

Teaching funding and student number controls, consultation on changes to be implemented in 2012-13

University Alliance response, September 2011

1. University Alliance is a group of 23 major, business-engaged universities committed to delivering world-class research and a high quality student experience. Our aim is to deliver evidence-based policy and research and foster close links with Government and business in order to improve higher education policy for the benefit of the economy and society.
2. University Alliance has considered in detail the proposals put forward by HEFCE in this consultation as well as the White Paper policy proposals themselves. While we acknowledge that this consultation is necessarily focussed on the detail of the implementation we do have some significant concerns about the White Paper proposals themselves, particularly if they are to be rolled forward in following years. This position undoubtedly has an impact on our approach to this consultation although we have aimed to restrict our response to commenting on implementation rather than the policy.

1) Following the changes to funding for higher education agreed by Government, we need to phase out the mainstream teaching funding relating to old-regime students. Do you have any comments on our proposed approach?

Support for the role of HEFCE and principles for transition

3. We would like to state upfront our support for HEFCE in steering a way through an incredibly tight and unpredictable environment. The approach set out in HEFCE's strategy statement 'Opportunity, choice and excellence in higher education' provides a helpful steer and overall the proposals set out in this consultation present a measured and sensible approach to implementing the White Paper policies for 2012-13.
4. Alongside these parameters that HEFCE has set out, we believe that the following principles should be considered both in the implementation and further development of policy resulting from the White Paper:
 - they should enable a dynamic and responsive system that can respond to student demand
 - they should provide a quality offer for students
 - they should deliver the graduates that employers need to drive our future international competitiveness
 - they should genuinely support social mobility – this is about more than entry to the most selective universities
 - students should be clear what the offer of individual HEI's is through the provision of accessible and accurate information
 - we should have a clear vision for the role and purpose of universities as a public good

5. Overall, we support the suggested approach to phase out the mainstream teaching funding relating to old regime students, although we would raise the following issues that may be worthy of further consideration.

Managing instability and uncertainty

6. We are supportive of the role that HEFCE seeks to take in order to manage instability and uncertainty as far as possible during this period of change. For example the proposal to calculate individual funding rates for each institution, taking account of the position relative to the tolerance band in 2011/12 (paragraph 42) is a helpful approach.
7. In a similar vein, we would support HEFCE's consideration of whether a small threshold should be introduced, below which grant adjustments are not implemented (as outlined in paragraph 58). Given the significant amount of instability and change within the system over the coming years it would seem sensible to retain some kind of barrier against extreme and sudden changes in a university's circumstances or the impact of outcomes that will be very difficult to predict.
8. The support that HEFCE will provide to institutions during this time will be invaluable as will the communication of information about how the new system will work as soon as is feasibly possible. In particular, our members have requested information about how the new calculations will work in terms of setting the baseline for 2013/14.
9. The proposal to introduce a three-stage process for calculating the level of grant, and the associated administrative burden is a concern although we understand the reasoning behind this approach in this first, exceptional year. We anticipate that HEFCE will be exploring all available options to minimise the burden of providing student number forecasts. In particular, it would be worth exploring whether HESES/HEIFES could be dispensed with a year earlier than proposed (paragraph 167). It will also be important to ensure that where possible data is shared with the Student Loans Company so that unnecessary duplication is avoided.

2) Given the reductions to HEFCE's teaching grant from 2012-13, do you have any comments on our proposal that certain non-mainstream allocations should be phased out, and others continued as an interim measure in 2012-13?

10. We welcome the proposed review of non-mainstream allocations; these will need careful consideration in the future as we move towards an increasingly competitive market environment. In relation to the specific allocations outlined in the consultation document we would raise the following issues.

Co-funded employer engagement

11. Alliance universities have significant strengths in business engagement and have developed well-established relationships with multiple employers of all sizes. The proposal to phase out non-mainstream funding for co-funded employer engagement, as it was linked to previous government priorities, is therefore of particular concern.
12. Universities have made considerable headway in this area over recent years; and in a system that encourages universities to distinguish their offer and diversify income streams these partnerships seem likely to become ever more important. Within this new system it will be critical to review the inclusion of employer or charity sponsored places from the student number control. As highlighted under question 5, the inclusion of places that place no burden on public funds within an institutions number control would seem contrary to creating a flexible and market based system.
13. In addition, greater clarity about how workplace learners and other employees may be supported on the same basis as other students from 2012, “with employers encouraged to demonstrate their support for and involvement with HE in different ways” would be helpful. We would also highlight the importance of ensuring that these changes are communicated effectively to employers. This will be an area to monitor carefully, especially in relation to changes in HEIF and other relevant areas of support.

