regard. It is hard to make an informed judgment on this section of Table 1 without a better sense of scale of the potential costs that could be involved.

A second concern relates to how QAA's international work is costed, and how that cost is then passed on to providers. Notwithstanding some of the points made in the proposal regarding the legal situation of fees (from HERA 2017), the reality is that, internationally, potential applicants will primarily see the UK as one system. Therefore, international work by QAA benefits all providers, whether they are domiciled in England, Scotland, Wales or Northern Ireland. This would suggest that it is more sensible to include the cost of this in the standard subscription providers pay to the QAA – in this case the infrastructure fee.

2: Do you agree that a provider should pay the costs of its assessment where these can be directly attributed to the provider? If not, please give your reasons.

MillionPlus agrees with this proposal.

Question 3: Do you have any comments about the proposed indicative fees set out in Annex 3?

There is little or no justification given within the document for the marked gap between the proposed pricing of fees that exists between NDAPs and Full DAPs within Annex 3. To illustrate this point, the fee for the assessment method corresponding to NDAPs with 3 reviewers ranges from £22,198 to £28,305 per annum. In contrast, the proposed fee for full DAPs with 3 reviewers is £35,652. MillionPlus is not opposed to a difference in fee pricing per se, but it believes that it is the responsibility of the QAA to fully explain why such a gap in pricing is being proposed, whichever way it might be. There is a logic that would suggest that the assessment of NDAPs, who are less acquainted with the processes involved, and who have less experience of provision and assessment, might require a greater level of resource from the QAA to undertake the tasks involved.

Question 4: Do you consider that a flat-rate fee model for infrastructure costs is a credible way to determine an annual fee? Please give your reasons.

MillionPlus does believe that a flat-rate fee model for infrastructure costs is a credible way to determine an annual fee. Infrastructure costs, as explained in the consultation document, are overarching or 'general' costs, few of which are primarily determined by student numbers of individual institutions. It is the number of institutions, as opposed to the number of students at individual institutions, that is the main determiner of the overheads of the QAA signaled by the infrastructure costs. In line with our answer to question 1, it is important that the QAA's fees reflect the full range of institutions who contribute towards the overall operational cost of its activity.

**Question 5: Do you have any comments about the proposed indicative annual fee under the flat-rate model?**

No comment

**Question 6: Do you consider that a banded model for infrastructure costs is a credible way to determine an annual fee? Please give your reasons.**

MillionPlus questions the need for a banded fee model for infrastructure costs. This is because the assessment fees that are proposed elsewhere in the document will directly reflect the service provided to each institution and will be weighted according to student numbers and the level of resource required by QAA. This means there would already be a level of proportionality built into the methodology and therefore into the overall amount of fees being paid by institutions to the QAA. As stated in the answer given to question 4, it is the number of institutions, rather than the number of students in the system that is the principal factor shaping infrastructure costs. With regard to assessment costs, it is the duration and complexity of the assessment that drives the cost. In both cases, it is inappropriate to implement a system that charges institutions more simply because they have a larger student population.

**Question 7: The proposed banded-fee model has thirteen bands. This reflects the banding model we expect to be used for the OfS's registration fee. If QAA adopts a banded model, do you agree with these proposed bands? Would you have a different banding structure? Please explain what this would be and your reasons.**

MillionPlus does not see any reason that is sufficiently detailed in the consultation document to explain why the registration fees for QAA, or at least the banding model therein, should match that of the OfS. These are two separate organisations that perform different duties in the sector: there should not be an expectation of consistency in fee banding models across different sector bodies purely for its own sake. MillionPlus has outlined reasons why it sees a flat-rate fee model for infrastructure costs as acceptable in answers to questions 1 and 4. However, if a banded model were to be introduced for infrastructure costs, MillionPlus would argue that having four separate bands for institutions with up to a hundred students seems overly complicated.

It is appreciated that smaller, more specialist institutions can vary considerably in their student profile, institutional mission and campus infrastructure. But this heterogeneity amongst smaller providers is not so great that it warrants a different price band for QAA fees that changes every 25 students (up to the first 100). Moreover, many of the differences in the internal structures of smaller intuitions which could influence the QAA assessment process are determined by factors other than student numbers. With this in mind, despite our objection to banded costs, MillionPlus would recommend that bands A to D in Table 2 of the consultation document be merged into one single band for institutions with fewer than a hundred students.

**Question 8: If QAA adopts a banded-fee model, do you agree with an incremental increase between bands of 15 per cent? If your answer is 'no', please tell us what percentage increment you would prefer. Please explain your reasons.**

Notwithstanding our preference for a flat-rate fee model and comments made in questions 1, 4, 6 and 7, MillionPlus believes that the incremental increase between bands of 15% that has been proposed seems reasonable increase in price between bands, should this approach be taken.

Question 9: Do you have any comments about the proposed indicative annual fee under the banded-fee model as set out in Table 2?

No.

Question 10: Do you prefer a) a flat-fee model in which each provider pays the same, or b) a banded-fee model in which a provider's student numbers determine the fee paid? What are your reasons for this?

MillionPlus accepts that it is advisable to incorporate some level of proportionality into the pricing of the fees that are to be paid to QAA. However, as we have stated in previous questions, there is already a level of proportionality built in to the overall QAA fees as by the nature of the fact that the assessment component of the fee is directly attributable to individual institutions. There does not appear to be sufficient explanation as to why student numbers should dictate the level of fee that a provider pays to the QAA. That is not to say that student numbers do not have impact on such matters, but QAA has a duty to explain how and why they have come to this conclusion.

Question 11: If QAA adopts a banded model, do you agree that fees should be calculated on the basis of students' intensity of study and on the same basis as for the OfS's registration fee?

If a banded approach based on student numbers was implemented (and noting our previous objection to such an approach) MillionPlus agrees that QAA fees should be calculated on the basis of students' intensity, rather than on the basis of headcount. This approach gives a more realistic and appropriate reflection of institutions. MillionPlus also agrees that TNE should not be included in any such calculations.

Question 12: Would delayed payment terms for the first year that an annual DQB fee for infrastructure costs is charged (from 1 April 2019) be helpful? If yes, please use the free text section to indicate what you would consider helpful

No comment