

## Summer 2008

HE news is a review of current issues within your sector. We are always interested to hear your feedback and if you have any suggestions or comment on this publication please contact a member of the education team.

## The future of the sector

John Denham, Secretary of State for the Department of Innovation and Skills (DIUS), has set up seven reviews, on the issues identified below, which will be used to produce a 10-15 year plan for the sector.

- Demographic changes in response to the fact that between 2010 and 2020 the number of 18 year olds in the UK will fall by 15%
- New success criteria and investigation of new ways in which the success of different Higher Education Institutions (HEIs) may be measured
- Student experience an assessment of the ways in which all HEIs and their staff are responding to the changing expectations of students
- Intellectual property a consideration of the ways in which universities exploit the intellectual property developed by their staff in order that knowledge is transferred, and financial benefits accrue, throughout the country
- Rewarding policy advice in particular a consideration of the ways in which the policy advice provided by academics can be rewarded, within the context of the system to replace the research assessment exercise
- International competitiveness
- Widening participation.

The findings of these reviews will also be used to inform the debate on the lifting of the £3,000 cap on tuition fees.

John Denham has also introduced a White Paper: Innovation Nation, which contains some proposals clearly aimed at Higher (and Further) Education. The main proposals of the Paper are:

- Businesses will be given innovation vouchers (1,000 per year by 2011) through which they will be able to commission universities to develop new products and services
- Knowledge transfer partnerships between universities and businesses will be doubled
- A Specialisation and Innovation Fund will be established to help FE develop business links.
- A model university-business agreement, which will reduce the costs and complexity of Intellectual Property Transactions, will be developed
- At least one National Skills Academy is to be established for each major sector of the economy
- Twenty new Higher Education centres will be created in areas which lack local provision (see item 10)
- A drive to promote science and technology in schools, colleges and universities is to be undertaken including a greater investment in UK science.

Thus, the White Paper clearly reflects the influence of the Leitch Report, the Skills Agenda and a crystallisation of the drive towards “business-facing” universities. There is a clear intention for change with the comments of David Eastwood, Chief Executive of HEFCE, that the 18-21 year old school-leaver is no longer in the driving seat of HE, giving a flavour of this.

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The implementation of its proposals will obviously provide challenges for universities and other HEIs. For a university to take on a more active “business-facing” role it needs “business-facing” staff, which probably means that substantial staff development programmes will be required and/or “refreshing” the existing staffing profile as

opportunity permits. Some Higher Education Institutions (HEIs) will embrace the option of becoming genuinely business-facing and some will not. Accordingly, a proportion of the universities could take on a different character to the remainder. You might call them polytechnics!

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## Higher Education funding for 2008/09

Universities and other HEIs receive funding from the Government through HEFCE. Broadly, the grant comprises funding streams to support teaching, widening participation and research. There is a separate Higher Education Innovation Fund (HEIF).

The grant letter, from John Denham to the Chairman of HEFCE in January, sets out the Government’s priorities, as well as the funding available to the HE sector, for 2008-09. Spending is to increase by 2.5% each year over the three-year period of the Comprehensive Spending Review (CSR) – at a time when overall public spending is intended to increase by 2.1%. Variable tuition fees will add a further £1.3bn per year to the income of the institutions. Support for the Higher Education Innovation Fund (HEIF) is to rise to £150m by 2010.

The over-arching stance of the letter is that the development of the skills of everyone, world-class research and the application of the knowledge and skills are essential to create the innovative and competitive economy are essential for success in a rapidly changing world.

### The following priorities are defined:

- The first priority is to continue the expansion in HE to meet the long-term target of 40% of working age population having higher level qualifications by 2020. The increase in the recurrent grant for teaching is sufficient to pay for 10,000 additional students – but Mr Denham takes the view that this is an inadequate expansion to meet the global challenges faced by the UK. Therefore, he confirms that funding should no longer be committed to support students on a course of study leading to an equivalent or lower

qualification (ELQ) to one they already hold. The withdrawal and re-direction of this funding will allow an additional 20,000 students to enter the system by 2010-11.

