

# **GuildHE submission to the Independent Review of Funding and Student Finance**

**Led by Lord Browne of Madingley**

**Call for Proposals**

GuildHE seeks a sustainable, diverse and dynamic higher education sector and a funding system that gives -

***A fairer deal for students and a fairer price  
for society –  
for higher education that is  
academically excellent,  
affordably sustainable and  
geared to the future.***



## **GuildHE Submission to the Independent Review of Funding and Student Finance**



### **Introduction from GuildHE Chair and Chief Executive Officer**

**Dear Lord Browne,**

**1.1** This submission to your call for proposals is presented on behalf of GuildHE, one of the two representative bodies for Higher Education (HE) with 31 institutions in membership. GuildHE members' institutions are diverse – including universities, university colleges, specialist institutions, further education colleges with significant proportions of HE as well as a number of private and not for profit HE providers and trusts.

**1.2** The Review has rightly identified the challenge of treating the question of teaching funding holistically, looking at the system of funding for teaching delivery and the payment process for that service as a unified whole. GuildHE has limited resources but has taken up Lord Browne's challenge to conceptualise proposals for a new holistic system and provide a rationale for its ideas.

**1.3** GuildHE takes the view that HE has fundamental charitable purposes and that it seeks to deliver significant public benefit which translates into major economic impact for the individual, the respective industries and regions, and UK society as a whole. To date these benefits have been achieved, in no small way, by a highly successful stable system of funding. The outcomes needed from the system of funding and student finance chart new territory, the consequences of which cannot easily be modelled. We therefore urge the Review to undertake further analysis and some experimentation with multiple scenarios and input parameters before making final recommendations for change. Also, to achieve the holistic outcome needed, this Review must embrace and connect to

HEFCE's parallel consultation on the methodology of teaching funding. The focus must be on the total funds to be provided and fair shares of costs to be borne by the State and the individual.

**1.4** GuildHE's membership is varied in size and institutional character, with coverage of many perspectives – small and large, private and public, with varied specialisms and research interests. Therefore, it is uniquely placed to help the Review seek a solution which could accommodate the needs of the multiple interests that have a stake in a successful HE system for the UK. As a formal representative body, GuildHE also recognises it has responsibility for supporting the HE ecology as a whole. Our members have therefore sought to think beyond a short term and narrow perspective of one interest group and tried to find a balanced position. A position which has in mind the good interests of society and the economy at time of political change, the scale of public borrowing and the risks of financial instability. In order to establish some solid underpinning to the proposals, GuildHE has sought to clarify its essential proposition and the underlying principles and concepts which will also be used in its response to the HEFCE consultation on teaching funding methodology taking place in parallel.

**Professor Ruth Farwell, Chair GuildHE**

**Miss Alice Hynes, CEO GuildHE**

### **Contents**

<b>Page 3</b>	<b>Summary</b>
<b>Page 4</b>	<b>The Proposition</b>
<b>Page 5</b>	<b>Core Principles Outcomes</b>
<b>Page 6</b>	<b>Key Factors</b>
<b>Page 7</b>	<b>Key Features – We should retain and – We recommend</b>
<b>Page 20</b>	<b>Key Features – We reject</b>
<b>Page 21</b>	<b>Key Features – We ask to be explored</b>
<b>Page 22</b>	<b>Responses to Review Criteria</b>
<b>Page 25</b>	<b>Annex 1 - Detailed Explanations</b>
<b>Page 30</b>	<b>Notes on Pictures</b>



## 1.5 Summary of key recommendations from GuildHE

### GuildHE wants to see -

- The continuing expansion of student opportunity and student choice
- The support for the UK HE brand and its internationally renowned quality
- System stability maintained through incremental change

### GuildHE's proposal seeks to achieve -

A fairer deal for students and a fairer price for society –  
Higher education that is  
academically excellent, affordably sustainable and geared to the future.

### WE WANT TO RETAIN -

- A diverse community of autonomous Higher Education institutions
- Fees, Repayable Loans and Non-Repayable grants for students and their contribution as graduates/alumni
- A Funding Council between the State and HE Institutions for public benefit
- A block grant system of funding distribution
- Quality and standards managed via effective self-regulation
- Mechanisms to secure stability and sustainability in the system
- The currently planned improvements to Information, Advice and Guidance

### WE RECOMMEND -

- Higher fees, higher rates of loan repayment, differential thresholds and more means-testing in relation to loans
- A “Charitable Regulator” – developed from current organisations
- Institutional recognition to integrate private HE providers in the HE ecology
- A scheme providing national bursaries/grants
- Loans accessible to
  - part time students and postgraduate students
  - those studying in HE delivered by approved private HE institutions
- Places more freely available at the discretion of the HE provider including authorised full cost places for Home/EU as well as international students
- Fees and funding structures linked to subject costs which can facilitate innovative learning including development of part time learning experiences

### WE REJECT -

- Restrictions on developing UK talent due to personal inability to pay
- A separate Graduate Tax and schemes using Student Vouchers
- Premium funding to purchase institutional brand names
- Use of market forces to guarantee the UK HE Brand

### WE ASK FOR FURTHER EXPLORATION OF -

- An “Education Bank”
- The interaction of HE funding systems with the national welfare and benefits system
- How employers could contribute and engage further with HE funding systems



## 2. THE PROPOSITION

**2.1** GuildHE fully endorses the Review's objective to create solutions for a funding and student finance system for teaching in our universities and colleges that

- recognises the **reality of the public funding context and at the same time the significant public good/public benefit accrued from HE;**
- provides **ambitious and sustainable long term outcomes;**
- will ensure our universities and colleges are **internationally competitive, financially sustainable, with fair access for all.**

### **2.2 Continuing expansion of Higher Education opportunities**

GuildHE argues that UK society and its economy requires effective, well run HE provision – not only as a service to its population and a fundamental economic driver, but also as an “industry” in its own right with world class presence that contributes significantly to UK plc. Universities UK have considerable analysis of this multi-million pound “business”.<sup>1</sup> While market factors are valuably taken into account when making judgements about the future financial organisation of HE, there are other drivers of human decision-making. Some of these aspects may seem counter-intuitive at first sight – for example the interaction between quality, standards, self regulation and institutional autonomy – but they are significant in the longevity and success of HE institutions. In essence reports from Leitch, Sainsbury and Millburn show that that education changes lives for the better, drives economic success. OECD competitors do recognise the impact of higher education on their national fortune. To survive globally, we must find a way to provide opportunities for more to participate in high quality HE take place both within the UK and elsewhere but driven from the UK.

### **2.3 Protecting the UK HE Brand**

The structure of institutional autonomy, successful systems of self regulation and quality assurance and the effective use of State funding have secured an enviable position for the UK in the global HE market. The UK HE brand is very valuable in terms of reputation and as a UK “industry” in its own right. The threshold for quality of provision is high. It is critical that this high quality threshold is reinforced by any funding and student finance system and that we continue to take advantage of our global market position and do not jeopardise it by unintended consequences of change and misunderstanding of the core reasons for our current success. There is a real possibility that wrong use of market forces to drive quality, instead of good regulation and enhancement, will put that global reputation at risk. At the same time GuildHE does argue that the active market exists now and can be developed further to extend student choice and student opportunity.

---

<sup>1</sup> Universities UK, *The Impact of Universities on the UK Economy – 4th Report* (London, 2009), URL: <http://www.universitiesuk.ac.uk/Publications/Pages/ImpactOfUniversities4.aspx>

### 3. CORE IDEAS AND PRINCIPLES

3.1 There are key concepts which GuildHE sees as integral to the delivery of the HE ecology:

- **A concept of Fundamental Educational rights** – (the Robbins principle)
- **A concept of Public Benefit** – (the charitable purpose)
- **A concept of Fair Payment** – (payment by the beneficiaries and proportionality)
- **A concept of Fair Deal** – (student choice and a more active market)

