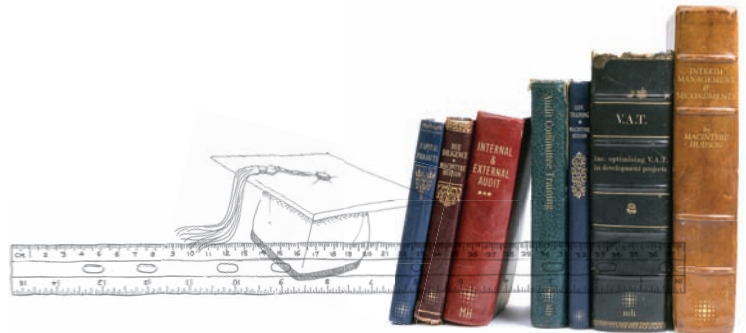




HE News

Spring 2010



HE News is an occasional review of press articles and other documents. Its purpose is to advise MH staff of current issues of importance or interest which may affect their work. It is also circulated to MH clients for their interest. **This edition makes reference to publications up to 30 April 2010.**

1. The financial health of the sector

The news from the Higher Education (HE) sector this quarter has been dominated by:

- Funding cuts, both announced and feared, and their implications for student places
- Adjustments to the mechanism by which research funding is calculated, leading to a greater concentration of funding in elite, research-oriented universities
- The actual allocations by The Higher Education Funding Council for England (HEFCE) for 2010-11
- Ways in which these cuts could or should be accommodated or confronted, including the hopes of increased income following the review of tuition fees and reductions in staff costs.

The implications and responses to all of the above have to be

seen in the light of the existing financial health of the sector.

An analysis of financial statements for 2008-09 by Grant Thornton for Times Higher Education (THE) has shown, inter-alia, that:

- The total income of the sector increased by 19.5% between 2006-07 and 2008-09
- 33 HE institutions (21% of those assessed) were in deficit
- The overall average surplus for the sector is 1.4%, with only 29% having a surplus of greater than 3% - the level which HEFCE regards as appropriate to withstand unforeseen financial difficulties
- Total staff costs have increased by 16.7%, to 56% of total income, in the previous two years. Institutional expenditure on staff costs varies widely
- Across the sector, funding council grants represent 34.6% of total income - although the extent of dependence on such grants varies widely from 28.3% for the Russell Group of large research-intensive universities to 50% for the GuildHE Group of university colleges and specialist institutions.
It is this funding which has been cut and may be reduced still further (see item 2)

- Tuition fee income from home students has increased by 36% between 2006-07 and 2008-09. Fee levels are presently capped, but are subject to review (see item 7)
- Sector borrowings, as a percentage of total income, increased from 18.1% to 19.5% during the previous two years.

2. The funding cuts

2.1 The overall funding available to HEFCE

The previous edition of HE News summarised the reductions in funding being made available to HEFCE between 2010 and 2013. There was some anxiety that the Budget would require further cuts to be made. However, amazingly, the Budget announcement provided an extra £305m for HE, £250m for student places.

Nevertheless, further cuts are anticipated in the years ahead.

2.2 Student demand and funding

The previous edition of HE News also noted that the funding cuts, together with increasing student demand, would inevitably lead to more competition for HE places. Decisions by the HEFCE Board on 28 January regarding the allocation of funding (between its own headings, not to institutions) for 2010-11 resulted in a reduction of the recurrent funding for teaching compared with 2009-10. But

figures available at the end of January showed an **increase in applications for full-time undergraduate places of 23% compared with the same time in 2009.**

Hence the extra funding made available in the Budget was very welcome. But there will be restrictions on its use.

2.3 Allocation of the additional funding

Following the Budget Statement a University Modernisation Fund of £270m was announced by the Secretary of State. Its purpose is to:

- Enable more young people to enter HE **in order to gain the skills which the economy needs**
- Provide support for universities and colleges **to increase efficiency and reduce costs.**

£250m is to be allocated in support of 20,000 new entrants **and efficiency activities** in 2010-11; £20m is to be allocated to support universities and colleges in **the delivery of further efficiency and Value For Money** through the development of shared services relating to IT systems, procurement arrangements and other means of reducing support costs.

