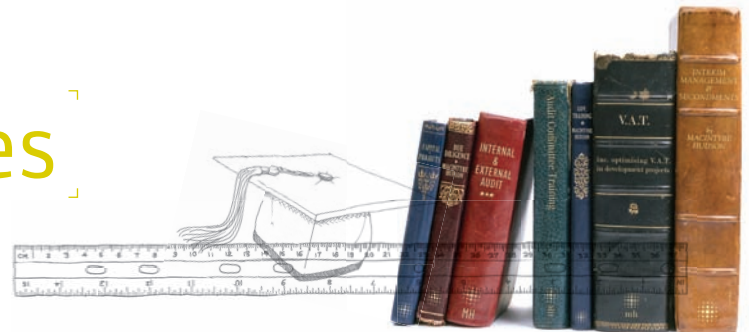




# Independent Issues

Summer 2010



Independent Issues 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 31 May 2010.**

The majority of press comment and other documentation encountered in recent months relates to "academic issues" – the course and examinations offer in schools, and entrance to universities. However, the pressures on schools brought about by the recession, and the schools' responses, have still loomed large. Cautionary tales of recent (casual) fee-setting procedures and the timely payment of school fees represent other possible causes of concern. The intentions of the new Government, although available in outline only at the end of May, may also impact upon independent schools.

But, for the first three-monthly period in a long time, the concerns associated with the test of public benefit seem to have received little or no explicit notice – which does not mean they have gone away.

## 1. The impact of the recession

### 1.1 School closures

School closures and mergers are still being reported. Although the impact of individual instances can be catastrophic for the people directly involved the number of closures does not seem to be accelerating. What is not known, of course, is the number of schools which may be in financial difficulties, are struggling, but still managing to survive. There is a view that the full effects of **the recession will not be realised until September 2011.**

### 1.2 Pupil numbers

The annual census of the Independent Schools Council (ISC), which represents 1,280 independent schools, has revealed that:

- The overall number of pupils in independent schools is down from 514,957 in 2009 to 511,886 in 2010 – i.e. a **reduction of 3,071** pupils or 0.6%
- The number of overseas pupils has increased from 21,701 in 2009 to 23,307 in 2010 – an increase of 1,615 pupils or 7.4%.  
Overseas pupils now represent 4.5% of total pupil numbers.

Thus, the reduction in total pupil numbers **has to some extent been compensated for** by an increase in the number of

pupils from overseas. No doubt this increase in overseas pupils is patchy and not consistent throughout the sector.

### 1.3 Action taken to accommodate the recession

The ISC report also suggests that schools have undertaken the following actions to accommodate the effects of the recession:

- £42.6m of intended spending, largely on school buildings, has been halted
- The competition to provide the best, sometimes almost lavish, facilities has also been arrested and a "no-frills" approach adopted
- The average fee increase was the lowest for 16 years – but it was still 4%.

Other possible strategies, some previously mentioned in Independent Issues and some no doubt already being pursued by some schools include:

- Selling unneeded land
- Reviewing staff benefits
- Taking more determined steps to ensure the prompt payment of fees.

## 2. School fees

### 2.1 Possible increases

Despite the continuing and foreseeable economic difficulties a website, [allaboutschoolfees.com](http://allaboutschoolfees.com), suggests:

- Fees are likely to increase by 5.5% or 6% in September 2010 – no doubt in part to provide the bursaries necessary to meet the test of public benefit
- An increasing effort by schools to achieve extra income by promoting charged-for activities such as school clubs and that
- Parents should be aware of such possible additional charges for various "extra" after-school activities.

Schools may find parents asking for more comprehensive information on costs and more detailed invoices than may previously have been the case.

### 2.2 Fee-setting

Schools should obviously have clear procedures regarding the determination of fee structures and levels, and their approval by governors. No doubt most do. But a report of comments by Toby Mullins, Chairman of the Society of Headmasters and Headmistresses of Independent Schools, that fee increases during recent (economically favourable) years have been a free-for-all, and were plucked out of the air, is disturbing – and not good publicity for the sector.

Perhaps it might be in order for individual schools to review their own procedures and confirm their appropriateness with their auditors.

# Independent Issues

Summer 2010

## 3. University entrance

University entrance is a constant source of concern for those in independent schools. The following notes provide an update on recent developments.

### 3.1 Student demand

The spring edition of Independent Issues referred to the increasing number of applications for university entrance in September 2010. It recorded that, according to UCAS (The Universities and Colleges Admissions Service) figures the number of applications received by November 2009 was 11.9% greater than in November 2008.

More recent figures, released by UCAS and relating to 22 January 2010, showed that there were already 106,389 (23%) more applications than at the same time last year. The number of applications from those over 25 years of age has increased by 63%.