3.2 From this revised funding and student finance system GuildHE seeks the following...

#### Outcomes:

- **Student opportunity** such that all with the capacity to benefit can do so according to their needs and their aspirations, throughout their lives
- **Student choice** such that there is HE available that caters for an individual's situation and aspiration
- **Diversity** in award/subject provision and in the kinds of HE provider institution to ensure varied learning environments across the UK
- **Academic quality** with excellence in the provision of teaching and research wherever it is found; with high threshold levels of teaching quality delivered by quality management, monitoring and enhancement through autonomous institutions
- **Academic standards** established, articulated, understood by the public and owned by the HE community of autonomous institutions
- **Beneficial impacts on society** such that HE
  - informs policy and behaviour including social cohesion and social mobility,
  - buys a steady competent workforce for public and private sector employers
  - and gives access to understandable and reliable information and data
- **Beneficial impacts on individuals** such that learning experiences create valuable personal transformation and enrichment, that parents wanting more for their children can see them supported and that young people and older have aspirations fulfilled.
- **Beneficial impacts on employers** such that they have access to a competent workforce and improvement for their staff, together with information/guidance and a good return on their corporate taxes.
- **Income generation** directly for UK plc from the HE services and learning experiences and the successful economic interventions from its diverse alumni
- **A fair price** for those individuals participating in HE, the State, employers and other stakeholders understanding the costs and sharing proportionately
- **The generation of sufficient funding** in the system so outcomes can be delivered at the required standard
- **Retrieval of our internationally competitive position** in relation to OECD competitors and our global position for HE work
- **A fair and affordable payment process** such that HE can be provided to students enabling their access to the learning experience – be that free at the point of delivery, be that on special terms of funding or on specific loan conditions



### 3.3 Key factors

The GuildHE proposals are based on the following assumptions:

- **Knowledge Economy** – the significance of the Knowledge Economy/Knowledge Society in 21<sup>st</sup> century – in the UK and globally – and the need for more and better educated people in the UK and abroad.
- **Value of human capital** – the need to maximise the number of individuals who can work in this Knowledge Society, producing the maximum human capital for a complex society in a challenging physical and financial environment.
- **Public benefit and public support** – the criticality and importance of public investment in HE proportionately alongside other private investment to secure effective educational outcomes for society and the economy.
- **Making a market** – the active presence of controlled market forces having a positive impact to aid student choice and student opportunity, give value for money, secure the UK HE Brand and respond to levels of demand. In such a market there is an acknowledgement of the HE Ecology and the interaction of FE with HE, of charitable and for-profit activity within and between institutions.
- **Quality thresholds and national standards of UK HE** – the defence of the UK HE as a strong brand and a high quality product with explicit standards which should be supported and guaranteed through effective self regulation and enhancement.
- **Paying for HE** – that alongside the State there is the student, the graduate and others who take up the HE learning experience who should be paying with the expectation that those who benefit should contribute proportionately. The UK and international employers benefit from the UK HE successes but the payment systems are more obscure and should also increase and be clearer.
- **Reducing waste** – a revised system being simpler and cheaper to operate so that costs can be smaller, proportionate to outcome and recognise waste of time as well as money.
- **Information** – the provision of useful, timely and informative material for those participating in the system as funders, providers, purchasers and co-producers.
- **Incremental change** – that to develop HE as such a complex and important part of UK Society without risk to its stability, change should be incremental, forceful, and geared to sustainability.

## 4 KEY FEATURES OF AN UPDATED SYSTEM

### 4.1 Features of a solution GuildHE supports



#### 4.1.1 Institutions

##### We should retain -

- i) The HE ecology – with a wide variety of independent and autonomous Institutions and organisations that can offer HE provision of varying subjects, levels and character. These institutions should be accorded parity of esteem for their work and the different parts they play in the whole HE sector.
- ii) The varying governance and constitutions – noting they are almost exclusively charitable bodies, trusts, organisations or companies set up for this purpose.
- iii) That they are approved for operation in the UK either via an approval / accrediting body<sup>(1)</sup> or by virtue of their constitutional history (e.g. Royal Charter, Act of Parliament, Privy Council, or, other Government Departmental arrangement).
- iv) Institutions make income from a variety of sources as well as those in the Funding and Student Finance System described – including fundraising, for profit work, investments etc.

##### We recommend -

- i) A “Charitable Regulator”<sup>(2)</sup> confirms approved institutions/organisations. Those approved can apply for receipt of public funding in different ways, some as public benefit institutions and others in a private mode of operation:
  - a. at institutional level;<sup>(3)</sup>
  - b. at course or programme level for learning and teaching delivery – *i.e. direct to public benefit institutions via block grant and in some cases to directly or indirectly to FE public benefit institutions, and indirectly to private institutions (which presently receive that income via franchises);*
  - c. for their students to have the right to apply for publicly organised loans – *i.e. for study in public and private institutions;*
  - d. for their students to have the right to apply for publicly funded bursaries or grants – *i.e. public institutions on basis of link to public benefit and public policy;*
  - e. for research associated work such as support for doctoral students, research assistants – *i.e. obligation on institutions opting for public approved status and participating in the Research Excellence Framework (REF);*<sup>(4)</sup>
  - f. for other public policy outcomes, such as widening participation, industry linkage, overseas liaison, promoting a sustainability agenda etc. – *i.e. obligation on approved public institutions.*
- ii) Private HE institutions should be able to gain approved institution status having achieved taught degree awarding powers and thereby have access to the national loans system for their students. Equally approved institutions could secure access to funding for teaching through franchised structures via another approved public institution and the same loan structures.

**Notes 1 & 2:** Quality Assurance Agency (QAA) and British Accreditation Council (BAC) for example are current “accrediting bodies” For information on the idea of a “Charitable Regulator” see section 4.1.9.

**Note 3:** Approved institutions can secure designation as public benefit institutions and as now receive public funding via direct block grant to aid with their teaching costs, and access the loan and support structures for students – in addition they commit to audit processes and engagement in policy initiatives funded as appropriate. In turn those institutions receive strong guarantees of institutional sustainability and in case of difficulty e.g. phased mitigation, access to Strategic Development Funds and Capital, support in risk situations. Most of those currently directly funded by HEFCE would be in this category.

**Note 4:** To develop research learning experiences for new generations of students wherever research excellence is found which are accessible under different modes of study for example development of part time research study and professional doctorates.



#### 4.1.2 Students and participants

##### **We should retain -**

- i) The position of Students as investors in HE – both as purchasers of the services/ resources from institutions and as themselves co-producers and partners in their learning communities. They seek and achieve personal transformation from the education process.
- ii) Their contribution of money in fees – in whole or in part – and controlled depending on the award level. This includes fees which relate proportionately to the cost of the course the student is taking and how far it is delivering public as against private benefit.
- iii) Extra support for students who are experiencing HE for the first time in their families, those who need financial support to underpin their chance for success due to disadvantage and others in disadvantaged circumstances who should receive the practical and financial support they need judged by centralised means testing.
- iv) Opportunity for approved students attending through an approved institution having access to loans from the “Education Bank”<sup>(1)</sup> and/or non repayable grants (currently via Student Loans Company) depending on the level of study, the subject of study and their means tested financial circumstances.
- v) For those students who do not have Home or EU residency qualifications, no cap on the fee that institutions can charge them but the right of the “Charity Regulator” to set a minimum fee for approved public benefit institutions (in recognition that such students may gain from publicly funded infrastructures).
- vi) Institutional scholarships for suitably qualified students including those who have particular financial need, noting that students can sometimes gain scholarships from the HE provider institution for a programme of study offered at full cost. The condition of whether to make a scholarship award, and how much to award, lies with the HE provider institution.

##### **We recommend -**

- i) Higher fees to be paid by students, in many cases through access to loans, with such fees being proportionate to the cost of the course they are taking and being charged in simple banding arrangements.
- ii) Extending the current position with those students approved to receive public funding (e.g. Home and EU), having a maximum levels for chargeable fees, to be set by the “Charity Regulator”.
- iii) Provision of student scholarships to be a condition of access to additional funding streams relating to full cost/unsupported provision at an approved public benefit institution (see also sections 4.1.4 iii and 4.1.9 ii).
- iv) The urgent implementation of plans to improve information, advice and guidance through which students – of all ages and needs – are able to make their own judgements and choose the higher educational opportunities that will suit them best.

**Note 1:** See 4.1.12 and 4.3.1 in relation to the role of the “Education Bank”. Normally “approved students” would be those who have Home or EU residency qualifications (and thus contribution has been made to the UK tax system).



#### 4.1.3 Graduates and alumni

##### *We should retain -*

- i) The expectation that those who have completed their learning experience in HE, having benefited, pay back a contribution to the cost of the education resources that were made available to them and thereby ensure that there are learning experiences for future generations to take up.
- ii) The ways that graduates and other alumni already pay back proportionately some funds through the tax system in accordance with their earnings to provide the State with income – some of which it spends on HE and the State should continue to do so to ensure public benefit now and for future generations.
- iii) The principle that graduates and alumni who have borrowed funding from the ‘Education Bank’ pay back those funds according to their income thresholds, their choice of loan repayment package including timescales.
- iv) The ways that graduates and alumni can support future generations of HE participants by investing in institutions, for example through fundraising.

