

million+ briefing for BIS Select Committee
Government response to the BIS Select Committee Report:
Government reforms of Higher Education

million+ welcomes the opportunity to provide an updated analysis of the Government's HE reforms in England in advance of the BIS Select Committee session with the Universities and Science Minister on Wednesday 4th July. Where appropriate, reference has been made to the BIS Committee's earlier report on the HE reforms and the recently published BIS response to the Committee's recommendations.

1. Evidence-based decision-making vs decisions in advance of the evidence

There remains a concern that BIS has continued to make decisions e.g. extending the student numbers market in 2013, that may undermine student choice and require institutions to manage even more complex changes in what is already a very short period of transition, prior to the impact of the 2012 fee and funding reforms on students and institutional income being known and prior to any robust equality assessment being undertaken.

BIS has conceded in its response to the Committee that 'many responses to the White Paper stressed that we cannot yet know the full effect of the new funding arrangements.' Ministers explain the delay in tabling primary legislation in the following terms: 'It cannot yet be clear what form of regulatory framework is appropriate. We will therefore not at this stage be introducing changes to primary legislation but will move our reform agenda forward through non-legislative means.' We comment later on the implications in respect of regulation and university title of the failure to include an HE Bill in the second session. However, if Ministers are uncertain as to what regulation is required, this would appear to undermine the case for decisions being made to progress other aspects of the reform agenda.

2. Student numbers market and controls (6, p.2; also recommendation 15, 16)

The Committee recommended that further changes to student number controls be delayed on the grounds that this would add to the uncertainty faced by universities and students already adapting to other policy and funding changes. This position was endorsed by million+ and by Universities UK. Notwithstanding these recommendations, BIS Ministers decided to continue with their plans to reduce numbers allocated to institutions by 20,000 in 2012 and allow unrestricted recruitment of students achieving AAB+ A-level or equivalent grades.

No assessment has been made of the regional implications of the AAB+ interventions or the likelihood that because of the location of institutions more funded places might end up by being transferred to certain universities in a region at the expense of those who recruit more students based in the more immediate locality or being transferred to London and the South East.

As part of their intervention in the market, Ministers also set conditions by which institutions could recover numbers and restricted bids to universities and institutions with an average £7500 fee (or less). It is well-known that students from independent schools achieve higher grades in A-level examinations although the relationship between high grades at A-level and outcome in terms of degree classification has been questioned by research. This intervention resulted in universities

which recruit students from a wide range of backgrounds, including those holding vocational qualifications, losing more funded numbers permanently or in the alternative being forced to reduce their fee (and thereby the unit of resource received via the SLC) in order to bid for numbers. In comparison, a sub-set of universities with largely younger student profiles will benefit, including through higher fee loans (up to the annual £9000 fee cap) provided by the taxpayer.

Half of the 20,000 numbers allocated to the margin in 2012 were allocated to FE colleges many of which have not previously received Hefce funding and whose capacity to attract HE students in such numbers is unknown. Students who want to study at their local university may well be faced with reduced choice if there are no places available in September 2012 but places available in FE. Neither Hefce nor BIS can confirm that the places transferred to FE will be allocated to honours degree programmes.

A research paper analysing HE in FE published by BIS in June 2012 confirms concerns about the reduction in honours degree places. According to this research

- There were 177,000 HE in FE students in England in 2009-10
- Of these 61% were undergraduate (**47% sub-degree, 14% bachelor**), 3% were postgraduate and 36% were other
- This means there were **107,970 HE in FE undergraduates in 2009-10. Of these 83,190 (77%) were on sub-degree programmes and just 24,780 (23%) were on bachelor programmes**
- This covers full-time and part-time in the pre-2012 funding model. As a result some caution has to be exercised in respect of assumptions but if this division was replicated in the 10,000 full-time margin places that have been allocated to FE colleges, **less than 2,500** of them are likely to be first degree places.
- If all 10,000 places were used for HE in FE bachelors programmes, this would represent a 40% increase of take-up of HE in FE in 2012.

