

Consultation on the Government's White Paper
Students at the Heart of the System

Russell Group response

1. Summary

- 1.1 The Russell Group welcomes this opportunity to comment on the Government's overall strategy for higher education teaching in England, as outlined in its White Paper *Students at the Heart of the System*. Much of what is in the White Paper is positive, including the Government's commitment to a more diverse and competitive higher education sector which puts students first, and in which quality and standards are maintained. However, we do have concerns about some of the proposals, particularly in relation to access and student number controls.

2. The wider policy environment

- 2.1 We represent universities throughout the UK, and all our members will be affected by policies set in the Devolved Administrations, as well as those determined by BIS. We would therefore urge BIS to engage in close dialogue with the relevant departments in Scotland, Wales and Northern Ireland, to ensure that policies set by the different governments create an overall environment which supports the development of excellence in higher education across the UK.
- 2.2 Teaching in Russell Group universities is integrally linked to research. Given the focus of the White Paper on higher education teaching, we also look forward with interest to the Government's forthcoming research and innovation strategy. It is important that the Government articulates a clear vision and policy framework for higher education, covering research, innovation and postgraduate study, as well as undergraduate teaching.

3. Other consultation responses

- 3.1 In addition to this submission, we have also prepared responses to the following consultations:
- HEFCE's consultation on funding for 2012-13. This is attached at Annex A (submitted to HEFCE on 02 September).
 - BIS consultation on the early repayment mechanism for student loans. This is attached at Annex B (submitted separately to BIS on 20 September).
- 3.2 We also expect to respond separately to BIS's consultation on the regulatory framework for higher education (deadline 27 October).
- 3.3 We also look forward to and anticipate responding to subsequent consultations on other key issues raised in the White Paper. These include the UCAS consultation on the Application Process, and HEFCE's consultation on the new criteria and triggers to determine the frequency or necessity of QAA institutional reviews.

4. Financing Students

The fee cap

- 4.1 Given the far reaching cuts to university funding in England introduced by the current and previous Governments, higher graduate contributions are the fairest and only viable way forward. Our leading institutions cannot continue to be internationally competitive, provide a first-rate teaching experience and offer generous support to disadvantaged students without access to increased funding. Increasing the contribution made by graduates also reflects the financial and wider benefits of a university education to the individual. For these reasons, lifting the fee cap to £9,000 for new students in England from 2012 is an important reform that will help our universities maintain and enhance their world-class status.

Student loans

- 4.2 We welcome the fact that access to loans will mean that no student has to pay fees up-front. The Government's proposed repayment system will protect both low-earners and those students who come from disadvantaged backgrounds, while asking higher earners to contribute a bit more through variable interest rates.
- 4.3 We recognise the merits of ensuring that all graduates make a fair overall contribution to the costs of their higher education and that that contribution should take income into account. However, we think that the Government should not impose an additional penalty on those who want to repay early. The reasons for this are set out in our separate response to BIS's consultation on the early repayment mechanism (attached at Annex B).

HEFCE teaching funding

- 4.4 Whilst graduate contributions are important, it is also vital that the Government continues to invest directly in higher education teaching, particularly in high-cost subjects, if our world-class universities are to continue to perform their vital role as the engine room of economic recovery.
- 4.5 Subjects such as medicine, engineering, chemistry and physics are extremely important to the future success of the UK's economy and cannot be sustained on tuition fee income alone. Their teaching costs are significantly higher than other subjects because of the requirement for expensive laboratories and equipment. There are also particular cost pressures associated with maintaining such provision in a world-class research-intensive university. The proposed funding arrangements for subjects in Band B in 2012-13 are not sufficient to enable universities to sustain high quality research-led provision in these subjects in the medium to long-term. It is therefore essential that the remaining teaching grant available to HEFCE is targeted at high-cost and strategically important subjects in order to secure their financial sustainability.
- 4.6 We would also urge the Government to ensure that any overspends on the student support budget do not lead to a cut in HEFCE funding for these vital subjects.
- 4.7 See also our response to HEFCE's funding on teaching funding for 2012-13 (at Annex A).