##### *We recommend -*

- i) Future graduates should pay more for their HE learning experiences, based on the cost of their courses and their means tested income thresholds through the operation of higher interest rates with differentiated thresholds.
- ii) There should be options for early repayment offered to current and future holders of student loans.
- iii) The feasibility is explored of current holders of loans being asked to pay higher rates to cover cost the State now carries for its borrowing.



#### 4.1.4 Changes to capping mechanisms for student places

##### *We should retain -*

- i) The recognition of increased aspiration and attainments, and to continue to provide more opportunities in HE rather than excluding qualified highly motivated people.
- ii) Approved institutions, acting autonomously, being able to choose how they meet the market demand for study places to respond to all students who want a learning experience and are qualified to do so.<sup>(1)</sup>
- iii) Approved public benefit institutions being able to interact with the “Funding Council” to establish the block grant funding for numbers of students they wish to admit that are supported by the State and whose fees are regulated
- iv) The capacity for the State through the Funding Council to incentivise the market if there are particular policy drivers (e.g. widening access) or subject shortages (e.g. food technologists).
- v) The recognition of the aspiration and missions of HE providers enabling them to adapt and achieve their choice to consolidate or expand student numbers to respond to their mission and improve their sustainability.

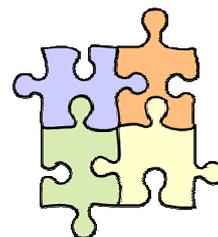
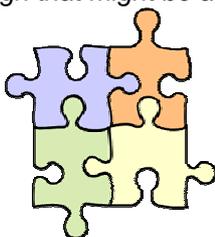
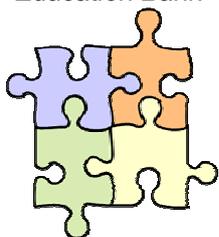
- vi) The capacity for all HE providers, including those specialist HEIs and FE Colleges delivering HE, to respond and engage with the high levels of student demand for the HE learning experience especially where it also delivers into areas of the economy and the research environments where more workers with high level skills are needed.

**We recommend -**

- i) The funding structure allows those who can afford to pay more of the cost to do so instead of the State, so that they do not take up an unfair share of limited public funds with the outcome that others who are qualified to take part in HE of taking part are excluded, permitting the balancing of demand and cap removal – as in ii) below.<sup>(2)</sup>
- ii) The removal of structures currently in place for penalty capping student of numbers used control the number of people with the right to have access to student grant support funding or loans.
- iii) HE institutions interact with “Charity Regulator” to establish the numbers of students from Home and EU they wish to admit as full cost provision that are not supported by the State – noting they are still subject to the maximum fee rates (see 4.1.9 ii).

**Note 1:** This also supports the public benefit of having a highly skilled workforce, which is a critical requirement of a knowledge economy – for example in land-based industries and creative industries at present.

**Note 2:** There is a return suggested to previous systems of means-testing although this recognises the disadvantage of treating adults as dependent on parents and that some parents may refuse to pay in accordance with means-tested positions. In these cases the student could reapply under this new “Education Bank” for higher loans although that might be at a higher rate.



#### 4.1.5 Variety of modes of study

**We should retain -**

- i) Mechanisms to support various modes of study including the range of increasingly innovative flexible and part time opportunities for study. These facilitate variations of “learning while earning” and “earning while learning”.<sup>(1)</sup>
- ii) Different ways of accessing HE with different intensities and formats fitting to the diversity of academic subject and learning outcomes and also student choice – some of these being best served by a “full time” engagement.
- iii) Different ways of accessing HE associated with different levels of input by the participant in terms of money, time, effort and energy, fitting the diversity of academic delivery and the provision of student choice.
- iv) Flexibility even though it may mean extra costs – contraction of time for study resulting in more intensive engagement doesn’t necessarily reduce the institutional costs of study – with this flexibility supported in approved public benefit institutions through initiative allocations.

**We recommend -**

- i) The funding system must be able to respond in a flexible way to encourage innovative teaching and while retaining stability through transitional periods ensuring ideas – such as funding by credit – can be tested and delivered if proved progressive (see 4.3.2).
- ii) The mechanisms of the national employment, welfare & benefit systems inform and respond to the development of the HE funding system in relation to modes of study or funding by credit – so that employment, welfare and benefit support does not run counter to teaching funding and student finance systems for those wishing to study at different paces and in different ways and with different personal circumstances.

**Note 1:** This recognises the development of professional skill within the learning experience and the value of the learning experience to those with their main focus on their work place. These are concepts of work/learning balance with the funding system being able to smooth student transition across this spectrum and respond to the formation of the knowledge and skills appropriate to different professions and practitionerships.

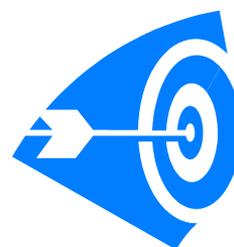
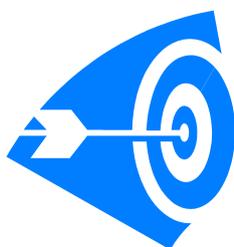
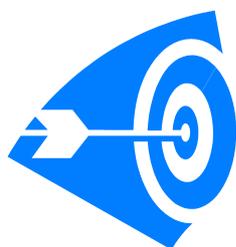
#### 4.1.6 Recognition and Quality Assurance bodies

##### **We should retain -**

- i) The overarching system of autonomous self regulation of the HE academic system covering all approved and accredited institutions i.e. private as well as public providers of HE.
- ii) The overarching quality assurance framework for HE within which all seeking public funding in any form must integrate i.e. there are agreed systems for academic standards. These mechanisms permit academic freedom, but produce a robust self regulating system to protect investor confidence and the UK HE brand.

##### **We recommend -**

- i) There is a recognition structure for institutions to permit access to different levels of public funding with different audit and control expectation.
- ii) The overarching self regulating system also supports the growth of high quality private (for profit and not-for-profit) approved HE providers and private fully funded places in other approved public benefit HE institutions with high quality thresholds operating within overall academic framework.
- iii) These processes also support growth of HE delivery in FE Colleges with high quality thresholds operating within national academic framework.
- iv) Improved student and stakeholder surveys and other feedback structures are used to inform the work of Quality Assurance bodies appropriately.
- v) Further attention is given, through autonomous institutions to prevention of student dropout/loss of investment, and quality issues linked to financial difficulty and lack of study flexibility.



#### 4.1.7 Funding to gain Public Benefit

##### **We should retain -**

- i) Ways for the State to invest in its chosen policy drivers, in people – for a well educated society – and in places – where the stimulus of education can support regional development, and in the range of subjects – including where there is a concern for retaining capacity in strategically important but vulnerable areas e.g. languages.<sup>(1)</sup>
- ii) Ways for the State to secure a future workforce for the country as a whole or for the particular part of the public sector for which a Government department is responsible – e.g. NHS for health service; Dept of Education for schools/social services.
- iii) Ways for the State to support the most financially needy or disadvantaged students through a non repayable grant system which supports those individuals who would otherwise be prevented from getting access to HE and developing their talent.
- iv) The range of institutions in the HE sector, and therefore the scope, character and geographical reach of the public benefit provided by the HE sector.
- v) HE properly underpinned by public investment from the State because HE is also a significant export earner in its own right with significant impact on public benefit – one which brings in business and prosperity trade to the UK regions, and a producer of

material purchased at home and also delivered abroad, with a highly valuable and recognisable brand and the associated public benefit of that for the reputation for the UK. (See also 4.1.15.)

**We recommend -**

- i) A “Charity Regulator” to aid the operation of the system and its public benefit activities.
- ii) A better bursary support system for students – so the mechanism to provide bursaries, as a redistribution of fee income, currently in operation through OFFA ‘s structures is altered, and replaced by a capitation mechanism to establish funding for a common national bursary fund to be used alongside non repayable grants.
- iii) A standard basic bursary contribution at a level agreed by the “Charity Regulator” to be levied from all approved public benefit institutions, based on student loading and fee income secured.
- iv) Changes made to the current VAT system, which in its present form discourages shared service efficiencies between HE providers and efficient use of public funds.

**Note 1:** Government departments able to use the levers through the Funding Council to engage with key policies where they can make use of the presence of approved public benefit institutions as vehicles for learning and knowledge.