Notwithstanding the uncertainties in terms to student choice and student behaviour, the fall in UCAS applications from full-time students in England in 2012, the significant decline (11%) in applications from mature students who wish to study full-time and the fact that no robust equality analysis will be available for 12 months, in April Ministers decided to extend the pool of students numbers in 2013 who can be recruited outside the core from AAB to ABB+ A-level grades or equivalent.

5000 places will be available in the margin with the majority allocated to institutions with average fees of less than £7500. The 20,000 student places in the margin in 2012 have effectively become ASNs (additional student numbers) in 2013 and allocated to the institutions which successfully bid for them for 2012. This decision has been made even though the success of these institutions, including FE colleges, in recruiting HE students in 2012 and the overall impact of the 2012 reforms and the interventions in the student numbers market on student, institutional and subject choice, are entirely unknown.

The net result will reduce funded numbers and the unit of resource available in many universities which lead the field in offering opportunities for students from a wide range of backgrounds. Ironically if universities cannot recover numbers and lose numbers on a permanent basis, then inevitably the funding drivers will act to increase fees. However, Ministers have ignored the fact that students in the past seen higher education as an investment and not a consumption market. While the impact of price sensitivity and uncertain employment prospects have yet to be understood in the context of 2012, universities also operate in a reputational market. The imposition in a complex market of price constraints which only effectively apply to some universities is an unwelcome intervention and one that seems designed to reduce HMT and BIS resource commitments rather than increase student choice or allow universities to compete on price and quality.

3. Funded Student Numbers (Recommendation 9)

Ministers have decided to discontinue in 2012 the numbers associated with the University Moderation Fund (introduced in 2009). In spite of the Committee's recommendation that student numbers should not be cut, there will be a reduction in funded student number places available to universities in 2012 and no indication in the BIS response to the HE White Paper or the Committee that numbers will be increased during the Spending Review period.

From 2012 Hefce funding will be replaced by funding raised via the SLC. By 2015-16, teaching grant received by universities will decline significantly. As the institution's chief accounting officer to Hefce, Vice-Chancellors currently sign off a Financial Memorandum as a condition of grant. There is concern that BIS intends to ask Hefce to introduce new terms and conditions for the Financial Memorandum which may relate to SLC funding, notwithstanding the fact that fee and maintenance loans and their repayment are transactions between students and the SLC.

At the same time recruitment of students by private and not-for-profit providers (which have been permitted to charge a fee of up to £6000 pa in the knowledge that students will receive fee loans from the SLC) remains unrestricted. There is nothing to stop these providers from charging an additional and / or administrative fee directly to students in addition to the £6000 per annum fee for which a state-backed fee loan will be provided. These providers remain unencumbered by OFFA or other regulatory requirements and will benefit further financially from the Chancellor's proposals to allow these providers an exemption from VAT.

There has also been a significant increase in the number of courses which private and not-for-profit providers have requested BIS to designate as being eligible for SLC funding. If approved, this will increase the resource available to private providers at a time when universities are being further regulated. It will also increase the pressure to remove even more funded numbers from universities.

In its response to the Select Committee and the HE White Paper, BIS indicated that it intends to extend student number controls to private providers. It remains unclear how this will be achieved without primary legislation. At the same time in their response to the Committee, Ministers appear to have explicitly ruled out increasing the number of funded student places during the spending review period. If there is no overall increase in funded numbers, student places will inevitably be transferred from universities. When combined with the AAB+ / ABB+ student number controls, access to high quality higher education for students from non-traditional backgrounds is likely to be undermined rather than enhanced.

4. Regulation of alternative providers and University title (7, p.2)

million+ welcomes the Government's intent to regulate alternative HE providers, including for-profit providers. Nonetheless, the BIS response to the Technical Consultation goes little further than summarising the responses received rather than outlining any practical proposals or providing further information about how any amendments to university title will be debated, including by Members of Parliament.

University title is a matter of key concern not only to universities but also to UK exports. The reputation of the UK and the capacity of the sector to trade globally in HE rests on the reputation and quality associated with UK university title and degree awarding powers which have been highly valued in the UK and backed by a regulatory and quality system and by public investment. The UK's global reputation in higher education has been hard-earned.