Progression to postgraduate study

- 4.8 We welcome the Government's recognition that participation in postgraduate courses should be carefully monitored in the coming years to determine any impact on progression to postgraduate study resulting from changes to undergraduate funding. We are concerned that the new fees regime could have a negative impact on the propensity of some UK and EU

students to pursue postgraduate study if the student support system for postgraduates is not strengthened. We look forward to seeing more details as to how this will be monitored. Postgraduates are critically important to the economy and for the longer-term health of the sector.

5. The student experience

Information for students

- 5.1 The Russell Group is fully committed to providing students with any information which helps them as they make life-changing decisions about what to study and where – particularly as students are asked to contribute more towards the cost of their education.
- 5.2 New initiatives, such as the compilation of the Key Information Set (KIS) may be useful additions to existing websites, prospectuses and school outreach programmes. However, there is a danger that too much emphasis is placed on narrow measures like scheduled learning and teaching activities, whereas leading universities provide a broader educational experience. To be of benefit to students, additional information must be consistent, of high quality, and capable of reflecting the distinctive nature of each university.
- 5.3 Institutions already provide a great deal of information about their entry requirements. We welcome the fact that UCAS will shortly be publishing more data, course by course, showing the subjects offered by successful applicants in previous years. However, to ensure it is not misinterpreted, it will be very important that information of this kind is presented to applicants within the wider context of the university's current admissions policy and entrance requirements.
- 5.4 It is really important that students do not disadvantage themselves by choosing a combination of subjects at A-level which will not equip them with the appropriate skills and knowledge for their chosen university course or which may not demonstrate effectively their aptitude for a particular subject. We welcome the fact that *Informed Choices*, the Russell Group guide to post-16 subject choices, was highlighted in the White Paper.¹ In addition to institutions' outreach work we will continue to explore ways in which The Russell Group can work collectively to enhance information, advice and guidance available to young people.

Quality assurance

- 5.5 We warmly welcome the White Paper's commitment to a risk-based quality regime and very substantial deregulatory change for institutions able to demonstrate low risk. We look forward to HEFCE's forthcoming consultation on the criteria and triggers which will determine the frequency or necessity of institutional reviews.

Industry-university collaboration

- 5.6 Russell Group institutions have considerable experience of partnering with a vast number of UK and international businesses across many aspects of our teaching, research and innovation activities. We look forward to the opportunity to contribute to Sir Tim Wilson's review, and have already written to Sir Tim to offer our input.

¹ *Informed Choices* is available to download at: www.russellgroup.ac.uk/informed-choices/

Student numbers

- 5.7 We recognise that the high cost of the student support package requires some controls in student numbers and believe that maintaining quality is more important than increasing overall student numbers. However, we are concerned that the proposals to lift the cap for students with AAB grades and particularly the 'core and margin' model may have unintended consequences, and therefore need careful implementation.
- 5.8 We agree that universities with high demand for their courses from highly-qualified applicants should be allowed to expand, if they wish to do so. However, care should be taken to ensure that such a very selective lifting of the cap doesn't make it harder for some universities to maintain teaching in strategically important subjects like sciences and languages. For this reason, HEFCE may wish to consider whether a uniform threshold of AAB across all subjects remains the best approach, or whether a more differentiated approach could be preferable, and indeed practical.
- 5.9 We are also concerned that the 'core and margin' proposal will result in student numbers being cut from all institutions, including those which have strong demand from well-qualified applicants. We do not believe that re-distributing these student numbers to institutions charging lower fees will drive up quality or improve student choice. As stated in our consultation response to HEFCE, we are also concerned that this proposal could have an adverse impact on strategically important and vulnerable subjects.
- 5.10 It is stated that the core and margin arrangements proposed for 2012/13 will be a 'starting point' and that the Government's intention is for the 'size of the margin to grow steadily in future years'. We would suggest that the policy in future years should be informed by careful evaluation of the experience in 2012/13, and including any impact on the provision of strategically important subjects such as sciences and languages, and the strength of student demand for the places allocated through the margin.
- 5.11 There is considerable scope for the proposed changes to student number controls in England to have an impact on flows of students between England and Scotland, Wales and Northern Ireland. We would urge BIS to discuss these proposals with the Devolved Administrations to ensure that consequences for institutions in other parts of the UK are fully understood.
- 5.12 For our more detailed comments on the possible impact of the proposed student number controls, see our attached submission to HEFCE (attached at Annex A).

