

Introduction

University Alliance is pleased to make a submission to this consultation on the future Office for Students' approach to fee-charging. We do so on the assumption that this is an initial consultation designed to scope the system, and not the final consultation on formal proposals which we would expect to come alongside a future consultation on the OfS's overall operating model.

We believe there would be a mechanism for mainstream fee assessment that is both simpler and fairer than that which is set out in the consultation. The suggested approach would levy fees based on provider size, using student numbers to determine size in a series of bands. We believe this is likely to lead to distortions across the whole range of providers, and significant unfairness at the margins. In its place we propose a flat levy on 'tuition fee and educational contract' income, at a rate of 0.2%.

We would welcome further discussion with DfE on this option, and on the other issues raised in the consultation document.

Registration fees

1. Do you broadly agree with the proposed set of principles to underpin the registration fee funding model?

Broadly agree. The implementation principles set out on p.15 of the consultation appear sound. It will be important to recognise that there may be situations where 'provider size' is in tension with the 'fairness' and 'affordability' criteria set out at a higher level in the original green paper, and referenced on p.14 of the consultation paper (see below). We think it would be desirable to re-state the 'affordability' and 'fairness' criteria within the main list of criteria for implementation, because they are important to balance directly with the other principles.

2. Do you support the principle of varying the registration fee by category of registration (currently: Basic/Approved/Approved (fee cap))?

Yes. It is reasonable to apply a reduced fee level for providers that place minimal demands on the regulator and the publicly-supported HE finance system.

3. Do you support the proposal to measure the size of a provider by HE student numbers?

No. Measuring 'size' by student numbers is not straightforward, as there are multiple sub-factors involved in defining the measure. The consultation document does not state, for example, whether 'headcount' or 'FTE', would be used, and this choice would make an enormous difference to measured size. If 'headcount' was used to measure the size of the Open University, which charges low fees by comparison to the equivalent sector average, then it would face unfairly large fees compared to its fee income. This is the most acute example, but others would be similarly affected to a lesser extent. Policy change may make this still more complex – in the future, full-time degree apprentices will comprise a significant proportion of total student numbers, yet for providers they will effectively present as part-time students.

We would advocate a standard registration fee based on a fixed percentage of tuition fee income. The specific mechanics of this approach could work, for example, by assessing a registration fee based on a provider's income from 'tuition fees and educational contracts' in a previous year, drawn from the relevant field of HESA finance returns. There could be a reduced fixed rate for 'basic' registration. Assuming income related to degree apprenticeships is classified as 'educational contract' income, these will be brought easily into scope. It would also be reasonably straightforward to introduce a mechanism to smooth fluctuations in income – for example by basing fees on a 'rolling average' of three years of data.

This model would:

- *Combine, and balance, the key factors of size (as income will scale in some respect to size) and affordability*
- *Treat providers equitably, based on a true common factor, irrespective of the characteristics of their student population*
- *Eliminate the need to take account of 'FTE' rates (as students on <FTE programmes will be paying lower fees)*
- *Be based on transparent, near-universal sector-wide data which attracts a high level of confidence*
- *Be amenable to audit, if necessary, by cross-checking HESA data with audited accounts*
- *Create a more direct link between the costs of the OfS and what students themselves pay in fees, in turn ensuring that there is additional stakeholder interest in keeping the costs of OfS down over time*
- *Keep OfS's income in line with sector fee income over the long-term*

Initial analysis of current 'tuition fees and educational contracts' data suggests that to fund that portion of the OfS's operating costs as intended through registration fees, a fixed rate of 0.2% would be required.

We acknowledge that it has not yet been determined whether 'tuition fees and educational contracts' income (or indeed income in general) should be standardised fields for 'whole system' data collection under the future OfS data regulation approach. We would advocate that they should be, not only to support our OfS fees proposal, but more generally to ensure a clear picture on the distribution of fee income (most of which will be underwritten from public sources). If not, then in the case of providers that do not make HESA finance returns, a similar statement of income taken from the provider's accounts could be used.

We also recognise that some HE sector bodies successfully use student numbers to determine their fee bands, though in most cases the fee levels involved are much lower, and in other cases this too will be subject to review in the near future – either because of consequential changes in the regulatory landscape, or due to forthcoming mergers of sector bodies.

4. Do you support using a system of bands to group providers by size?

No – see above.

5. Do you think that, where additional specific ongoing registration conditions are placed on particular providers, these conditions should be taken into account when calculating their registration fee?

Yes. We agree that in situations where a provider requires more than usual supervision from the OfS or places more than usual load on sector regulatory machinery in general, it would be reasonable to levy a supplementary fee on the provider. However, it would be important to do this in a transparent way that takes into account, and distributes fairly, the true additional cost of supporting the additional registration conditions. To this end, it would be helpful if the OfS adopted a 'standard set' of additional registration conditions for providers judged to be higher risk, only going outside that list in very unusual circumstances. It would not be good regulation to have a large number of providers operating with bespoke registration conditions, and such a scenario would also lead to increased regulatory costs.

6. Are there other variables that you think should be taken into account in the calculation of a provider's registration fee?

Yes. Income from 'tuition fees and educational contracts' should be taken into account, as set out above. Note that we do not think it would be fair to assess OfS registration fees based on overall turnover, or income from research or other sources.

7. You are invited to provide any additional evidence on the potential impact of registration fees, including any impacts under the Public Sector Equality Duty (PSED).

No comments to make.

Other fees

8. Based on your experience of the HE sector and/or previous interactions with HEFCE and OFFA, please provide examples relevant to your organisation or the wider sector of the types of activity that you think should be covered by 'other fees'.

We support the application of this principle to DAP applications as set out in the consultation document. It might be similarly applied to any procedure involved in 'exit' from the sector, which will likely incur some costs for the regulator. In general, any costs involved in working with providers to make significant changes to their governance or ownership structures, or in controlling risks, or in managing corporate stress, should not be 'collectivised' across all providers – though we would acknowledge that in the latter case, resource allocation to making good commitments to students should be the priority, so some deferment of supplementary fees levied by the OfS may be appropriate.

9. You are invited to provide any additional evidence on the potential impact of other fees, including any impacts under the Public Sector Equality Duty (PSED).

No comments to make.

Government funding

10. Do you broadly agree with the proposed principles that would help inform judgements around where the government might contribute funding to the OfS?

Broadly agree. The reasoning in the consultation proposals appears sound.

11.

a) Are there any activities / types of activity / types of provider / provider circumstances that you feel should be exempt from the registration fee?

Not sure. We would welcome further discussion with officials on this point, though we tend towards the view that cases for exemption on any of these lines would need to be very strong, to avoid breaking the principle of fairness.

b) Are there any activities / types of activity / types of provider / provider circumstances that you feel should be partially subsidised by government?

Not sure. We would welcome further discussion with officials on this point.