- A second priority is to continue to accelerate progress towards a new relationship between employers and HE. A target of 5,000 new places part-funded by employers is set for 2008/09, rising to 20,000 places in 2010/2011. This growth is intended to continue beyond 2011 with increasing volumes of co-funding directed toward skills development
- The third priority is to widen participation, with the target to increase participation in HE towards 50% of those aged 18-30 remaining in place.

### Additionally,

- Continued expansion in Foundation Degree programmes is sought, with a target of 100,000 enrolments by 2010
- Close working of HEFCE with the LSC on the development of seamless progression routes to higher level skills is expected
- The Council is encouraged to develop an integrated programme to raise demand for science, technology, engineering and maths subjects (STEM).
- Oh, and despite all of these “increases” HE must provide £500m in efficiency savings in 2010-11 (rather less in 2008-09, 2009-2010), with **savings in procurement** being one of those areas targeted.

## The allocation of HEFCE grant funding

The distribution of the HEFCE funding among HEIs has led to 59 institutions receiving an actual (10 institutions) or real terms (49 institutions) cut in funding for 2008-09; 21 institutions will receive funding increases in excess of inflation (calculated at 2.75%). With the RPI running at over 4%, and wage inflation in the sector also expected to be in excess of 4%, most “winners” will still receive an increase in their grant which is less than the probable increase in their running costs. (See item 11 for more details).

Strangely, given the increasing emphasis on engagement with business, limits have been placed on the level of funding which any one institution can receive for knowledge transfer with business.

Such funding is received via the Higher Education Innovation Fund (HEIF) and although the total funds to be allocated during the three-year period

2008/09 to 2010/11 have increased, the maximum available to individual institutions is to be limited for the first time. On the face of it, this seems to be a funny way of rewarding those institutions which are doing what you want them to do, well. And the 36 institutions which will be hit by this cap in funding contain a wide variety of new, research intensive and teaching intensive universities, as well as those which are focused on engagement with business.

Obviously, if the Government and HEFCE wants all parts of the sector to develop these activities a fraction of the sector cannot be allowed to consume all of the available funds. Therefore, perhaps it is the proportion of the total grant allocated to these activities which is inappropriate and not facilitating strategic priorities.

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## Student numbers in the future

### Targets

Lord Leitch’s review of skills set a target of 40% of the working age population to be educated to degree level by 2020, which might sound ambitious enough given the current level of 29%.

However, Lord Dearing, who led a major review of higher education in 1997, has recently said that such a target is inadequate to provide a competitive workforce in the future since Germany and the USA are already at 40%. If the Leitch target were adjusted to 45% then the total uplift required would mean an extra 5,000,000 students over the next 12 years.

However, perhaps comparisons of the “percentage of the population educated to degree level” between countries are unreliable since standards, and the definition of which qualifications are counted as degree equivalent, may well vary.

### Demographic Factors

The setting of such student number targets, or relating their achievement to an increase of some millions of students, has to take account of demographic factors. If Dearing’s assumption of an extra 5,000,000 students were taken to mean 5,000,000 traditional 18-21 year old students then the immediate demographic trends will make the achievement of his target particularly difficult for, as noted earlier, the number of 18 year olds in the UK is set to decline by 15% between 2010 and 2020.

Such a reduction in the pool of potential students is, in itself, a substantial challenge to the universities since they would face a shortfall of 70,000 students (or 4.6%) by the end of the next decade. Suggestions from John Denham that there is still potential for greater growth in the number of overseas students may help UK universities balance their books but does not address the additional graduate numbers needed for the future UK workforce and economy.

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The only answer, then, would appear to be encouraging older people to take advantage of further (Higher) educational opportunities and to promote and support such arrangements. This will mean more part-time HE students.

Together with the growth in the number of apprenticeships to be made available it will be quite like the 50s and 60s again!

### University Applications

The immediate future looks more encouraging for universities. Recent figures from the Universities and Colleges Admissions Service (UCAS) have shown a like-for-like increase of 26,517 (6.7%) applicants for full-time undergraduate courses starting next year.

Of interest to the universities will be a student survey to be carried out by UCAS of the principal factors which govern a student's eventual choice of course and university. Matters to be surveyed include course content, academic reputation and entry requirements, as well as such matters as availability of bursaries, living costs, availability of local employment and proximity to the family home.