This is why changes to the conditions for title are a matter of significance to universities, domestic and international students and have the potential to impact on the capacity of UK universities to trade globally. Amendments to degree-awarding powers and university title in England will have the potential to set England further apart from Scotland and Wales. It is well-known that for-profit providers, some of which are owned by private equity firms, see UK university title as a means to access the global HE rather than the UK domestic market.

Without primary legislation, there are risks that the future process of regulation of alternative providers and the future basis of the award of university title will be extended in England without proper debate. For example, BIS has already indicated that the numbers criterion for university title does not require legislation to change it. The reduction from 4000 to 1000 in institutional HE numbers as a criterion for university title may be achieved by the publication of revised guidance. Having published its response to the HE White Paper and Technical Consultation it would appear that BIS can, in principle, consider applications with immediate effect.

In the absence of a Higher Education Bill, Ministers need to provide much greater clarity as to precisely how and what mechanisms will be used to comprehensively achieve regulation and determine university title in the future.

5. Communications Strategy (Recommendation 4)

million+ welcomed the Committee's recommendation that the changes to the student funding system should be widely communicated to prospective students. In their response Ministers have made much of the 'Student Finance Tour'. This has been primarily geared at younger students. In spite of representations no BIS campaign other than a belated online resource was promoted to encourage part-time applicants and even then the expenditure of the latter compared to the Student Finance Tour was minimal.

It is also very difficult to see that any real efforts have been made to promote the new funding regime with mature students. Very little campaign publicity or resource has been geared at older potential applicants even though the recent million+ / NUS report¹ confirms that one in three undergraduates enter university for the first time when they are over 21. This report (which analyses HESA statistics) confirms that the majority of mature students study full-time i.e. mature students do not just study part-time, and that they study the full range of subjects.

6. Impact on postgraduate participation (Recommendation 5)

million+ welcomed the BIS decision that Hefce should undertake further data analysis of the postgraduate market and the impact of the new undergraduate regime. Postgraduate taught (PGT) fees are unregulated but the teaching funding grant provided to Hefce has previously supported PGT provision according to subject. Although BIS Ministers belatedly provided £35m of funding for 2012-13 this is targeted at higher cost subjects. The vast majority of PGT students will continue to study subjects where (as with undergraduate courses) no direct funding will be provided. The £35m should be compared to the £100m funding available in 2011-12. The reduction in Hefce teaching grant will therefore have an immediate impact on PGT fees charged by universities in 2012-13.

7. A Pupil premium in HE (Recommendation 28)

Universities with more socially inclusive student profiles value the widening participation premium currently provided by Hefce and welcomed the decision by Ministers to continue the WPP in 2012. WPP is not simply used to encourage students from non-traditional backgrounds to enter higher education but helps to contribute to some of the additional costs of teaching these students during their studies.

¹ Never too late to learn, million+ & NUS pub May 2012

In comparison, the National Scholarship Programme lacks transparency and will be extremely complex not only for students but also for those universities which have many more students entering from households of less than £25,000 pa (one of the eligibility criteria set for the NSP). These universities have to add further criteria or find even more funds from their own resources in order to manage NSP allocations. million+ has consistently argued that the NSP should be means – tested and available to all eligible students rather than allocated on a postcode lottery linked to the wealth of an institution and the socio-economic profile of its student cohort.

There is no case to combine the NSP and the WPP (as the Deputy Prime Minister recently argued) to make the equivalent of an HE pupil premium. Whatever the merits of the latter, WPP has a specific focus and is highly valued as a contribution to the costs of teaching students who enter university from less traditional and academic backgrounds. However, Ministers should implement changes to the NSP as a matter of urgency.

8. FE Loans

Reference to the BIS proposal to remove all funding for courses for adults over the age of twenty four studying for Level 3 and Access to HE qualifications from the 2013-14 academic year was not included in the HE White Paper or the Committee's own report. There are nonetheless significant concerns that this reduction in funding (which will be mitigated by the offer of an FE loan on the same basis as the 2012 HE loans) will prove to be a disincentive to mature student participation in higher education. The introduction of FE loans for over 24 year olds will also stretch the administrative resources of the SLC even further, a year after the introduction of the new and more complex HE system which will also be extended to part-time students for the first time in 2012.