Applications for the 20,000 extra places have been invited from universities and **Further Education Colleges (FECs) with more than 100 directly**

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funded full-time equivalent (FTE) students. These extra places are to be allocated for:

- 15,000 full-time undergraduates, 5,000 of whom will be for new entrants to Foundation Degrees (it will be remembered that additional support for foundation degrees was one of the elements of funding which HEFCE withdrew a few months ago since the target for foundation degree participation had almost been met)
- 5,000 part-time (approximately 2,500 FTE) undergraduates
- Applications for additional places in Science, Technology, Engineering and Mathematics (STEM) subjects **will be prioritised.**

The emphasis on efficiency savings is made clear by the fact that:

- £250m is equivalent to the HEFCE contribution to the cost of teaching the new entrants **throughout their period of study** but
- It will be **paid in full during 2010-11**, with approximately one-third being devoted to the teaching of the additional students and the remainder to efficiency activities by the institution to reduce its cost base.

It is the savings thus achieved which will support the future teaching costs of the new entrants. Recurrent funding will not be provided in respect of these entrants for 2011-12 and beyond.

A cut by another name!

2.4 Support for SIVS

In another example of the re-shaping of the sector it appears that some £10m of this £270m fund is to be used to provide support for institutions which are shifting the balance of their provision towards strategically important and vulnerable subjects (SIVS); Science, Technology, Engineering and Mathematics (STEM) and modern language subjects.

2.5 Fines for over-recruitment

The Grant Letter from the Secretary of State referred to in the Winter edition of HE News required HEFCE to reduce allocations to institutions by £3,700 for every full-time undergraduate or PGCE (Postgraduate Certificate in Education) student recruited above the permitted levels in 2009-10.

HEFCE anticipates the number of students over-recruited to be around 6,000 – out of a total of 389,000 new entrants (1.5%).

Due to this requirement HEFCE has issued details of new arrangements for student number control; for 2010-11 a specific number of HEFCE funded and employer co-funded students will be defined for each institution.

3. Research funding

3.1 The allocation of quality-related funding by HEFCE

Previous editions of HE News have noted views of ministers and academics over the extent to which research funding should be concentrated on the research-intensive universities or distributed more widely throughout the sector.

A report "One Step Beyond: Making the Most of Postgraduate Education" of a review group led by Adrian Smith, Director of Science and Research at the Department for Business, Innovation and Skills (BIS) was published recently. It concluded that HEFCE should consider how to link future funding allocations for research **more explicitly to research quality.**

HEFCE had already made adjustments to the funding formula to be applied for 2010-11, adjustments which would give greater weighting to research graded 4*, that regarded as world-leading.

Such an adjustment would favour elite universities and bring an increased concentration of research funding closer.

3.2 The totality of public funding for research

Rationalisation, if not concentration of all research funding, also seems to be near. Research funding is currently composed of two elements: The Quality-Related (QR) element distributed by HEFCE, currently approximately £2bn

per annum, and that controlled by the Research Councils, currently around £4bn per annum. Broadly, universities decide to spend QR funding as they wish; Research Council funding is more directed, reflecting defined priorities.

There is a concern that if the two funding elements were combined the proportion of funding allocated by the Research Councils could increase and **universities would have less funding to spend as they wish.**

3.3 Funding for post-graduate research students

Moves also seem to be afoot to redirect the Research Degree Programme (RDP) funding which supports postgraduate students. This is currently distributed by HEFCE as part of the block grant. **A greater concentration of this funding also seems possible in 2011.**

4. Funding allocations for 2010-11

The funding allocations to universities, other HEIs and for HE work in FECs for 2010-11 were made in March. In summary they show that:

- After allowing for the £250m of capital funding brought forward into 2009-10 from 2010-11 the total allocation for 2010-11 is **1.6% lower than last year in cash terms**
- For HE as a whole the current grants for teaching, research and knowledge

exchange activities have been increased by 0.4% in cash terms

- Decreases in capital funding of 14.9% and for special funding programmes (7%) have been made
- 62 of the 130 HEIs will receive a cash increase
- Interestingly, allocations to FECs show an increase of 2.2% in the teaching grant to £196m.

Inflationary increases due to staff costs, equipment and other supplies and services have obviously to be accommodated. This implies greater cuts than those explicitly shown.