No doubt individual universities will already have this information on their own students but such a survey might provide them with a better picture of the factors which the potential student body as a whole finds important.

This year's survey is only a pilot but all students will be polled from the following year.

### Post-Qualification Admissions

The possibility of delaying the making of applications to universities until after the results of A Level (and other qualifying) examinations are known has been discussed, and rejected, over the years. However, a system which goes part-way to meeting this possibility has now been agreed. It will commence in 2009.

The main thrust of the new arrangements is to allow students who have obtained higher grades than required to comply with their existing offer of a place to apply to another university. It does not mean, of course, that there would necessarily be a place available to them. An issue of concern to universities had been that, during the period immediately following the publication of results, universities would not be free to confirm places to students who had "just missed" their grades. This concern has now been removed; institutions may confirm such places, they will not be required to hold back any places for potential new applicants.

### The Withdrawal of ELQ Funding

As mentioned in item 2, funding for students pursuing lower or equivalent qualifications (ELQs) is to cease. Students wishing to enrol on courses leading to a qualification lower or equivalent to one which they already hold will have to pay full fees. These funding changes are bound to affect student numbers and funding in the immediate future, with some institutions apparently being badly affected.

There is a belief in some quarters that students may choose not to declare such ELQs and that the "uncovering" of qualifications taken before 1996 could prove difficult.

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## Student contracts

The university sector has become concerned about students seeking redress over what they regard as poor teaching and other course arrangements. This has been a matter of increasing concern since the imposition of higher student tuition fees.

More recent attention to this issue has seen the drafting of a student contract by the Universities and Colleges Law Network, which makes clear to students that the payment of tuition fees does not guarantee them a degree but rather as "giving access to teaching and other facilities and of securing the opportunity to earn the degree by working diligently and consistently to meet the appropriate academic requirements".

## Top-up fees and student bursaries

When variable or “top-up” tuition fees were introduced in 2006 it was agreed that part of the extra income received by universities should be devoted to the provision of bursaries for some students – generally assumed to be the needy.

An analysis of the bursary arrangements by Professor Callender of Birkbeck, University of London, has revealed that of the £96m per annum (21% of the extra income received) being spent by

universities on non-repayable student bursaries, 40% are being allocated for reasons other than student need. Professor Callender has found that many bursaries are being awarded on academic merit and that the funds are being used as a marketing tool rather than being solely dedicated to mitigating the impact of the higher tuition fees.

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## Student retention

Universities and other HE institutions receive the teaching elements of the HEFCE grant on the basis of a contract whereby they receive a given amount of funding for the admission and teaching of a given number of students following different types of courses. If students “drop out” before the end of their course the funding is subsequently reduced. Therefore, the retention of students enrolled is important to the university for financial, as well as for other reasons.

A recent report by the House of Commons Public Accounts Committee (PAC) has shown that the student drop-out rate is 22% - unchanged during the past five years despite the expenditure of £800m to bring about improvement.

Research from the Higher Education Academy on the causes of students dropping out, identified an unsurprising range of factors including:

- Wrong course selection
- Lack of contact with teaching staff
- Poor teaching
- Financial worries
- Level of progress and inadequate personal commitment to study.

Recent weeks have seen the reporting of a number of initiatives which may improve retention rates, even if not all are specifically designed for that

purpose. Among the most eye-catching are those at the University of Central Lancashire and Manchester University.

As a response to the findings of the National Student Survey the University of Central Lancashire is to offer more teaching time and, explicitly, hope to reduce student drop-out rates. To achieve this the university will reduce the Christmas holiday period from five to three weeks and the Easter break from three weeks to eleven days!

Taking the view that universities are fundamentally about the education of students, Professor Alan Gilbert, the President of Manchester University believes that students are being neglected due to the pursuit of research excellence in many Russell Group Universities. Accordingly he has established a thorough review of teaching quality at Manchester which has led to the following proposals:

- Increasing contact hours between tutors and students
- Reducing size of seminar groups
- Improving systems for student feedback
- Reducing the variety of options within degree programmes and concentrating on a core curriculum.