In recent years the number of places available to potential students has exceeded the number of applications. In the present and foreseeable economic climate it is difficult to imagine a return to that position.

### 3.2 Competition for places

Such figures will obviously have made for greater competition for places in September. It is assumed that there will be little "clearing" this year. The new head of UCAS, Mary Curnock-Cook, has advised students already turned down by their chosen universities to apply immediately through the UCAS Extra Scheme.

### 3.3 Entrance requirements

The increasing numbers of applications 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 required
- Some universities are reported as being unwilling to consider grades achieved by re-sitting examinations and others are making increasing use of the A\* Grade as an entrance requirement
- Selective universities might be less inclined to admit applicants with vocational or non-traditional qualifications.

### 3.4 Extra student places

For 2010-11 6,000 fewer undergraduate places were planned. However, the Budget statement in March provided an extra £305m for Higher Education, £250m of which was for 20,000 student places.

But there were to be restrictions on its use:

- 15,000 of the places were to be for full-time undergraduates, 5,000 of whom would be commencing Foundation Degrees
- 5,000 places for part-time undergraduates
- The so-called STEM subjects (Science, Technology, Engineering and Mathematics)

would be prioritised.

The use of this funding would **depend upon efficiency savings being made**. Although this amount of funding would support the 20,000 undergraduates throughout their period of study, the money would be **paid in full during 2010-11** with only 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**. The savings thus achieved would be required to meet the future teaching costs of the new entrants. **There would be no funding in respect of these students for 2011-12 and beyond.**

But the £6bn cuts package proposed by the new Government in May included a reduction in the number of student places by 10,000. To what extent the efficiency-led arrangements described above are to continue is, as yet, unclear – but there should still be a small net improvement for applicants compared with the January 2010 position.

### 3.5 Selection procedures

Independent Issues has also noted previously the determination of some to increase both the proportion of disadvantaged pupils and of state pupils in elite universities by the adjustment of entrance qualifications demanded through the use of contextual data. The proximity of these arrangements to discrimination against applicants from independent schools is a concern to the parents of these pupils and to the schools themselves.

In recent months debate has been raging between leading

members of the independent schools and university sectors on the appropriateness of such action and the evidence, and the validity of the evidence, on which such action is based. Probably neither side persuaded the other. However, an interesting suggestion was made by Richard Cairns, the Headmaster of Brighton College, who suggested that the names of **applicants' previous school should no longer appear on the university application form**. In that way universities should avoid being accused of discrimination and all applicants should be assured of being treated on their merits.

For conspiracy theorists, there would still be tell-tale signs, of course.

**A report by the Office for Fair Access** published in May notes that although the proportion of disadvantaged young people entering Higher Education (HE) has improved (i.e. participation in HE has widened) there had been **no improvement in the proportion at the most selective universities since the middle of the decade**. Despite the acknowledged efforts of these universities access by the disadvantaged had stalled. Indeed, without these efforts, the report suggests, progress to widen access may have been reversed.

Selective universities are urged in the report to review the spending which they devote to increasing access to the disadvantaged. It is suggested that they need to improve the way in which they target students and ensure that money is spent on effective initiatives. In particular, selective universities should take steps to identify and support talented

# Independent Issues

Summer 2010

students from poor families no later than by year nine – before GCSE entries are made. Such a recommendation begs the questions “will the university be authorised to advise on the choice of subjects to be followed?” and “what influence would the university have over the subjects available in the pupil’s school?”.

It is interesting to note how the language of this debate seems to be changing from “state-school pupils” to “disadvantaged pupils” or “pupils from poor families”.

## 4. University funding and tuition fees

The majority of pupils attending independent schools intend to progress to university. Indeed, parents generally send their children to an independent school in the hope and expectation that they will achieve examination results which enable them to proceed to a top university. This, of course, is why the Widening Participation or Widening Access initiatives considered above are issues of such concern.

### 4.1 The review of university funding

Another issue of growing concern to many parents is the outcome of the Browne Review of Higher Education Funding and Student Finance referred to in the previous edition of Independent Issues. It will be recalled that the cost of student support, through grants and subsidised loans, is just as central an issue regarding the overall funding of higher education as the level of tuition fees that may be charged.

The initial findings of the review group were published in March. Their findings reflect

evidence taken from more than 80 sources and include:

- 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 benefiting from higher education (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 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**.

### 4.2 Recent views of the universities

Steve Smith, the President of the Universities UK, has expressed the view that universities face a financial crisis unless there is funding reform.

All of the different mission groups (referred to above), except for the Million+ group, believe that tuition fees, or graduate contributions as they are increasingly being called, should be allowed to increase.