Widening access allocations

14. We are pleased that HEFCE has been able to protect the non-mainstream allocations relating to widening access for 2012-13, this funding has proved to be critical support for social inclusion and social mobility over recent years.
15. We note that these allocations will be subject to review as part of the second stage of HEFCE’s consultation. At this stage we would like to offer support towards gathering evidence to ensure that any future decisions on this will not have a negative impact on the ability of institutions to attract and support these students throughout university.

3) Following government changes to funding for higher education, we need to change the way HEFCE provides teaching grant for new-regime students. Do you have any comments on our proposed approach for 2012-13?

16. We support the approach that HEFCE is seeking to take to ensure that funding is allocated proportionately, that it does not introduce significant new data collection requirements and to maximise predictability.

Partial completion weighting

17. The proposal to phase out the partial completion rating, in response to the fact that income from the Student Loans Company will be available to institutions at fixed points from earlier in the academic year, seems reasonable. However, this will be an area to

monitor carefully in the new system as part of HEFCE's wider assessment of the impact on widening participation and social mobility. As has been well rehearsed, this funding has been an important component of the ability of institutions, particularly those with a high proportion of students from disadvantaged background, to proactively widen participation.

4) We have been asked by the Government to remove students achieving AAB+ equivalent from the student number controls. Do you have any comments on our proposed method of implementing this? Please identify any possible negative or positive impacts from this proposal.

Removing AAB+ first

18. As highlighted above, University Alliance has significant concerns about the policy within the White Paper on which HEFCE's proposals are based. A key concern is the impact of the two proposed systems of student number controls when combined. These two mechanisms will have the effect of removing places from the mainstream part of the sector, which currently achieves significant demand from students, leaving those universities charging above £7,500 and with a lower proportion of AAB+ students in a challenging position.
19. By removing AAB+ numbers before the core of 8% from each institution, this mainstream, the majority of providers, effectively take a double hit while institutions with a high proportion of AAB+ students will be doubly protected. We would strongly argue that switching this approach so that AAB+ students are removed after the 8% would be more in line with HEFCE's stated aim to minimise instability.
20. This approach would be particularly problematic in the case where those institutions with a high proportion of AAB+ students end up with regulated places that they cannot fill, should the proportion of AAB+ students admitted increase in 2012-13. The suggested amendment below to the 4,000 pro rata proposal would also help mitigate against this.

Removing AAB+ numbers should reflect the proportion of these students at each institution

21. Where possible, HEFCE should stick to the principle of ensuring that all reductions relating to AAB+ students reflect actual numbers as closely as possible. This should be taken into consideration in relation to the proposed policy for removing 4,000 student numbers to allow for growth in this part of the population.
22. Given that the anticipated expansion of the AAB+ population between now and 2012 is likely to follow the existing pattern of participation, it would seem inappropriate to remove the 4,000 additional numbers pro-rata across the sector (paragraph 118a). Instead, we propose that HEFCE should base the removal of these numbers on an institution's existing proportion of AAB+ students.

23. We suggest that HEFCE should consider how a similar approach might be taken to account for 'unknown students'.

Impact on social mobility

24. The focus on social mobility within the White Paper is largely narrowly defined in terms of the access to selective universities by the lowest socio-economic groups. Our concerns about the potentially negative impact on social mobility from AAB+ proposals stem from the stubborn correlation between social class and attainment. As HEFCE will be well aware, a quarter of the richest 20% of students get top A-level grades (BBB and above) in comparison to just 3% of the poorest 20% of students.
25. This strong correlation means that the proposed student number controls have the potential to negatively impact on social mobility in two ways:
- through the redistribution of public investment towards high achieving, high social class students (because their courses will be publicly resourced at £9,000 per student whilst other universities face having 8% of numbers taken away year on year unless they reduce their average fee level / resource to £7,500)
 - by reducing choice and access to well-resourced courses for the majority of students from lower socio-economic groups

Beyond 2012-13

26. As noted above, we are very supportive of the role HEFCE is playing to strike a balance between introducing greater dynamism into the system while maintaining stability as far as possible. With that in mind we would support consideration of the following approach to manage the system beyond 2012-13.
- a. A steady state for 2013-14 (in which case it would be critical that there are no further increases in numbers number removed from the core or a reduction in the AAB+ threshold). This would allow for some settling of the system and further evidence gathering about the impact of these policies.
 - b. Given that the government's ultimate stated aim is to increase dynamism and reduce control, HEFCE should continue to look at options for a radical reduction of the AAB+ threshold in year three (2014-15) and beyond. In particular, careful consideration should be given to whether this can be achieved in one step as a gradual reduction would be likely to cause more problems and instability as different institutions are affected year on year.