Some of these proposals will cost money – a cost which may well be offset by improvements in student retention.

## 14 –19 Diplomas

These diploma courses for 14-19 year olds constitute a major educational initiative. They are to be developed and delivered through consortia of schools, FE colleges, businesses and other organisations. Their immediate importance to universities and other HEIs is that very soon young people will be offering these diplomas as entrance qualifications to degree courses.

A survey, conducted by the Education Guardian and Educational Consultants EdComs, of 803 primary and secondary head teachers has revealed them to be cautious about these qualifications; none of the secondary heads would definitely recommend them to a student hoping to go to university, with only 24% believing they would provide the academic rigour for progression to university.

Most comments coming out of universities at the moment are also cautious, with reservations about the level of mathematics to be included in these diploma programmes being perhaps the most mentioned specific concern.

Ministers are promoting the introduction of these diplomas as “the biggest educational reform in the world” with the belief that “they will become the courses of choice and could/will replace GCSE and A Levels”.

They have already declared that an Advanced Diploma will be worth 3.5 A Levels and now they have decided to introduce a new set of “extended” diplomas worth 4.5 A Levels – clearly moves to persuade parents of the value of these programmes and to address doubts that diplomas will be attractive as university entrance qualifications. However, a problem could be that most top universities seem to offer places dependent on the grades obtained in 3 A Levels not on the number of A Levels passed or the number of UCAS tariff points accumulated.

Lord Dearing believes that universities should ensure that they involve themselves in this reshaping of the school and college systems in its infancy.

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## HE in FE colleges

### Improvements in Quality

In the past the assessment of the Quality Assessment Agency (QAA) has been that the quality of Higher Education offered by some FE colleges was variable.

However, an analysis of 51 audits of HE courses in 46 FE colleges has shown that 99% of the assessments of learning opportunities were graded as “commendable” or “approved”.

Auditors had “confidence” in academic standards in 90% of cases, “limited confidence” in approximately 4% and “no confidence” in approximately 6%. These figures relate to 6,000 students and audits completed between 2005 and 2007.

Such reports will presumably be seen as a step in the right direction when FE colleges come to apply (to the QAA) for the power to award their own two-year foundation degrees, an option generally opposed by universities.

### But reductions in numbers

The number of students studying for HE qualifications in FE colleges has declined from 143065 in 2003-2004 to 139410 in 2005-2006 – although they still constitute 15% of all HE students and 4% of all students in FE colleges. Disproportionate top-slicing of funds by the universities which accredit courses is said in a Conservative Party report, to be responsible.

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## New centres of Higher Education

The significance of the proximity of a student's place of study to their family home (referred to in item 4.3) could be addressed by John Denham's recent announcement that no region should be left without access to higher education.

Accordingly, he has asked local authorities and regional development agencies to bid for funding to establish 20 new centres of Higher Education in their area. The new centres could be linked to existing universities, FE colleges or be entirely new colleges.

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## Staffing issues

### Staff Costs

Jocelyn Prudence, the Chief Executive of the Universities and Colleges Employers Association (Ucea), has warned that increasing staff costs could make for a financially difficult year in 2008-2009. The causes are:

### Higher than anticipated pay rises

under the current three-year pay deal, signed in 2006, the 2008-09 increase will be matched to the retail price index (RPI) which has risen significantly (to 4.1% in January 2008)

**Implementation of the 2004 National Framework** is proving expensive - 8.6% of academic staff and 15% of support staff have received a pay upgrade, in addition to the general national pay awards, following a review of their role; only 2.4% of academics and 6.8% of support

staff have had their pay frozen.

**Higher contributions to local pension schemes** on behalf of clerical and manual workers - amounting to 20% of salaries for some universities.

**Possible increases in pension contributions** (currently 14%) for other staff when the Universities Superannuation Scheme is revalued.

### Status of Hourly Paid Staff

There are possible ramifications of a decision by an employment tribunal that a particular hourly paid, self-employed lecturer should be regarded as an employee, with associated pension and holiday rights, to consider. The Universities and Colleges Union (UCU) is encouraging all hourly paid, self-employed staff to reassess their employment status.

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