### The Russell Group believes that:

- The cap on fees should be gradually removed and **universities be allowed to set their own fees**
- The cost of student support could be reduced by charging

a real rate of interest on loans

- The Student Loans Company might finance the loans by selling bonds which are linked to graduate repayments to private investors.

**The 1994 Group believes that the fee cap should be raised incrementally as do the University Alliance and GuildHE**, but up to a maximum level. The sale of bonds to private buyers is also supported by the University Alliance.

**The Million+ Group** has recommended:

- A maximum rate of interest on loans of 2%
- Extending the graduate contribution period from 25 to 35 years
- Removal of statutory bursaries

all of which could lead to the possibility of **reduced fees**.

### 4.3 The “privatisation” of universities?

The prospect of the partial privatisation of some universities is beginning to be mentioned.

Speaking in a personal capacity Lord Patten, Chancellor of the University of Oxford, has drawn attention to the fact that the teaching of an undergraduate at Oxford costs £16,000 per annum, only half of which is funded by the Government. He believes that leading universities should be allowed to set whatever tuition fees they wish in return for a limit on their publically funded teaching grant, with the proviso of “needs-blind” admissions, facilitated by more generous bursaries, for poorer students.

The University of Cambridge has drawn attention to a similar

# Independent Issues

Summer 2010

funding gap of £9,000 per undergraduate. It proposes a secondary university fee.

## 4.4 The cost for parents

Higher fees and higher loan costs seem very much to be on the cards. The days when the passage of one's child from school to university brought some financial relief for parents may be coming to an end!

## 5. The course offer in schools

Independent Issues often makes reference to developments in association with the course offer in schools. Matters relating to the International GCE examinations, alternatives to A Level courses, the introduction of the A\*Grade at A Level and the development of 14-19 Diploma have been noted in various recent issues.

During recent months the following points of interest have been observed.

### 5.1 The nature of entrance qualifications to HE

Details from the Universities and Colleges Advisory Service (UCAS) of the qualifications actually 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 some schools are directing pupils toward vocational qualifications, perceived as

providing 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.** If true, this is another reflection of the view that, if the widening of participation and access to elite universities is to be improved **attention should be focused on the schools, not the universities.**

### 5.2 The 14-19 diploma: Student numbers

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. A recent 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 uptake by students was described as "at lot" by 19; "a little" by 255 and **not at all by 82.**

i.e. 23% of schools offering the Diploma expect no takers! The day when the Diploma is the qualification of choice, and when the majority of applicants to universities and other HEIs seek admission on the basis of their performance in a Diploma programme, is obviously some way off.

### 5.3 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.

A study of last year's A Level results by Ofqual, the examinations regulator, has suggested that **the proportion of A\* grades awarded will show a huge variation between subjects** – from 45% in Japanese through 13% in mathematics to 1% ICT. At least to some extent these variations probably reflect the characteristics of the cohorts taking different subjects rather than the difficulty of the subjects themselves.

But, a survey by the Headmasters' and Headmistresses' Conference (HMC) of 24 schools in which pupils have already completed their A Level in mathematics has shown that, on average, **65% of candidates obtained an A\* Grade.**

This, together with increasing competition for university places and suggestions of increasing use of the A\* Grade as a university entrance qualification, **may present universities with further difficulties in their attempts to widen access.**

### 5.4 The Sykes review

A review of the qualifications and assessment system, led by Sir Richard Sykes, formerly rector of Imperial College, has made 21 recommendations. Among them are:

- A Levels should no longer be modular, but return to traditional testing at the end of the two year programme
- As the main "users" of A Levels universities should have considerable input into the content and structure of examinations
- Universities and other HEIs

should publish lists of qualifications they accept and prefer

- Regarding GCSEs, the number of subjects taken by each pupil should be reduced
- Schools would be prevented from encouraging subjects that "lacked rigour" to improve their position in league tables
- Schools offering vocational courses should provide destination data.

Michael Gove, the new Education Secretary, is understood to be in favour of the majority of recommendations.

## 6. Developments in state education: Implications for independent schools

The Government's arrangements for the operation of schools in the state sector are of limited concern for independent schools. They are, of course, bound by a regulatory framework but, by definition, they do not come under day to day control of the LEAs. However, some policies of the new Government may create a changed educational environment of which those in independent schools would wish to be aware so that they can assess any possible impact on their own operation.

The new Government, in the persons of Michael Gove, the Secretary of State for Education and Nick Gibb, the Minister of State for Schools, is pressing ahead with its "free schools" initiative. The schools will be

# Independent Issues

Summer 2010

“free” in the sense of being free from local authority control; they will have freedom over the curriculum, the use of funding and conditions of employment of staff. They will still have to abide by statutory admissions procedures: selection will not be allowed except in respect of the particular emphasis of specialist schools.