Barriers to entry

- 5.13 The White Paper sets out proposals to remove barriers to entry to the HE sector, including changes to the criteria for degree-awarding powers and university title. We have welcomed the Government's commitment to a more diverse and competitive HE sector. Since we are confident in the quality of our degrees, we are relaxed about the growth of new providers, if this is in response to student demand, and as long as such growth does not increase pressure on the already expensive student support system.
- 5.14 We intend to respond in due course to the Government's technical consultation including the detailed proposals for changes to degree-awarding powers and university title (closing date for responses is 27 October). It is important that the Government's proposals in these areas will safeguard the standards, quality and reputation of the UK higher education sector.

6. Social mobility

The real barriers to access

- 6.1 Russell Group universities are absolutely committed to ensuring our doors are wide open to able students from all backgrounds. That is why we invest millions of pounds every year on bursaries and access schemes and plan to redouble those efforts over the next few years.²
- 6.2 However, we remain concerned that the Government's proposals on access do not fully recognise the root cause of the problem and the great work already being done to improve participation. They risk focusing too much on regulation of universities rather than resolving the real problems: underachievement at school and poor advice on the best choices of A-level subjects and university degree course.
- 6.3 The emphasis in the White Paper on targets and powers for OFFA could distract attention, effort and resources from the many successful access schemes run by Russell Group universities, or even disincentivise universities from continuing with some activities in deprived areas which target the students who are hardest to reach.³
- 6.4 The White Paper acknowledges the need to improve attainment in schools and to improve the quality of careers guidance available to young people. These reforms are absolutely essential if more students from disadvantaged backgrounds are to apply successfully to Russell Group institutions.
- 6.5 See also our response to HEFCE which considers the possible impact of student number controls on institutions' access commitments to OFFA (at Annex A).

Post-Qualification Application

- 6.6 The White Paper states that the Government wishes to examine further the potential benefits of moving to a system of Post-Qualification Application (PQA) for university courses. We have subsequently learnt that UCAS will be recommending a move to PQA (or Applications with Results) from 2016.
- 6.7 A fair admissions process that is well understood by students is obviously a priority for Russell Group universities. We are more than willing to consider and explore ways of improving the current application system but major changes to the application process must be shown to offer significant benefits to the majority of applicants. We would need to be persuaded that the potential benefits of PQA outweigh the disadvantages for students as well as the costs and major upheaval involved for both schools and universities. Any changes to the current system should not restrict the ability of institutions to make a fair and thorough assessment of applicants or that of applicants to make informed decisions about which university to apply to. We would particularly need to be persuaded that changes to the system will not hamper our efforts to attract students from disadvantaged backgrounds.
- 6.8 We will want to look very carefully at all the evidence from the UCAS Admissions Process Review as it is not yet clear how PQA would address the perceived drawbacks of the current application process, and whether the advantages of its adoption would really out-weigh the considerable disadvantages.

² By 2015-16 Russell Group universities in England plan to spend £153.7million of their additional fee income on financial support for students. This represents an average per institution of £9.6million with some of our universities spending as much as £17million.

³ For example, Russell Group universities already invest in a wide range of summer schools, mentoring programmes, foundation years and targeted access routes for students with proven potential. For further information about some of these programmes visit www.russellgroup.ac.uk/widening-participation

6.9 These latest proposals for PQA come at a time of significant change in the higher education sector in the UK. The full impact of new funding arrangements and changes to student number controls from 2012 cannot be fully anticipated at this stage. It would be unwise to plan major revisions to the admissions process until we know more about how applicants and institutions will respond to these other changes.

7. A new regulatory framework

- 7.1 We welcome the additional commitment in the White Paper that BIS will work with HEBRG, HEFCE, HESA, and other Government departments to reduce further the regulatory burden placed on higher education institutions. However, we remain concerned that in some key areas such as access, immigration and the reporting of student numbers, the regulatory burden on universities is being substantially increased. Unnecessary regulation can limit the responsiveness and efficiency of universities, and ultimately their ability to compete with leading universities around the world. We would urge the Government to continue to explore possible ways in which the regulation of universities could be reduced, looking also at the impact of other Government legislation such as that covering Freedom of Information.
- 7.2 Following the White Paper, we have noted the Government's technical consultation on changes to the regulatory framework for higher education. We intend to respond separately to that consultation, by the deadline of 27 October.