#### 4.1.8 Funding to gain Private Benefit

**We should retain -**

- i) Ways for individuals and organisations to purchase access to HE provision and gain personal and profitable benefit from those learning experiences.
- ii) Home and EU students being supported to gain such personal transformations and benefit so that the learning experience can be free to them while they study (if they do not wish to pay straight away) through access to guaranteed loans albeit with differential rates so that entry is dependent on the capacity to succeed not the ability to pay.
- iii) Ways for HE institutions to secure more income to deliver HE resources, particularly learning experiences, beyond that which the State can afford to provide.
- iv) Ways that HE institutions are supported by public funding to secure private funding to gain more income via efficient borrowing, repayable grants, and fundraising.<sup>(1)</sup>
- v) HE Institutions able to offer places at full market cost without living cost support to students from overseas, recognising the significant advantages (short and longer term in economic, diplomatic and social contexts) to the UK secured from this work. To make this effective UKBA’s operation of visa systems must integrate successfully with this activity and important income stream.

**We recommend -**

- i) Institutions are permitted, through a new system supported by the “Charity Regulator” to offer an agreed number of places – at full cost and without living cost support – to students from Home and EU, on learning experiences delivered in approved public benefit institutions, for subjects in which there is market demand. This recognises that private approved institutions and accredited institutions already operate freely in these markets anyway.<sup>(2)</sup>

**Note 1:** It is also important to strike the right balance with fees: in terms of institutional fundraising, a potential risk of driving toward higher and higher fees is that people will feel less allegiance longer term and consider they have paid already for the service.

**Note 2:** If this idea was progressed it would need careful regulation to prevent unintended effects on widening participation including an institutional bidding process in which one success criteria was existing WP track record and scale of demand; a careful form of admissions to ensure entry on academic merit, access to institutional scholarships for the full amount of costs for some students e.g. first to go/lower socio-economic groups, and number of places should be carefully controlled. As a process, this is mainly designed to increase student choice and allow public and private institutions common access to student customers. A well monitored introduction and pilot might be useful for example on courses in fashion before a general delivery was created. Full-cost purchase for Home/EU students will, however, only add value to the HE funding system if it is included as additionality – not as substitution for existing funds.



#### 4.1.9 A 'Charitable Regulator'

**We recommend -**

- i) There is a revised structure for a "Charitable Regulator" which:
  - a. approves HE providing institutions as able to receive access to public funding in whatever form – full block grant to access for their students to public loans;
  - b. undertakes the previous OFFA functions of approving institutions to charge higher fees;
  - c. takes on the present HEFCE function to review of the charitable operation of some (but not all<sup>(1)</sup>) charitable providers of HE and delivery of public benefit as appropriate;
  - d. sets maximum fee rates in respective subject bands above which loans from the national system would not be available and above which public benefit institutions would not be able to charge fees nor those approved institutions operating privately who wished their student to have access to the national loan system;
  - e. sets income thresholds for loan repayment;
  - f. sets loan repayment rates;
  - g. establishes the criteria for eligibility for the national loan schemes.
- ii) The "Charitable Regulator" manages a new system for the approval of approved public benefit institutions to offer an agreed number of full cost places to the Home and EU market in the light of excess demand, track record on widening participation and provision of suitable institutional scholarships to ensure fair access.

**Note 1:** A number of charitable providers of HE are regulated directly by the Charities Commission, including some private providers as well some receiving direct HEFCE funding.



#### 4.1.10 A Funding Council

**We should retain -**

- i) A Funding Council:
  - a. whose core role is to distribute public investment in higher education from State sources;
  - b. which supports a number of approved public benefit HE institutions, that receive funding via a block grant system including capital support, to ensure they continue to deliver high quality HE and operate to support public benefit. In

calculating the block grant the Council uses estimates of costs to provide different levels of award, different learning experiences according to subject or mode of delivery;<sup>(1)</sup>

- c. which provides specific lines of funding to provide courses and programmes of study at other approved institutions outside the “block grant” system e.g. employer co-funded projects, to smaller FECs, to private HE providers (if necessary via franchising);<sup>(2)</sup>
- d. which provides specific lines of funding to achieve policy outcomes with relevant accountability, e.g.
  - to stimulate widening participation,
  - to create and maintain appropriate with others national infrastructures – e.g. Equality Challenge Unit/ International Unit /Europe Unit/ HE Academy
  - to develop business interaction, and
  - projects or pump priming to achieve institutional level change.
- ii) A Funding Council that facilitates continuity or changes to future public benefit priorities by supporting subject mix and using funding incentives to encourage particular priorities. Taking action to maintain balance, protect vulnerable provision and secure policy advantage is a therefore key role of the Funding Council.
- iii) A Funding Council that works with the autonomous HE sector to secure HE’s presence across the geographical spread of the UK and the academic spectrum of subjects.<sup>(3)</sup>
- iv) In relation to those it funds, the Council secures accountability through memoranda of agreement which recognise the different levels of access to funds, independence and outcomes.

**We recommend -**

- i) The review of teaching methodology presently being undertaken by the HEFCE, while being firmly anchored on subjects and relating costs of delivery to prices to be charged, also takes an institutional level perspective as well as a subject/course/programme perspective to engage with the provision of specialist HE, HE in FE, and private HE providers noting the validation relationships of many public benefit institutions and the funding context of franchised relationships.
- ii) The Funding Council undertake incremental changes in moving from the current arrangements. This maintains stability especially as the fee framework undertakes change as suggested, while the Funding Council is encouraged to find ways to incentivise innovative delivery, considering the implications of more credit-based funding.

**Note 1:** This largely describes the status quo but reaffirms the position of public benefit institutions eligible for block grant forms of support in a relationship of mutual trust with the State.

**Note 2:** This largely describes the status quo but seeks to recognise the difference in mutual obligation between the Funding Council and a public benefit institution (such as London Metropolitan University), a private charitable HE institution offering full cost and public funded places (HEFCE funds and fee loan/grant support) through franchised arrangements (such as the British School of Osteopathy), and a private charitable HE institution whose students might be approved for access to loans (such as Regent’s College, also located in London). Different choices for students, different institutional obligations to the State.

**Note 3:** Cold spot’ locations are seen as politically and economically undesirable, and HE through approved public benefit institutions aids regional development through its social and economic impact.



#### 4.1.11 Block Grant

##### We should retain -

- i) For those institutions in the group of HE providers who chose to take designation as public benefit institutions, there is a system of funding based on the block grant through which there are at the margins stimuli for change in a context that the vast majority of public funding is delivered through that block grant system which includes fair monitoring of delivery and audit of the spending.
- ii) The public benefit from the various forms of funding provided by the State through the Funding Council is achieved through institutional autonomy and significantly via the independence delivered through a block grant.<sup>(1)</sup> In particular this allows:
  - a. a secure source of supply for educational products which have long development cycles and need guarantees of ongoing delivery and completion for the student purchaser;
  - b. a secure source of supply for educational products which allow for flexibility and innovation at the same time as stability of delivery;
  - c. some guarantees for students by securing the continuity of an institutional level funding stream as against a student per capita stream that there is predictability in the source of supply and some expectation of HE delivered in an institution in their locality.

**Note 1:** As largely charitable institutions, including a number of registered charities, as well as those newly regulated via HEFCE, the receipt of public funding is a way of delivering their pre-existing public benefit obligations for education. While operating in a business- like manner and to support public policy objectives, the majority of HE provider institutions are in neither the commercial sector nor the public sector but straddle both - delivering mission critical benefits to both and society in general.



#### 4.1.12 An “Education Bank”

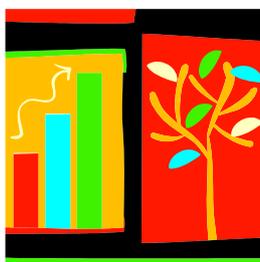
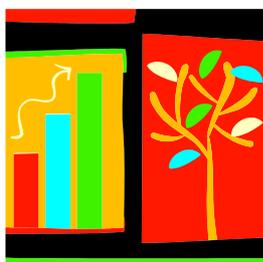
##### We recommend -

- i) A new organisation – the “Education Bank” – is created with a wider remit than the current Student Loans Company – to operate a combined grant making, bursary/ allowance giving and loan making system more effectively and more economically.<sup>(1)</sup>
- ii) The “Education Bank” operates a process of means-testing to establish access to grants, allowances, and loans based on rules established by the “Charity Regulator”. Such a system is based on personal and family income with appropriate access to tax information and mechanisms to judge thresholds of earnings.
- iii) The “Education Bank” operates an integrated data collection process with UCAS, Tax authorities and the approved HE institutions.
- iv) The “Education Bank” pays all financial aid (grants/loans) to individuals in monthly instalments through BACS.

- v) The “Education Bank” operates like a credit union in the third sector on a not for profit basis and as a shared service with a strong HE presence as well as financial expertise to ensure good customer service.
- vi) The “Education Bank” funds a central core grant and bursary system for students based on Home and EU numbers with a basic levy/capitation collection process from participating approved institutions.<sup>(2)</sup>
- vii) An opportunity for more guaranteed access to non profit loan funding so that students can avoid expensive debt and are steered away from the high interest rates charged by credit card companies and unscrupulous loan sharks.