A survey of 4000 students by million+ and the NUS conducted from October-December 2011 confirmed that a very high proportion of mature students who enter HE with Access to HE qualifications start their journey by studying for these and other Level 3 qualifications when they are over 24. From 2013 students who want to improve their qualifications and their career chances later in life will have to be persuaded of the merits of taking out an FE and an HE loan, notwithstanding the fact that the 2012 system is unproven and in 2012 applications from mature students have declined to a greater extent than those from younger applicants.

The HE loan system is controlled by an overall cap on student numbers at least in Hefce funded institutions. To some extent it can still be described as being demand-led. However, the FE loan system will be cash limited with funds being allocated to providers. It is unclear what happens when these funds run out or how this system will reflect demand. As a result there are very real concerns that the new FE funding regime for over 24 years will impact adversely on mature student participation in HE. Excluding the OU and Birkbeck, in all but 21 institutions, mature students make up 10% of the undergraduate student profile. In some institution this rises to just over a quarter of students i.e. 25% of the institution's cohort is composed of mature students.

9. Initial Teaching Training (ITT) and NHS education and training for non-medical staff

In its response to the HE White Paper BIS recognised that a number of consultees drew attention to the instability that is being created in universities as a result of the DfE's approach to teacher education and the lack of clarity arising from the NHS and Social Care Act's abolition of the Strategic Health Authorities from 2013. The latter currently award contracts to universities to provide pre-registration and post-registration courses and other training for the NHS nurses, midwives and the allied health professions. Universities are therefore key providers of both initial teacher education and the delivery of graduate and postgraduate qualifications for nurses, midwives and non-medical

professions like radiographers and physiotherapists (programmes and courses run in partnership with schools and health providers respectively).

Against Ofsted evidence of the quality of providers, DfE has embarked on a programme to switch ITT numbers to schools. Decisions in respect of the actual allocation of ITT numbers for the 2012-13 academic year caused significant uncertainties and confusion and further uncertainties have again arisen in respect of the 2013-14 academic year.

The abolition of the SHAs and the implications for the future education of the NHS workforce has been the subject of a recent report by the Health Select Committee which criticised the lack of progress by DH in introducing new governance arrangements for successor bodies. MPs also pointed out the risks of reductions in funding. The post-registration training of NHS staff has previously been supported by a national budget but DH has decided to remove this national allocation.

The BIS response to the consultation states that the Department of Health and BIS are “working closely” on NHS education and training (paragraph 2.2.35). However the extent to which both DfE and DH agendas have the potential to impact on universities has not been fully recognised outside of BIS. The risk is that Hefce funding has to be used to support the sustainability of HE institutions which have been destabilised by late decisions, reduced budgets and different policy agendas in DfE and DH.

There is an additional risk that future capacity e.g. to provide support for a professional career qualification programme for teachers beyond ITT and to expand the allied health professions workforce will be damaged. Universities have investments in staff, capital infrastructure and in research relevant to improving patient care, service delivery, educational outcomes and improving standards in schools and colleges. Without greater acknowledgement of the value and contribution of universities to these agendas in Education and Health, universities will have no option but to reduce provision and capacity because of short-term uncertainties.

Conclusions

The Committee correctly highlighted the risks of transition to the new HE funding system for students and institutions. Ministers have pressed ahead with a market in student numbers which applies to Hefce-funded universities but have as yet not tabled proposals to fully clarify how private providers will be regulated or confirm on what basis the future award of university title will be debated publically.

Universities are seeking to manage risks related to student demand at undergraduate and postgraduate level, complex and transitional funding regimes, teacher and health education and changes to visa regulations for international students. There are good reasons for BIS Ministers and their counterparts across the Coalition to consider the implications and the impact of their reform agenda on universities and students. Universities have been net contributors to society and the economy and they are one of the UK's most successful exports. This is a heritage to be valued and not undermined.

**For further information please contact
Drew Lindon, Interim Head of Public Affairs, million+**

Tel: 020 7717 1659 / 07900 277819

Email: drewlindon@millionplus.ac.uk