September 2011

Annex A:

Russell Group response to HEFCE's consultation on teaching funding and student number controls in 2012-13 (submitted to HEFCE, 02 September 2011)

- 1) The Russell Group welcomes the opportunity to respond to HEFCE's consultation on teaching funding and student number controls to be implemented in 2012/13. Our response has been prepared primarily in consultation with our member institutions in England. These proposals will also have a knock-on impact for Russell Group universities in Scotland, Wales and Northern Ireland, especially where there are changes in the patterns of cross-border flows of students. While the comments below focus on the impact of the proposals on those institutions receiving HEFCE funding, we would also encourage BIS and HEFCE to discuss the impact of their proposals with the Devolved Administrations.

Consultation question 1: Following the changes to funding for higher education agreed by the Government, we need to phase out the mainstream teaching funding relating to old-regime students. Do you have any comments on our proposed approach? You may wish to suggest alternatives, with reference to the principles in paragraph 34.

- 2) We recognise the need to introduce an interim arrangement for the phasing out of mainstream teaching funding relating to old-regime students, given the reforms relating to new-regime students from 2012/13. It is clear that the existing approach, using a tolerance band, could not be applied to old-regime students from 2012/13 when that student population will be rapidly diminishing each year, as each cohort finishes their studies. In these circumstances, the proposed approach, incorporating use of the 2011/12 funding rates, seems reasonable.
- 3) It appears inevitable that some instability in funding for teaching will occur during the next few years, as the new fees and student support system beds down. It will be vital to ensure that sufficient funding remains available each year to support a high quality of academic provision for old-regime students. The impact on academic provision of any reductions in HEFCE teaching funding must be considered carefully, ensuring that no individual area of provision is inadvertently harmed by the reductions.
- 4) We note that it is difficult to make firm commitments beyond the current spending review period. However we would welcome further assurances that sufficient resource will be made available to institutions to support the teaching of old-regime students on longer courses who will still be studying in 2015/16 and beyond.

Consultation question 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, as described in paragraphs 62 to 92?

- 5) We welcome the continuation of the targeted allocations as proposed in paragraph 68. In particular, we welcome continuation of additional funding for very high-cost and vulnerable science subjects in 2012/13.
- 6) In many cases, mainstream HEFCE funding alone is insufficient to cover the additional costs associated with teaching chemistry, physics and some engineering courses. Such courses are of considerable strategic importance to the economy, but are vulnerable due to low or fluctuating

student demand. The additional funding provided by this targeted allocation has proved essential to ensuring the sustainability of taught provision in these subjects in recent years. It will be important to continue supporting the additional costs associated with these subjects for both continuing and new students in 2012/13 and in following years.

- 7) We understand that phasing out of an individual funding stream does not result in an associated reduction in the total teaching funding envelope available to HEFCE for allocation. Rather, any discontinuation of a funding stream results in the associated funds being re-allocated within the overall teaching budget. On this basis we have no strong views relating to the phase out of non-mainstream allocations listed in paragraph 67.

Consultation question 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, as outlined in paragraphs 31 to 108?

- 8) High-cost subjects such as medicine, engineering, physical and biological sciences are extremely important to the future success of the UK's economy and cannot be sustained on tuition fee income alone. Their teaching costs are significantly higher than other subjects because of the requirement for expensive laboratories and equipment.
- 9) To ensure the financial sustainability of these courses, we strongly support the proposal that the remaining mainstream teaching grant available to HEFCE continues to be targeted at new-regime students in high-cost subjects in price groups A and B, at both undergraduate and postgraduate level.
- 10) For future years, it will be important to consider the eligibility for funding of other potentially vulnerable subject areas not in price groups A and B (minority foreign languages, for example) which are costly to teach and support, both because of the small cohort sizes and the specialised subject matter requiring intensive tuition and specific resources.

Consultation question 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, as outlined in paragraphs 116 to 128? Please identify any possible negative or positive impacts from this proposal.

Greater flexibility is welcome

- 11) The Russell Group welcomed the Government's commitment to a more diverse and competitive higher education sector which puts students first. We recognise that the high cost of the student support package requires some controls in student numbers and believe that maintaining quality is more important than increasing overall student numbers. We also agree that universities with high demand for courses from highly-qualified students should be allowed to expand. However, it cannot be expected that a university will decide to expand simply because it has high demand. Decisions on overall student numbers are for individual universities to consider, within the context of their institutional strategy, including a range of issues such as staff:student ratios, and the capacity of the estate.