**Note 1:** See section 4.3.1. Many of these recommendations are not really new as they reflect the planned operation of the SLC/SFE. The capacity of the HE sector to work together in terms of large scale investment and in terms of service sharing is possible culturally, as a consequences of many national level bodies such as UCAS, QAA etc but it may need the kinds of inventive mutuality securable through an “Education Bank” rather than sticks and carrots of multiple initiatives driven from the State. See also VAT issues on shared services section 4.1.7 (recommendation iv).

**Note 2:** The national bursary structure possibly organised via a per capita levy on institutions similar to current subscriptions to UCAS.



#### 4.1.13 Fees capped and uncapped

##### We should retain -

- i) Fees are paid by the students taking a learning experience (as a course, programme, module, credit etc) or paid on their behalf in whole or part by a sponsor such as a parent, an employer, or on behalf of a prospective employer e.g. NHS or by the “Education Bank” through a non repayable grant.
- ii) Fees are paid which can be settled immediately with a discount for prompt payment, paid on a short term or longer term deferred basis with interest charged by the “Education Bank” or by the institution, or by a third party under a different loan arrangement.
- iii) Fee levels are set within a range, with an upper limit which can be guaranteed by a loan from the national loan system to cover all fee payments.
- iv) Fees for a part of a programme are proportionate to the whole to enable the treatment of all students (including those taking parts of a programme, credits leading to an award or those repeating, or on a slower pace, or sampling part of a course through credits), to be on equal footing terms of planning and projection.<sup>(1)</sup>

##### We recommend -

- i) Fee levels for learning experiences at undergraduate and sub-degree are considered by the “Charity Regulator” and a maximum level is identified and a price band established in relation to costs – of subjects and of delivery character – in response to the developing system but from an understanding of general expectations of the differential costs by subject which would secure the high threshold on quality necessary to maintain the UK HE brand.
- ii) Fees are proportionate to the cost of the learning experience (for example subjects such as medicine/health related study or art and design may need access to different resources depending on the character of the course), and in some cases fees may recognise levels of competition for entry – e.g. through discount or bursary the lack of it and need for incentives or through a price agreed with the “Charity Regulator” partly linked to the high demand for the programme.<sup>(2)</sup>

**Note 1:** Presently institutions are also permitted to charge a proportionate fee to those learning part time but the lack of loans for such students means most are unable to do so especially for those repeating study, or changing circumstances. The part time activity in many HEIs at present is not seen to cover costs, and if it was further cross-subsidised within stronger credit based funding models without proportionate fee income arrangements, it could damage full time work and institutional stability. It is also recognised that some subjects and some levels of study are better fitted than others for “off site” or different paced modes of delivery.

**Note 2:** Presently fees and negotiated contracts (e.g. NHS) for many postgraduate and part time programmes can seek to reflect this cost/price relationship but there is presently a standard fee for all programmes which means proportionately the State funds much more of the resources for those in some HEFCE price bands than others.



#### 4.1.14 Loans and other sources of student financing

##### We should retain -

- i) The loan system to enable students to borrow funds and have access to a mix of non-repayable grants and loans to cover fees for the learning experience and, as necessary, their living costs.
- ii) The loan system offering a full loan to those from poorer backgrounds and a lower proportion of loan to those whose family income is above higher threshold levels.
- iii) Access to loans is dependent on enrolment processes securing a place at an approved institution with this facility available to all approved students.
- iv) Loans have an income threshold at which repayment is initiated.

##### We recommend -

- i) The opportunity for all who have purchased a learning experience at an approved institution (public or private) to take out a loan to allow them to study. This is available to all modes of study by approved students.
- ii) There is opportunity for institutions, outside the loan and student support systems to provide scholarship support from to institutional income especially as derived from fundraising and past endowments or agreed full cost/unsupported provision.
- iii) Loan rates should be reviewed and set in relation to rates at which the state can buy money which it then lends (the RAB rate).
- iv) Loans to students are not subsidized but charged at fair market rates. The rates are set by the “Charity Regulator” and can relate to income thresholds.<sup>(1)</sup>
- v) The amount of the loan made available covers the whole cost of the fee being charged, and the maximum identified for support – the individual can choose how much to borrow, up that maximum.
- vi) The maximum amount of the loan for maintenance support is set by the ‘Charity Regulator’ at a fair sum to cover genuine living costs to reduce need to access other unscrupulous or expensive loans sources for lack of fair alternatives.
- vii) The loan system offers an improved mechanism for postgraduate students to borrow funding.<sup>(2)</sup>
- viii) The loan system offers an improved mechanism for part-time students to borrow funding, so that HE approved institutions could charge a proportionate part time fee.

- ix) There is an increase the extent of means testing within the loan system to reduce current benefits of access and subsidy to those who can afford to pay more including changing the loan repayment or access thresholds.
- x) Using the “Charity Regulator” to set thresholds – for loan rates, for access to loans, for repayment timetables.
- xi) An incentive is provided for early repayment of loans in the first years after course completion.
- xii) The loan is paid back in full over time up to the normal retirement age. There are faster repayment expectations and/or higher interest payments in relation to the increases in an individual’s income and/or the kinds of learning experience (e.g. undergraduate or postgraduate) to which the loan relates.
- xiii) The repayment system more effectively retrieves debt from all students, including those based outside the UK tax system.

**Note 1:** Differential rates could be charged for those above different income thresholds this could change during the loan period and could give incentive for early repayment. Different learning experiences could be incentivised with different rates, for example UG part time compared to PG full time.

**Note 2:** Although the existing small range of “career development” loans is important, the currently higher cost of postgraduate study means we are beginning to see a new “glass ceiling” segregating those who can privately fund their study after first degree graduation, and those who cannot. At the same time many more WP students have completed a first degree with support and cannot progress further in their profession, others carrying undergraduate debt are not able to access other commercial sources.



#### 4.1.15 Internationalisation and funding streams

##### We should retain -

- i) The comparison of UK HE State funding with that of OECD partners to ensure the UK retains its status as a global HE provider – not least because of the significance of this work to the UK regional economies.
- ii) The presence of international students charged at full economic cost (often also with access to appropriate scholarship schemes) for programmes of study in approved institutions. This activity provides an internationalised experience of HE for all students as appropriate to institutional mission – and as a result also creates alternative funding streams for institutions as part of a balanced portfolio in most cases underpinned by public funding.
- iii) The presence of EU students charged in terms of EU rules and protocols, with appropriate access to support. This provides an internationalised experience for all students as appropriate to institutional mission.
- iv) The full engagement of UK HEIs with the Bologna process to ensure that EU student participation is fair and equitable including reciprocal funding and debt recovery arrangements.
- v) The access to EU funding streams to support student opportunity.

##### We recommend –

- i) The increased access to international sources of funding and income to UK plc, while protecting the UK HE brand, by allowing access to the title of “University” for those approved institutions with taught degree awarding powers



#### 4.1.16 Employers and contributions to HE funding

##### **We should retain -**

- i) The employer contribution, paying fees or commissioning directly HE provision.
- ii) Opportunities for employers to academically accredit their internal programmes through approved HE institutions.
- iii) Fairly-funded opportunities for innovative collaborative curriculum development between the HE sector and the range of employers.<sup>(1)</sup>

##### **We recommend –**

- i) Continuing pressure on the employer community to recognise that the HE sector must cover its costs and that public benefit institutions are funded to provide accessibility but not free or highly subsidised educational products or learning experiences.<sup>(2)</sup>
- ii) Continuing encouragement on employers to fulfil their own corporate responsibility obligations and take part in the community focussed aspects of HE provision including participation in the HE sector in such areas as:
  - a. HE governance – through which external financial expertise can be brought to bear on HE institution’s funding strategies;
  - b. Student placement and internships – through which in kind support can be provided giving both fair wages to students as they progress their study and work based opportunity to ensure they can develop their skills and educational formation for their chosen professions as graduates;
  - c. In-kind provision – through which HE institutions can develop the resources effectively and economically that they can provide for their students to access.
- iii) Seeking further ways to support work based learning and entrepreneurship especially in those areas where a large number of students go on to run their own SME or have sole trader or portfolio careers.