We fully understand that the main reason for the current restriction to AAB+ is the need to control expenditure and the relative predictability of this group. We therefore suggest that some modelling is done to assess whether adjusting the remaining core to counter this uncertainty would mitigate against this. Of course reductions in the threshold would need to be finely balanced against the impact of a further reduced core.

5) The Government has asked us to consult on a core/margin approach to re-allocating places towards lower fee provision in order to increase choice, competition and fee diversity. Do you have any comments on our proposed method of implementation? Please indicate any impacts you can identify, whether positive or negative.

27. As the consultation document identifies, “the Government’s objectives are: to make it easier for a wider range of providers to offer places, to encourage competition, and to increase diversity in provision.” However, we are deeply concerned that the policies being implemented will have the opposite effect with significant damage caused for the existing diversity of provision that we have across the sector. Ultimately this could actually reduce students’ ability to go to the university of their choice.

A demand led system?

28. By not adequately recognising the different markets that operate within HE, the Government seems to be introducing a system with limited flexibility to respond to student demand for provision charged over £7,500 but not in the AAB market, with any provision between potentially being driven out over time (depending on the future extent of the margin). We are concerned that this approach could be highly divisive with a significant difference in the level of resources available to institutions developing over time. As a result, student choice will be reduced in a system unable to respond to demand because of the number controls being implemented. There will be fewer places on high-demand, high-quality courses with good employment outcomes in the mainstream of the sector than in the current system.

29. We support the intention to enable quality new providers to enter the system but we are not convinced that there is a sufficient level of demand or capacity to deliver 20,000 places within year one. Where there is a limited supply of places, taking places out of the sector where there is un-met demand (or proven high demand for places) and moving it to an area of un-tested demand does not necessarily improve student choice. Further evidence should have been provided to support this assertion.

A quality offer for students

30. The White Paper states that “a flexible margin of about 20,000 places to reward universities and colleges who combine good quality with value for money and whose average tuition charge (after waivers) is at or below £7,500 per year.” We believe that the development of metrics and the approach of the panel (paragraph 134) to assess quality is critical to this as places should not be re-distributed on price alone.

31. It is for this reason that we have concerns about the proposal that institutions not subject to an Access Agreement will be protected from pro-rata reductions (paragraph 132). While, as the consultation document points out “these institutions will be meeting the Government’s aim of delivering lower fee provision” they will not yet have gone through

the procedure for also determining quality in the redistribution of places. We appreciate that very small numbers are likely to be involved with this, especially in the first year, but the approach does not following the principle that places will be redistributed on the basis of quality and value for money.

The Panel and bidding process

32. While it is disappointing that there does not appear to be a formulaic way of re-distributing student numbers, we are broadly supportive of the proposals for a competitive bidding process managed by HEFCE and overseen by an expert panel.

33. We suggest that the following should be taken into consideration when determining the quality of proposals:
 - alignment with the Key Information Set
 - employment outcomes
 - student demand, for example applications per place
 - benchmarked NSS scores
 - non-continuation and completion
 - evidence that the places can be filled (this element is especially important considering that places will be removed from established popular courses at the core)
 - providers should have a portfolio of validated/accredited programmes of study in place that can be marketed with immediate effect to meet UCAS guidelines
 - there should be a link with the quality assurance system in some way, particularly if that moves to a more risk-based approach

34. Clearly, ensuring a spread of different types of institutions, regional spread and subject spread on the panel will be important as will ensuring that the decision process is as transparent as possible. We would also strongly support the inclusion of student and employer representatives on the panel.

Redistribution of numbers

35. As noted above, we support the inclusion of evidence that places can be filled in the Panel's consideration. The impact on universities at the core needs to be carefully planned for and monitored. If it should be the case that the numbers removed from the core are not successfully allocated we would support HEFCE reducing the number of taken from the core accordingly.