The risk of unintended consequences

12) The proposal to remove students achieving AAB+ equivalent from student number control will require careful implementation to avoid any unintended consequences, in relation to the supply of places in Strategically Important and Vulnerable Subjects (SIVS), and intake targets agreed with OFFA before the Government's student number control proposals had been made. These two issues are discussed below. The combined impact of implementing AAB+ and core/margin (question 5) simultaneously should also be considered.

Supply of places in SIVS

13) Across the sector, the number of AAB+ applicants is higher in some subject areas than in others with some science courses tending to have fewer AAB+ applicants. Therefore, care should be taken to ensure that this very selective lifting of the student number cap does not make it harder for some universities to maintain teaching in strategically important and vulnerable subjects.

14) The AAB+ policy introduces incentives for universities to focus on expanding their provision in subject areas where they can attract the most AAB+ applicants. Some institutions may struggle to compete for the more limited supply of AAB+ students applying to science or language subjects, and will be forced to scale back their undergraduate provision in these subjects. The financial position of individual departments is often finely balanced. In these circumstances even a small reduction in student numbers, combined with the high fixed-cost of specialist equipment and facilities, would increase existing financial pressures. If student numbers continue to reduce in subsequent years this could pose a risk to the sustainability of some existing SIVS provision. Such pressures from the teaching side could also have consequences for the research base in SIVS areas, as it could become more difficult to decide to invest in departments where student numbers are at risk. For these reasons, HEFCE may wish to consider whether a uniform threshold of AAB across all subjects remains the best approach, or whether a more differentiated approach could be preferable, and indeed practical.

15) The combined impact of the AAB+ proposal and the core/margin should be considered carefully, as both could pressurise the supply of places in SIVS (see also the next question).

Interaction of AAB+ proposal with OFFA access agreements

16) Russell Group universities are strongly committed to ensuring that every student with the qualifications, potential and determination to succeed has the opportunity to gain a place at a leading university, whatever their background. As demonstrated in our agreements with OFFA, we are investing millions in outreach activities and financial aid aimed at helping more poorer students win a place at our institutions. The Government's changes to the way in which student numbers are controlled at individual institutions will certainly not deter us from our commitment and efforts to widen access. However, we would note that students from disadvantaged backgrounds are less well represented within the AAB+ population than they are within the overall HE population. Therefore, the impact of the AAB+ proposal on progress towards intake targets specific in institutions' access agreements will need careful evaluation. We would ask HEFCE to work with BIS to alert OFFA to the potential impact of the AAB+ proposal at the level of individual institutions. It would be unfair for OFFA to criticise or penalise individual institutions unduly when changes to their intake have occurred due to the impact of the Government's measures to increase dynamism in the allocation of student places.

The implementation timescale

- 17) We wish to highlight that the proposed dates for confirmation of baseline student number controls are very late (initial allocations in January 2012, with final confirmation in March 2012 for 2012/13 entry), which will add a further complication to the admissions cycle.

Consultation question 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, as outlined in paragraphs 129 to 139? Please indicate any impacts you can identify, whether positive or negative.

Impact of the top-slice

- 18) We recognise that the proposal for a core/margin approach was made in the Government's White Paper, and HEFCE has been asked how, not whether, to implement it. Any reform to the higher education funding landscape should seek to promote standards and quality and thereby the reputation of the UK higher education sector. We are concerned that the impact of the core/margin is that student numbers will be cut from all institutions, including those which have strong demand from well-qualified applicants and offer high quality teaching. We do not believe that re-distributing those student places to institutions charging lower fees will drive up quality or improve student choice. It is vital that this process of reallocating places to institutions charging lower fees is not allowed to result in a reduction in the quality of provision available.

