

**HEFCE consultation on teaching funding and student number controls
(changes to be implemented in 2012/13): Russell Group Response**

- 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.