**Note 1:** *Although employers may view their corporation tax as their contribution to provide public benefit, if levels of public funding must be limited, then the preference would be to move away from incentivising employer co-funding before moving funds out of areas of direct immediate impact on students and their learning experience.*

**Note 2:** *Few ideas have come forward to find ways for employers to contribute more, but despite arguments that corporation tax provides their share they are viewed as a missing stakeholder in the funding system and highlighted previously in the Dearing Report.*

## 4.2 Features of a solution GuildHE does not wish to see



### 4.2.1 *There should be no financial restriction on developing talent*

- i) Poorer students should not be prevented from gaining access to any course which they otherwise have the capacity to follow academically.
- ii) There is no US style cohort balancing in admissions decision making, and fee discounting between richer and poorer payers, with a consequence of increased administrative structures and costs within institutions.
- iii) The burden of means testing is not placed on the institutions nor is there local operation of a complex national bursary system resulting in unfair distribution of support to those in need.
- iv) In improving funding for students studying part time or those learning more flexibly – which may well aid opportunities for developing talent – this should not be made in ways which risk the stability of full time funding and its capacity to support academic delivery which needs intensive face to face learning or which provides for widening participation.
- v) Staged changes should create transition towards preferred outcomes on smoothing the differentiation between current “full” and “part-time” study which recognise how many of those unable to follow full time options are older learners and those who had missed earlier learning opportunities

### 4.2.2 *There should not be an entirely uncapped system for fees*

- i) A fully uncapped system should not be introduced at this stage as it would risk destabilisation of institutions given unknown market elasticity in such a large area of the public benefit institutions as the undergraduate provision. This is especially so with poorly informed purchasers due to current IAG structures. It also might potentially give exposure to the operation of cartels which would be illegal.

### 4.2.3 *No mechanism should create more unlevel playing fields in the HE ecology*

- i) Stratified hierarchies of institutions should not be a consequence of the reform. GuildHE rejects funding modes which enshrine extra funding in terms of institutional longevity or historic brand or other forms not linked to subject and academic performance. .
- ii) Differences in fee pricing between institutions, which covers fees that the State would fund, should be based on delivery costs and subject related criteria not to purchase the goodwill value of an institution’s “brand name”. There should be common levels of teaching income to approved public benefit institutions and clearer and more formal articulation of the relationship between ‘difference’ in programme character and type of provision, and ‘proportionality’ in cost of study to provide students with a fair assessment of what they are buying into with each different course and institution.
- iii) Proxy measuring of HE quality – e.g. via entry qualifications, mix of degree classifications, should not be used to deliver funding for teaching.

### 4.2.4 *There should not be a system based on a Graduate tax*

- i) The lack of a suitable solution for tax hypothecation has prevented GuildHE proposing a system based on a graduate tax. In addition the income graduated tax scheme itself gives recognition to the financial success achieved by some – but not all – graduates. There are graduate professions with low salary profiles and high job satisfaction.
- ii) GuildHE appreciates the NUS argument that payment should relate to the consequences of benefits gained from the educational experience as much as its cost and therefore future earnings is a fairer source of measure of benefit. This argument supports the continuing delivery back to the HE sector through State funding of the contributions made by previous generations of graduates now paying higher taxes.

#### **4.2.5 There should not be a system based on a student learning voucher nor a connection of fees with supposed earnings**

- i) GuildHE is not convinced by the suggestion of a student voucher scheme –
  - a. It is not clear how vouchers could be compatible with a block grant structure.
  - b. It would have the capacity to destabilise the system if that was the sole funding route in a fee/voucher structure.
- ii) It can be argued that if taken alongside the block grant structures, the fee payment system is itself a form of voucher scheme for undergraduate study since students are free to be able to apply for funding – either via a loan or grant – to cover their fees.
- iii) Connecting the fee level or a fee voucher with a salary related factor is also unacceptable – e.g. seeking to differentiate fees on the basis of future earning power.<sup>(1)</sup> GuildHE sees this as too speculative and believes the normal tax system adequately recognises differential graduate earnings. We remain convinced that the funding for the State’s main contribution for academic provision should remain negotiated with the institutions through the medium of the “Funding Council” and moderated by the “Charity Regulator” to protect student purchasers.

**Note 1:** *If the example of Law was used, not all lawyers gain high salary posts and it would be unfair to have differential fees on that expectation. A format that would have differentially-priced vouchers such that the State was intervening to manipulate the demand mechanism is also rejected given the necessary lead-in times and stability issues. Given students will pay back any borrowings as graduates and any non repayable grants are provided in suitable means-tested fashion, they should have choice of provision but their investment protected. We do not think a voucher system could give those guarantees.*

### **4.3 Features of a solution GuildHE asks to have explored further**

#### **4.3.1 The Education Bank**

GuildHE is interested in the development of the idea of a mutual bank, a form of credit union or kind of building society (to invest in “talent building” as against bricks and mortar). There are other examples in the charitable sector of complex ventures on a not-for-profit basis and the HE sector has good experience of shared services such as UCAS and the QAA. These have provided models of effective shared service activity for especially for process-driven activity critical to the public good of the students and their HE providers. We would like to see an exploration of the current loan book being held by the State transferred to a non profit making organisation rather than being sold at discount or with “sweeteners” to a commercial source. We think there could be innovative options around those who might on principle be interested in investing in such an “Education Bank”. Such an organisation might also be able to lend to HE institutions for estates and capital projects including “surplus” generating activity such as student living accommodation. It might also allow for a mechanism to encourage greater employer participation if they were encouraged to become investors in such a not for profit bank.

#### **4.3.2 Methodology for funding teaching**

The HEFCE is consulting on its teaching funding methodology and GuildHE is interested in supporting the development of more innovative part time learning experiences which could respond to future student demand, perhaps giving more stimulus to adult learning and the widening of opportunities. GuildHE would support further analysis of the effects of systems of funding looking at student credit with a more graded profile rather than the current more sharply defined concept of full and part time.

#### **4.3.3 Interaction of state benefit system**

The ways through which “students” are dealt with in the State benefits system administered by the Department of Work and Pensions e.g. on unemployment, disability, income support etc. which interact and sometimes counteract the objectives of the development of skills and work related success. In particular how these system mitigate against operation of improved educational flexibility in terms of “full” or “part” time study.

## 5. RESPONSES TO REVIEW CRITERIA AND QUESTIONS



### 5.1 Sustainability

#### *1. In light of short term pressures and longer term trends, how do your proposals for reform ensure the sustainability of the HE system as a whole?*

- Our proposal seeks to view HE as a holistic ecology and to recognise all the different types of provider currently of higher education including HE in FE, private providers, research and teaching led and specialist and unique institutions, and to acknowledge how the different parts interact with and depend on the effective operation of the others;
- We look to secure more income for those delivering (at a fair price) compared to costs for those paying (e.g. student payers/taxpayers);
- We encourage those who can afford to pay to do so with less call on public support;
- We maintain the trajectory of increasing opportunity and attainment in the UK populace by providing funding sources for those seeking social mobility;
- We take the relevant parts of the US system, but avoid its wholesale import and thus avoid those parts not in keeping with our system;
- We seek to maintain a public grant that is stable and that guarantees institutional viability.

#### **GuildHE therefore RECOMMENDS that –**

- **Income to the HE sector is increased to permit the diversity of provision – local, subject, form and pace – needed for future learners to be secure;**
- **This additional income should be drawn in greater measure from wealthier participants during or after their studies as well as from the State.**



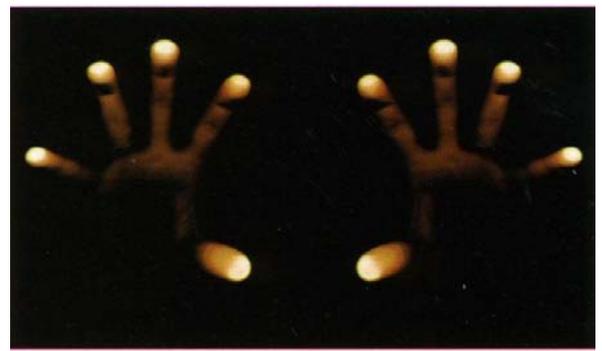
## 5.2 Quality, Efficiency and Innovation

### *2. What type of mechanism should be used to drive up quality, efficiency and innovation in the UK HE system, and what metrics should be used to assess quality improvements?*

- We are well aware of the dangers of being, or appearing to be, complacent about the quality of the UK HE system. We are also aware that we cannot, and should not, rely on market forces as an indicator nor a driver of quality;
- But likewise we would not want to assume there is a fundamental problem in terms of quality. There is real evidence – from review and audit reports, from commissioned enquiries and from surveys – that quality and standards overall remain high within UK HE;
- Where there are areas for improvement, these are being addressed and will continue to be so, through the ongoing work on revising the quality assurance arrangements, on the confirming the academic infrastructure and framework that underpins quality and standards, and on the information set available to the public;
- We are confident that the work currently in hand will deliver appropriate safeguards to give security to students and stakeholders alike. The challenge will be to maintain existing levels of quality in a period of severe financial stringency, to allow for continuing innovation in delivery and to ensure the systems in place can apply across the diverse providers of higher education as appropriate;
- Fair funding and sound financial systems for providers will have a key part to play in enabling ongoing quality, efficiency and innovation. The principles of better regulation will help in underpinning the drive towards efficiency – but effective use of resources includes not measuring for measuring's sake and not creating 'competitions' for funds in which there are a small number of 'winners' but many more 'losers' in terms of time, effort and money;
- In practical terms, efficiency could be significantly aided by a boost to the development of shared service and collaboration through the removal of VAT constraints;
- Funding mechanisms which are based on units of resource, such as academic credit blocks have also a role to play in encouraging new ways of learning.