Supply of places in SIVS

- 19) The Government has stated that HEFCE should 'ensure, in freeing up student number controls, that provision of, and support for, Strategically Important and Vulnerable subjects is not disadvantaged' (para 17, letter from Vince Cable and David Willetts to the HEFCE Chairman regarding implementation of the White Paper, 28 June 2011). However, the proposed method of implementing the core/margin will cut existing places from all subjects, including those in SIVS.
- 20) There are higher fixed costs in these subjects than others, and it is very difficult for providers to downscale, or for new providers to enter the market. Maintaining capacity in these subjects is clearly in the national interest. It seems very unlikely that institutions bidding for places from the margin pool, including Further Education colleges and HEIs charging relatively low fees, will be in a position to offer places in SIVS, especially the higher cost STEM subjects which require laboratory facilities. Therefore we propose that places in SIVS at existing providers should be protected from the topslice.
- 21) The consequence of protecting SIVS from the topslice would be to reduce the size of the 20,000 pool for redistribution. However the scale of the reduction would not be unmanageable: given that most, but not all, SIVS subjects are in price group A and B (which form around 20% of the HEFCE-fundable population), that medical and dental numbers are already protected, as are AAB+ students in any subject, the reduction to the size of the pool is likely to be less than 20%, i.e. less than 4,000. We do not believe it is in the public interest to take away places in SIVS at leading universities to give to low-cost providers, including FECs, who are very unlikely to want or be able to provide places in these subjects.
- 22) The combined impact of the core/margin and the AAB+ proposal on the supply of places in SIVS should be considered. Our previous answer discussed the vulnerability of individual departments

with high fixed costs to small changes in student numbers. Those points are equally relevant to the approach proposed in the consultation document to implementing the core/margin.

Interaction of core/margin proposal with OFFA access agreements

- 23) The core/margin proposal means that almost all institutions will see a reduction in the overall number of students they can accept with entry qualifications below AAB. Given the fee restriction of £7,500, leading universities are not likely to bid for the additional places available for redistribution. However, some may find it difficult to increase their AAB+ population sufficiently to make up for the student numbers under the core/margin proposal. In such cases the result may well be an overall contraction in student numbers, particularly in science subjects where the overall supply of AAB+ applicants may be lower than for some other subjects.
- 24) As noted in the previous question, Russell Group universities are strongly committed to ensuring that every student with the qualifications, potential and determination to succeed has the opportunity to gain a place at a leading university, whatever their background. However, institutions which are contracting in overall size may find it challenging to reach an intake target agreed with OFFA. We would urge HEFCE to work with BIS and OFFA to ensure that institutions are not unduly penalised for changes in their intake which result from their reduction in core student numbers.

Returning unused places

- 25) The consultation document notes that the bidding exercise will not necessarily allocate all of the places if bids of sufficient quality are not received. It is important that any unused places are returned to the existing providers they were taken from.

Early evaluation required

- 26) Evaluation of the bidding exercise for the 20,000 low-fee places is very important, and should be undertaken at the earliest possible stage. This is a new initiative and its effectiveness must be considered carefully to inform future policy making.

Consultation question 6: Do you have any comments on the impact(s), positive or negative, that the proposals in this consultation will have on equality and diversity?

- 27) We agree with HEFCE's own impact assessment that in many respects it is difficult to predict the impact of these changes on the diversity of the student body. The combined impact of the student number control proposals on subject availability at a national level should be considered carefully.
- 28) The OFFA access agreements detail the increased work that Russell Group universities will undertake to attract students from under-represented groups. As noted above, student number controls may have an impact on proportions from under-represented groups at individual institutions; it will be important to scrutinise the impact at a national level and not just at institutional level.

In addition to the answers given above, we also wish to comment on the following matters which relate to the consultation as a whole:

Overspends on the student support budget

29) Overspends on the student support budget must not lead to a cut in funding for vital high cost subjects. If overspends do need to be recouped then the impact should be applied in a way that is spread fairly across the whole HE sector. However it should be clear that any further reductions in funding would be challenging to absorb, without a consequent impact on quality.

Issues for teaching funding and student number controls from 2013/14 onwards

30) We recognise that HEFCE has had to conduct the current round of consultation for funding in 2012/13 under a tight timescale due to external factors, including the delayed publication of the White Paper. However, we hope that HEFCE will create opportunities for a much fuller consultation with the higher education sector regarding proposals for 2013/14 onwards. A genuine two-way dialogue which enables universities to participate in the development of policy will be important given that the importance and complexities of the issues at stake.

31) The consultation proposals will increase the reporting burden on institutions. We encourage HEFCE, working with Government, to seek opportunities to reduce the burden on institutions in the development of future policy.