5. Staff costs

5.1 The pay award

In organisations where staff costs represent 56% of total income even the most modest of pay awards represent a significant extra cost to be met, and from a budget reflecting a declining level of public support. The Universities and Colleges Employers' Association (UCEA) seems determined to ensure that any pay award for 2010-11 is indeed modest. An offer of a non-consolidated cash sum equivalent to 0.25% of the pay bill was made in March – and rejected by the unions.

5.2 Bargaining arrangements

There are also suggestions that the suitability and continuation of national bargaining arrangements are being questioned. The flexibility of saving jobs through lower pay and other arrangements, determined locally, is being regarded favourably in some quarters.

6. Confronting the cuts

When faced with cuts in funding organisations such as HEIs, in which a high proportion of their income is expended on staff, inevitably have to consider reducing staff costs. Redundancies, voluntary or otherwise, loom.

One of the interesting features of early attempts to reduce staff costs has been for HEIs, and their staff, to consider:

- Staff taking (unpaid) sabbaticals
- Staff accepting a reduction in pay in return for a shorter working week
- No implementation of a pay award for 2010-11
- A conversion of existing full-time posts into fractional appointments.

Again, a difference in views between those interested in pursuing such local arrangements and those determined to construct and adhere to national solutions could emerge.

7. Tuition fees

The Winter 2010 edition of HE News noted the commencement of the promised review into student tuition fees. The broadening of the remit for this group, to review “HE funding and student finance”, not just tuition fees, was also noted.

The review group is being led by Lord Browne. Its initial findings were published in March. These findings reflect

evidence taken from more than 80 sources and includes

- The introduction of “top-up” fees has not harmed participation in full-time courses
- Present financial arrangements are inadequate for part-time students
- Although the introduction of these tuition fees has provided extra income for individual institutions this **extra income has had to be matched, virtually pound for pound, by additional costs to tax payers**
- The benefits of student loans compared with other forms of debt are not well understood
- Awareness of bursaries is poor

and, perhaps reflecting the Government's steer to the review group, that any easing of the cap on tuition fees will have to be accompanied by other changes.

- There has been progress on widening participation but that this has been less evident in the most selective universities
- Students need better information on the teaching they can expect and employment outcomes.

The review group will now consider:

- How to achieve the best balance between public investment in full-time and part-time higher education
- How those benefitting from HE can **make a significant contribution toward the cost**

- Proposals on the best mechanism “to drive up quality, efficiency and innovation in HE, and what metrics should be used to assess quality improvements”.

But what might students be prepared to pay?

Research by Professor Vignoles at the Institute of Education, suggests that:

- Overall, if fees were increased to £5,000 per annum, 65% of students in the Russell Group (large research-intensive) universities would be prepared to pay compared with 60% in the 1994 (smaller research-led) universities and 52% in Alliance (non-aligned) or Million+ (post 1992) institutions
- The subject of study, rather than social background, is the major influence on acceptable fee levels, due to its impact on earning potential
- The optimum model would be for HEIs to **charge different fees for different subjects**.

8. Private institutions

In the wake of the funding cuts, the tuition fee debate and Governmental influence on admission policies the following developments associated with various forms of private HE provision might be noted.

8.1 Privatisation of existing universities?

Lord Patten, Chancellor of the University Oxford, believes that leading universities should be allowed to set whatever tuition fees they wish in return for a limit on their publicly funded teaching grant, with the proviso of "needs-blind" admissions facilitated by more generous bursaries for poorer students.

8.2 A new (private) university?

The Headmasters' and Headmistresses' Conference (HMC) of leading independent schools is considering the establishment of an elite private university modelled on an American liberal arts college. It would concentrate on the provision of high quality teaching, not research. Fees would be at least £10,000 per annum.

8.3 The presence of existing private colleges

Some private colleges provide courses leading to qualifications accredited by UK universities. Whilst accreditation fees may provide a useful source of income to the university, the fees charged by these private colleges are lower than those charged by UK universities. Although the usual market for

these colleges is provided by overseas students a report by Universities UK suggests that increasing numbers of home students are being attracted to these colleges due to their lower fees.

Universities UK does seem to believe that **these institutions pose a potential threat to HEIs in the UK.**

And then, of course, there might be the possibility of an increase in the number of for-profit providers with UK degree-awarding powers such as BPP, which provides legal and accountancy education – exactly the sort of provision which would attract many potential students concerned with the earning potential of their course of study.