### **GuildHE therefore RECOMMENDS that –**

- **Some improvements to the current system are desirable, building on revisions currently in train and the existing structures;**
- **Simple metrics of proxies for quality are unlikely to be satisfactory diverting resources without increased benefit and focus continued on effective direct engagement through self regulatory processes.**



## 5.3 Participation and Fair access

### 3. *What type/s of participation will be important to incentivise in future, and how should this be achieved without compromising quality and sustainability?*

- There is currently demand for higher education and there is need for better educated population, so the key driver should be to have increase opportunities;
- However, those who are able to do so should pay more so that others can benefit from public support;
- We recommend providing a support mechanism that will be accessible to students in varied modes of study, in a variety of types of learning experience, and in a variety of types of institution;
- We recommend enabling support to increase UK participation in postgraduate study and do this through different forms of flexible learning;
- People should have more choice of higher education provider, pace of study and delivery, recognising that different subjects will operate in different ways.

#### **GuildHE therefore RECOMMENDS that –**

- **Access to Higher Education is promoted, with loans at more commercial rates to ensure costs of quality provision are covered and available to more people;**
- **People make their own informed choices on their preferred learning experiences and modes, with the block grant structures being retained within public benefit HE institutions, encouraging innovative forms of delivery, perhaps via funding credits.**

### 4. *How would fair access be promoted and enforced in the HE system you propose?*

- In our proposal HE is free at the point of entry for those unable to pay up front, with some scholarship access for those taking up full cost options;
- More understandable information on the options on payment and on study opportunities would promote access and would assist in students making the best choice for their needs;
- The role of the “Charity Regulator” would be a powerful driver to measure the levels of success and commitment to fair access and incentivising any full cost places in terms of track record on widening participation;
- Generating more income to HE institutions from those able to pay for HE will mean more people can be admitted;
- Parts of the payment are proportional to benefit gained after graduation encouraging all to take up the HE opportunity if they have the attainment levels for entry.

#### **GuildHE therefore RECOMMENDS that –**

- **Institutions are freer to admit students including via bidding;**
- **Quality processes monitor achievement;**
- **A national bursary/grant scheme is in place.**

## ANNEX 1 FURTHER DETAILED EXPLANATIONS

1. The Review team has identified a number of aspects they see interacting in relation to the creation of a proposed system and GuildHE agrees. The following notes amplify and give further explanation on the main proposals.

### 2 HEFCE Role, OFFA role and “Charitable Regulator”

2.1. In the proposal there is a “Funding Council” and a “Charity Regulator”. The majority of these functions are presently undertaken by HEFCE and OFFA – i.e.

- distribution of State funding for teaching,
- distribution of State funding to support institutional sustainability and long term investments e.g. capital, Strategic Development funds,
- a bursary structure,
- institutional approval to charge higher fees, monitoring,
- monitoring of public benefit and probity on behalf the Charity Commission
- audit of use of public funds for public benefit

2.2 A new solution could see a redistribution of duties or a single body but with more explicit “Chinese Walls” between the functions. The GuildHE position would be continuing support for an independent body between the institutions and the State which carries the capacity to engage with all those providing higher education in the UK and those with bases here. A key role of both functions is to secure public benefit. The mechanisms which secure the continuity and strength of the HE ecology with its diverse institutions often need to be handled with discretion and care. This has been a clear strength of the existing HEFCE arrangements. GuildHE’s proposed extension of the regulatory role is into the private HE domain in so far as a private institution would seek access to the publicly structured loan system and “ Educational Bank” and authority to operate as an HE provider in the UK. In these ways to good name of the UK brand can be defended.

2.3 Fundamentally, however, the quality of provision is guaranteed by the self regulating mechanism in the academic community within each HE provider. This creates both controls and enhancement within an HE ecology. These processes sit alongside the charitable purposes of many HE providers. Counterbalancing their processes of mutual support, sharper market forces would prevent information sharing and oversight of product development through course and programme validation. It is this system which safeguards the UK HE quality and standards environment and that allow it and should continue to allow it to operate so effectively and efficiently and keeping its place in the global markets. Some of the current “rules” are established through legislation, some through agreed practices. In taking up forms of public funding approved institutions are committing to be subject to and contribute to this national quality assurance system.

### 3 Public Benefit and Public funding

3.1 It can be argued that HEIs are delivering their charitable obligation to deliver public benefit by accepting public money and engaging with the State’s policy agendas – all could choose not to do so. In this context HE is not part of the public sector even though its receipt of fees, Funding Council grant support, present loan subsidy, capital and initiative funds as well as research make the State – through all its Government Departments and NDPBs – its most significant stakeholder and funder.

3.2 We understand the State’s objective as economic and social – to maximise the skills and competence in the workforce at any time and ensure its sustainability for the future to ensure the prosperity of UK plc. The well educated community is more tolerant, cohesive and better capable of responding positively to its environment and to change. Graduates appear to live healthier, happier and longer lives and for the most part earn more than the non graduate. The Higher Education providers are the levers and drivers to implement these policy objectives and in taking public funds accept those expectations on delivery which correlate to their own institutional objectives. The present block grant system mediated by subtle HEFCE engagement is a success both for institutional sustainability and to give the State guarantees of secure value for money in its longer term investments. These structures give long term leverage and continuity which would be lost both to the State as well as institutions through looser voucher systems.

3.3 The State can compare its investment in HE with that of its OECD partners, and GuildHE would urge the continuing recognition that HE is a key solution to economic and social issues and that its fair

continuing proportion of public funding should be secured to maintain the UK's global position. This allows the State to address issues such as higher education "cold spots" including urban and rural deprivation, give stimulus to regional economies. The effective publicly funded presence of HE brings inward investment and supports local businesses. In terms of subjects delivered in HE, public support secures a spread across time – moderating otherwise problematic fluctuations in interest and demand. It allows so called "vulnerable" subjects to be identified and interest stimulated or supported through fallow periods to keep a continuity of supply – e.g. languages, aspects of STEM.

**3.4** There are arguments about matching; in that adequate provision of State funds can then elicit other matched support – for example for fundraising. Without that core State investment, borrowing for large scale projects can also be difficult. It should not be forgotten how significant an earner for the UK as shown in Universities UK studies including the one cited in section 2.

## **4 Student Finance System**

### **4.1 Current unsustainable mechanism and Loan rates**

There is a dilemma presently in terms of the relative generosity in current rates for loans for those who do not need that benefit and the slow return rate of student borrowing with its impact on Treasury funds in the context of a growing demand. This has constrained student numbers. If through a more means-tested structure for access to loans, and encouragement to pay back early, those who could afford to pay could do so, the funding could be recycled more quickly and more people have access to opportunity. This could affect thresholds as well as rates and in both there could a graded scale which might change over time as the individual who had borrowed crossed higher income thresholds. The system would incentivise repayment without disincentivising those on more limited means being able to spread their investment over time.

### **4.2 Loan guarantees**

GuildHE recognises that one of the injustices in the present system is the contrast between arrangements for full time study and that for part time study. A centrally organised extension to the loan structure to make it available to part time student on undergraduate and sub degree programmes and also to provide a similar opportunity for postgraduate students would allow greater opportunity. For many on professional programmes salary increases allowing them to pay back loans can come through after they have furthered their career success, but the upfront costs prevent that opportunity. For students needing to move in an out of full time study the mismatch of support prevents flexibility and means institutions often have to subsidise part time students with lower fees, compared to the levels of an institution's public funding. This coupled with the extra administrative costs prevent institutions progressing the development of more opportunities for part time study. This structure would include means-testing but would give loan access on the basis of having gained a place. For those students who wanted to take up what could be described as a "full cost/unsupported" place institutional scholarship places would need to be set up.

### **4.3 Money in the Student pocket**

GuildHE is keen to see the responsible use of income and loans by students.