32) We are concerned by the suggestion in the consultation document (para. 147) that institutions charging lower fees for higher-cost subjects should receive more funding from HEFCE. That would not only be unfair, but would be contrary to the whole thrust of the Government's white paper, which is for institutions to be more responsive to student demand.

33) The White Paper stated that the student number core will reduce every year. We have supported the Government's commitment to a more diverse and competitive higher education sector which puts students first. In order to achieve this goal, it will be important to evaluate the impact of measures introduced in 2012/13. It will also be very helpful to undertake effective institutional planning if an early indication of the direction of travel over a period of several years is given. Where institutions are responding at a relatively late stage to opportunities for change that may last only one year, this is likely to make institutions cautious in their approach, reducing dynamism and change, rather than promoting it.

34) The consultation document confirms that HEFCE is conducting a review of clinical subject weightings during 2011, and it is expected this review will inform the clinical weightings used in 2013/14 (para 150). Over the last decade TRAC data has provided valuable information, particularly at a sector-wide level, enabling increased understanding of the full economic costs of research, and more recently teaching. However, it is also the case that it can be very challenging to produce valuable information in relation to relatively small cohorts of students, or specialist areas of activity. Isolating the costs of clinical teaching is clearly challenging, but also important, and we hope that work in this area will be given sufficient time and support to produce reliable outcomes.

Annex B:

Russell Group response to BIS Consultation on potential early repayment mechanisms for student loans (submitted to BIS, 20 September 2011)

The Higher Education White Paper team
Higher Education Directorate
Department for Business, Innovation and Skills
1 Victoria Street
London SW1H 0ET

Dear Sir

BIS Consultation on potential early repayment mechanisms for student loans

We welcome the opportunity to respond to this consultation.

Summary

We recognise the merits of ensuring that all graduates make a fair overall contribution to the costs of their higher education and that that contribution should take income into account. However, we think **that the Government should not impose an additional penalty on those who want to repay early**. We recommend this for several reasons: First, the proposed income-contingent repayment system means that early repayers already forgo the benefits that the graduate repayment mechanism would have provided, including the repayment threshold and the 30 year write-off. Secondly, early repayment provides considerable benefits in reducing the pressure on Government finance, reducing the overall cost of student loans to the taxpayer, reducing the risks of an overspend on the student support budget and generating savings which could be redirected to other policy priorities. The following paragraphs explain these points in more detail.

A penalty for early repayment already exists

An individual who repays early automatically incurs a form of penalty: they give up the future insurance that the graduate repayment mechanism would have provided through the repayment threshold, the income-contingent repayment level, and the 30 year write-off. Any penalty at the time of repayment would therefore be on top of this in-built penalty.

Public benefits arise from early repayment

Early repayment reduces the overall cost of the loan system to the Government in the long run. It also reduces the overall size of the loan book, and therefore the level of Government borrowing required. In addition, early repayment reduces the administration costs at the Student Loans Company, and could free up resources for other priorities, such as recovering loans from graduates based outside the UK.

Clearly there is a risk that the cost of the loan subsidy could be higher than originally forecast, in which case the Government will have to take difficult decisions about how to cover the additional costs. If funds have to be found from elsewhere in the higher education budget, this could threaten the ability of the Government to provide essential support for strategically important and vulnerable subjects through the HEFCE grant. Early repayment helps reduce this risk.

Possible savings realised from substantial early repayment could be used to create a public benefit, for example, to support widening participation activities, or to provide financial support to some postgraduate students. If the private benefit arising from early repayment could be explicitly linked to the creation of wider public benefits for the less wealthy and society as a whole, there

could be a strong case for not penalising early repayment.

More effective policy tools are available to promote a progressive tax and benefit system

The student finance repayment mechanism should be viewed in the context of the full range of policy tools available to promote the aim of creating a more progressive society. In this context there are many tax and spend options available to achieve this aim in a much more targeted way than can be achieved by adding penalties into the student finance repayment mechanism.

Unnecessary complexity should be avoided

If the Government reaches the view that a penalty should be introduced, the additional complexity of doing so should be minimised. Option A in the consultation document (a percentage levy on payments above a specific limit) would appear to minimise complexity. However, we would reiterate our view that early repayers should not be subject to additional penalties.

Yours faithfully

Dr Wendy Piatt
Director General