Calculating the average fee

36. The clarification provided by HEFCE under FAQ 11¹ provides a helpful steer as to how the average fee will be calculated. In particular we support the proposals that average fees should:

- be per FTE for the whole institution for each year of active study for the 2012-13 cohort
- be based only on provision fundable by HEFCE - so, for example, not provision funded by the NHS and TDA
- include all franchised-out provision, (that is, included in the franchiser's average fee calculation, not the franchisee's)
- include sandwich courses and Erasmus, both at 0.5 FTE, and on the basis of the fee charged to the student or paid in the form of a grant on behalf of the student (in line with the objectives set out in the White Paper²)

37. Given that this means HEFCE's calculation of the average fee will be different to OFFA's some support will be needed in helping institutions to understand their position and HEFCE's criteria.

Further Education partnerships

38. A number of Alliance universities have built up significant and successful partnerships with FECs over recent years. They are concerned about the impact of these proposals on those partnerships and as such we would raise the following points.

- It is important to recognise that institutions who are currently delivering HE on an indirectly funded basis will experience a step change in delivery costs if they move to a directly funded model – on the basis that the partner (fund holding) University currently provides access to a significant range of facilities and services for the FE partners (library services, e-resources, student support/counselling facilities, social facilities, staff development, quality assurance / enhancement services, HESES/HESA expertise etc.) which would no longer be available to them
- Some Alliance universities report that past experience has shown that the ability of FECs to recruit large numbers of FT students does not always match their aspirations. In this case, the university partner has played an important role in moderating/mitigating the impact of their under recruitment by moving numbers around within the wider partnership to ensure that overall numbers are achieved.

Off quota numbers

39. We would encourage HEFCE to reconsider the inclusion of individual off-quota registrations within the student number control (student who choose to pay their fee up-front. As noted above, the inclusion of places that place no burden on public funds within an institutions number control would seem contrary to creating a flexible and market based system.

¹ <http://www.hefce.ac.uk/learning/funding/201213/faq.htm#q11>

² See paragraph 3.34, page 41

Supply and demand

40. We need to know more about student demand and the different markets that operate in HE – it is not the case the removal of numbers from one part of the sector and replacing them at another will cater for the same set of students. Experience in Alliance universities demonstrates that there are many complex and varied reasons why a student chooses the course and university that is best for them and their future career aspirations³.
41. We feel that this aspect was inadequately reflected in the White Paper’s analysis and that it should be a significant priority for HEFCE’s monitoring of the new system. There should be a major focus on evidence of student demand, value for money and quality for Year 2 so that the parameters of both proposals can be evaluated / adjusted on the basis of this evidence. This might include:
- patterns of demand in relation to the redistribution of numbers
 - feedback from students that were unable to attend their first-choice university
 - the take up of places in FE and private providers
 - the take up of places charging under £6,000
 - the operation of different markets within HE

Beyond 2012-13

42. While we understand that this consultation is focussing specifically on 2012-13 we do have increased concerns about the potential negative impact on the future health and diversity of the sector should this approach be rolled forward in future years – as the core is further reduced and the amount of resource available to different institutions is increasingly stratified.
43. To mitigate against this, we propose that Government and HEFCE should explore the possibility of introducing a tapered approach in coming years that would effectively be cost-neutral to deliver. This would work by ensuring that there is no false, single cut-off point at £7,500 for the allocation (or redistribution after initial allocation) of the ‘margin’ places. We would recommend allocating these numbers through a more gradual / tapered mechanism to reflect the different markets in HE (e.g. 20% allocated to £8,000 fee places, 20% to £7,500, 20% to £7,000, 20% to £6,500, 20% to £6,000). These numbers are illustrative but they would avoid the false ‘cliff edge’ at £7,500 and allow a market to continue to exist between £7,500 and £9,000 whilst averaging out at the same cost for the public purse overall. This would enable institutions to make the case for bidding back numbers on the basis of value-for money, both for students and the public up-front investment.

³ For example see ‘More than just a degree: stories of empowered students’ <http://www.university-alliance.ac.uk/campaigns/studentstories/>

6) Do you have any comments on the impact(s) positive or negative, that these proposals will have on equality and diversity?

44. Alongside HEFCE's impact assessment we would highlight the following issues that will need to be closely monitored:

- Social mobility – as detailed above. Particularly the redistribution of public resource by socio-economic background of the students.
- Geographical impact – if mainstream universities experiencing reduced student numbers are concentrated in particular regions of the UK.
- STEM provision.
- HE/FE partnerships.
- Access to postgraduate study
- Access to the professions – if access to these courses is reduced for students from lower socio-economic backgrounds.