9. Entrance to HE

9.1 Entrance requirements

The increasing numbers of applications referred to in paragraph (2.2) will inevitably have an effect on the entrance qualifications demanded of candidates. Perhaps as a consequence of this:

- Some of the most selective universities seem to be experiencing only small increases, or even decreases, in the number of applicants – perhaps in anticipation of increasing standards of entrance qualifications
- The expectation is that there will be little "clearing" this year. The head of the Universities and Colleges Admissions Service (UCAS) has advised applicants already turned down by their chosen universities

to apply through the UCAS Extra scheme. This scheme matches candidates with existing vacancies

- Another possible outcome might be for selective universities to be less inclined to admit applicants with vocational or non-traditional qualifications.

9.2 The nature of entrance qualifications

Details from UCAS of the qualifications held by students entering universities in 2009 may come as a surprise to many; only 50% gained admission through A Level qualifications. In 1999 the figure was 70%. Whilst some may welcome these figures as reflecting a more flexible approach by many universities, and as assisting in widening participation, some are less encouraged. They take the view that comprehensive schools are directing pupils towards vocational qualifications, perceived as an easier way of improving the school's position in league tables, but which limit the opportunities of their pupils gaining entrance to the most selective universities.

Conversely, many schools, particularly independent schools, are turning to courses such as the International Baccalaureate (IB) or the Cambridge Pre-U as they regard them as providing a better or more challenging preparation for higher education.

9.3 The A* Grade at A Level

An approach to making the achievement of top A Level grades more demanding, and one which will enable university admissions tutors

to discriminate more easily between the better candidates, has been the introduction of the A* Grade. It was anticipated that 6% of papers would be awarded this grade. However, earlier indications are that this may not achieve the desired effect.

A survey by the HMC of 24 schools in which have already completed their A Level in Mathematics has shown that, on average, **65% of candidates obtained an A* Grade.**

9.4 The 14-19 diploma

The course which is intended to bridge the academic-vocational divide once and for all, and to become the qualification of choice for all, is the 14-19 Diploma. Its development has been traced in many recent editions of HE News. It is probably fair to say that progress has met with some difficulties. The events of recent months have been no different.

9.4.1 The view of Sir Mike Tomlinson

The Government hoped that the Diploma would become the qualification of choice. It was assumed (or feared) that the Diploma would replace GCSE and A Level examinations. However, and to the dismay of many, the Government decided to allow GCSE and A Levels to be offered alongside the Diploma and introduced "academic" Diplomas to rival A Levels.

In February Sir Mike Tomlinson, who chaired the Committee which recommended the introduction of an over-arching Diploma, expressed views which dealt a blow to these

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arrangements. He stated that the academic standard of the “academic” Diplomas could not match the academic standard of A Level courses. He considered it impossible, given the current structure of the Diploma and the teaching time allocated.

The total teaching time allocated to the “academic” Diplomas would be no more than for a standard A Level programme – **but the Diploma had extra elements to be completed.** They required the **knowledge to be applied.**

Something would have to give – possibly, or probably, the level

of knowledge, content, concept and understanding expected in the A Level. **And this would concern the universities.** It would make it more difficult for holders of the Diploma to enter higher education.

9.4.2 The views of Ofqual

The examinations regulator, Ofqual, has recently reviewed three of the 14 Diplomas. It found that some of the assessments were not of an adequate standard.

9.4.3 The views of teachers

A study by Ipsos Mori,

commissioned by Ofqual, observed that:

- 37% of teachers knew “nothing” or “not very much” about Diplomas
- 79% of teachers believed that university admission officers would regard the Diploma as inferior to A Level.

9.4.4 Student numbers

An EOA survey of 400 state secondary schools and 62 independent schools showed that:

- 356 would be offering the Diploma in 2010-11 but that

- of the 356, the likely up-take by students was described as “a lot” by 19; “a little” by 255 and **not at all by 82.**

i.e. 23% of schools offering the Diploma expected no takers!

The day when the Diploma is the qualification of choice, when the majority of applicants to universities and other HEIs are seeking admission on the basis of their performance in a Diploma programme, seems a long way off. A rationalisation of the qualifications presented to, and accepted by, universities is still far away.

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