The “free schools” initiative might be seen as having two elements:

- The establishment of **new schools** by parents, teachers, charities and local communities dissatisfied with schools in their area
- An increase in the number of academies – formed from **existing schools**.

The number of new “free” schools emerging will almost certainly be small. A greater change is possible, even likely, through the adoption of academy status. The nature of academies has

been referred to in a number of previous editions of Independent Issues, although the focus has usually been on the opportunities for their sponsorship by independent schools.

Originally, the academy movement was conceived as an initiative to take over and improve failing inner-city schools through the establishment of a new ethos. **Now all state secondary and primary schools** are being invited to apply for academy status.

The Secretary of State issued this invitation almost immediately after his appointment – which is presumably a reflection of the priority attached to this initiative.

Further, note that:

- Primary schools have been invited to become academies – a possibility which did not exist before
- Far from applying only to “failing schools” applications from schools rated by Ofsted

as “outstanding” will be fast-tracked, almost assumed to be approved

- The total, the same total, of **funding passes directly to the schools**. The Local Authorities (LAs) will not be able to withhold the 7-10% as they currently do for central services such as payroll and HR management, although the schools would presumably be able to purchase such services if they so wish
- The process of applying to become an academy is to be made as simple as possible, **without a requirement for Local Authorities to be consulted**.

1,114 schools have already applied to become academies, 276 of which are state primaries. 626 of the 1,114 schools are rated as “outstanding”.

**What are the possible implications for**

**independent schools?**

In the medium term, if these developments are embraced by parents, sponsors and schools of the state sector, large numbers of semi-independent state schools, free (in the financial sense) may emerge with an ethos and an academic standard which parents, presently striving to fund an independent education for their children, might find acceptable, even desirable.

It is also possible that the Government would be receptive to applications from independent schools to become academies – a small number have done so in the past. The present financial challenges being felt by Independent Schools might make the guarantees of state funding attractive to some. But probably very few financially sound schools would choose to give up their own special form of governance and financial management – their independence.

## How to contact us

email: [info@mhllp.co.uk](mailto:info@mhllp.co.uk)

web: [www.macintyreHUDSON.co.uk](http://www.macintyreHUDSON.co.uk)

### London City

Tel: 020 7429 4100  
Fax: 020 7248 8939

Rakesh Shaunak  
Senior Principal  
[rakesh.sh Shaunak@mhllp.co.uk](mailto:rakesh.sh Shaunak@mhllp.co.uk)

Chris Sutton  
Principal  
[chris.sutton@mhllp.co.uk](mailto:chris.sutton@mhllp.co.uk)

David Morris  
Director of Education  
[david.morris@mhllp.co.uk](mailto:david.morris@mhllp.co.uk)

### Chelmsford

Tel: 01245 353 177  
Fax: 01245 252 877

Jonathan Cope  
Principal  
[jonathan.cope@mhllp.co.uk](mailto:jonathan.cope@mhllp.co.uk)

Lisa Barling  
Principal  
[lisa.barling@mhllp.co.uk](mailto:lisa.barling@mhllp.co.uk)

### High Wycombe

Tel: 01494 441 226  
Fax: 01494 465 591

Bianca Silva  
Principal  
[bianca.silva@mhllp.co.uk](mailto:bianca.silva@mhllp.co.uk)

### Northampton

Tel: 01604 624 011  
Fax: 01604 230 079

Elaine Olson-Williams  
Principal  
[elaine.olson-williams@mhllp.co.uk](mailto:elaine.olson-williams@mhllp.co.uk)

This publication is designed for information purposes only. Whilst every effort has been made to provide accurate and up to date information, it is recommended that you consult us before taking or refraining from taking action based on matters discussed. MacIntyre Hudson is the trading name of MacIntyre Hudson LLP, a limited liability partnership, registered in England. Registered number: OC312313. Registered office: 201 Silbury Boulevard, Milton Keynes MK9 1LZ, where a list of Principals' names is available for inspection. Represented at Bedford, Chelmsford, High Wycombe, Leicester, London EC4 and N20, Milton Keynes, Northampton, Peterborough and Rochester. UK member of Morison International with independent member firms worldwide. Registered to carry on audit work and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales. Principals acting as administrators or administrative receivers contract as agents and without personal liability. MacIntyre Hudson Corporate Finance Ltd is authorised and regulated by the Financial Services Authority (FSA). Financial advice is provided in association with Carrwood MacIntyre which is an independent advisory firm and is a trading name of LighthouseCarwood which is an appointed representative of LighthouseXpress Limited which is authorised and regulated by the FSA. Further information and links to the respective regulators can be found via our website [www.macintyreHUDSON.co.uk/information.html](http://www.macintyreHUDSON.co.uk/information.html) © 2010 MacIntyre Hudson. All rights reserved.