- We have supported the Money Doctor project and would like to see students having monthly payments via BACS transfer to create a situation more akin to salary payment and encourage a sense of professionalism.
- This would prevent the current "feast or famine" situation in which students are often placed. Students who find themselves needing to pay off high debt and working inappropriately during their studies have often taken had to take out other more commercial loans (including credit card and sometimes from loan shark sources).
- In fact the amounts publicly available for some from richer environments are a source of cheap money and for others from poorer homes still insufficient to cover their genuine living costs given rising costs of student accommodation.
- For these reasons we would look for the upper level of maintenance loan available to be higher, perhaps nearer £5,000.

## **5. Cap on numbers**

**5.1** GuildHE supports expansion and ways being found to lift the cap on numbers, for the public benefit of having a highly skilled workforce, which for a knowledge economy is critical.

- Arguments which support an active market conveyed in some parts of Government are countered by these other forms of constraint.
- Presently private HE institutions can respond to demand although under more cost constraint due to the cap on fees; but publicly funded institutions are at present circumscribed in their capacity to

respond to demand either from students or from other sponsors or stakeholders at undergraduate level.

- The present numbers cap is also extremely difficult to operate in conjunction with other controls such as the HEFCE contract range and for a number of institutions the demands are mutually contradictory.
- The student geared admissions system in the complex market of HE, with the 5 concurrent choices means that achieving some of the precision expected is counter-productive.
- This restriction prevents institutions concerned expanding as they want to improve their sustainability and delivery into areas of the economy where more workers with high level skills are needed.

### **5.2 Sub degree HE provision and FE delivering HE**

There is also appetite in many HE providers, including those specialist HEIs and FE Colleges delivering HE, to support the high levels of student demand for sub degree work – including 1 and 2 year programmes, those more professionally or practically geared – such as Foundation degrees, HNDs, as well as those taking professionally accredited awards.

- Some GuildHE members see market differentiation between FE and HE, with FE taking up further capacity to deliver more HE.
- It is clear that in some subject areas and professionally geared programmes FE has quality resources with a capacity and competence to deliver more effectively for some subjects and programmes and attract more of a local market.
- It is not helpful to colleges, given the pressure of funding within FE, for HE to be differentially priced forcing them to operate in a lower price range, given also existing franchise deals which may not be especially advantageous to the Colleges concerned.
- For those arguing for market differentiation and if there is competition for students, programmes delivered at a lower price in an FEC may create more of a market. However with high demand and a student centred approach, it is not clear why good HE provision based in an FEC should be cut price – its qualities, student support and student learning experience may be different, but given its student intake, may be more not less expensive to deliver
- Market pressure can operate counter-intuitively with customers questioning why a particular course is cheaper and the legitimate expectation that there is a link between cost and resources made available.
- High thresholds expected of HE wherever delivered, including in FE college still requires research-informed and scholarly teaching and while research is not a driver in many FE College environments for those specialist FEC's and large mixed economy providers there is a close relationship to the respective research communities in partner institutions.
- HE financing can also learn from FE practices – there have been salutary somewhat negative experiences in FE of the ineffectiveness and counter productiveness of the contestability mechanisms used in their past in contrast with the successful block grant processes.

### **5.3 Full cost purchase**

Questions have been asked whether on some programmes full cost places should be available to Home/EU students, i.e. they would pay on similar terms to overseas students and be no burden on the State for living support nor fees.

- GuildHE has been exploring how fair admissions practice could be established in these cases within the UK system and the structure would be hard to manage.
- On grounds of student choice and equitable treatment with overseas students, there is some support within GuildHE for this position as well as some members with concern for the public benefit arguments that argue this could be damagingly divisive in the context of Widening Participation.
- These ideas could provide a mechanism for expansion. This would also enable institutions to achieve certain valid strategic targets that, as a by-product of the current Home/EU fee-caps, are currently restricted – for example, allowing HEIs seeking to achieve University title to reach the threshold of 4,000 FTE students.
- A form of “*needs blind process*” would be required to ensure parity in terms of academic entry levels.
- It is clear the private HE providers will be keen to respond with full cost places – a position GuildHE would also support to extend student choice. However we cannot see why that student opportunity should not be made available in approved public benefit institutions as well. This would also ensure student choice, and in Undergraduate programmes as well as Postgraduate study asis currently the case.
- It may mean some popular programmes in popular institutions attract full cost applicants, but by judicious use of the mechanisms of the “Charity Regulator” to require proof of widening participation success, this could be used as lever for change, provided it is managed steadily and carefully.

## 6 Cap on fees

**6.1** The arguments for capping relate as much to deep-seated concerns about the level of student debt that individuals can be expected to afford as to ensuring system stability for institutions in the fluctuations that would be generated by instigating too major a change to the core undergraduate business that sustains most public benefit HE institutions. While the demand is strong, price elasticity is unclear – as has been demonstrated in material produced by the Institute of Fiscal Studies.<sup>2</sup> It is also clear that higher fees would bring higher expectations from students.

The decision on fee levels must have regard to ways it can be secured politically as well as the level itself. This is another reason for its removal to a more independent body such as the “Charity Regulator”. A likely compromise could be a capped fee in the range £5000 to £7000 depending on subject band at least initially allowing the “Charity Regulator” scope for future movement. However the actual fee amount may still be less than accommodation/ living costs for students which may be up to £7,000 per year.

**6.2** In looking at having a fair division of cost informing fee levels and ensuring suitable access to resources, there does seem some legitimacy of differential caps relating to subject banding – matching A/B/C/D price groups used in the current funding methodology. This could be adapted also in the future as subject deliveries changed or new areas developed. Some subjects at present legitimately cross these price bands. Some more vulnerable subjects could need protection and a Funding Council intervention to prevent their loss – and prevent so called “market failure” and a less regulated market create more “vulnerable subjects” as institutions responded to demand. Once differentiation of fees was established it seems likely that institutions might opt to charge different prices for different subjects anyway and the idea of uniform pricing may not be sustainable.

**6.3** More problematically an argument of differential caps is also put forward in relation to higher fees chargeable by certain cachet/popular institutions. This “goodwill” charge or “purchasing a peer group” approach to fees and student finance is not supported by GuildHE and we would strongly oppose this kind of differential. It would also be better to have single clear prices rather than complex invisible discounting processes often associated with high fees and complicated local bursaries.

## 7 Market behaviour

**7.1** The extent to which a cap is raised or fees are uncapped, it is argued, will encourage the creation (or not) of a market in courses. It is often assumed that a market will act to improve the quality of what is provided, because as poor products will not be bought, but this may not be a solid position given the character of the HE product, the co-producer purchaser and the delivery time. HE is not frequently bought, nor does the student purchase a similar item twice. Therefore in the context of the UK HE brand, the presence of poor quality or failure in academic standards is not acceptable.

- Some of the thinking may also have been based on an assumption that there was an over-supply of HE places as demographic decline occurred. In a situation where there is more competition for places it may be that there is greater capacity for those more popular places and subjects to make higher charges – this does not provide additional public benefit however.
- Fee increases are likely to see a student/sponsor expectation of improvement in ‘quality’ which given the current measures for maintaining quality is in danger of driving HE evaluation towards a set of strategic priorities that potentially neglect the wide range of quality assurance undertakings and regulations that have already been implemented within the sector and have externally-recognised value.

**7.2** GuildHE recognises that forms of market already operate in HE. We have confidence in many of the aspects of a market function and that it could play a stronger role. These market features are especially critical in terms of the range of student choice and opportunity.

- Those who argue for a more active market are not always describing the same thing and many want it to deliver very different outcomes. There is an active HE market now and it is complex as HE providers are competing for their student “customers” and the students are competing for their preferred HE provider institution.
- There is already a financial context of the affordability of opportunities near and far from home.
- There is already the use of the entry qualification as a form of currency used by participants as a way to “pay” for entry and for institutions to control access to the learning experiences they offer.
- There is already a powerful and global market in relation to overseas students coming to study in the UK.

---

<sup>2</sup> See <http://www.ifs.org.uk/publications/4837> esp. section 4.3.

- There is a significant and perhaps under exploited market in the professional CPD and postgraduate context where the private HE sector is also strong.

GuildHE would argue that no market is unregulated. A mechanism of regulation and recognition ensures that buyers know they are dealing with reputable suppliers and we propose a number of actions that a possible “Charity Regulator” would undertake to assist this market operation.

### **7.3 Market elasticity**

There are different predictions of market elasticity if fees change and modelling is highly speculative.

- Some think that if the fee and full time living cost goes too high some students may opt for part time alternatives in order to reduce their prospective debt burden. This behaviour would potentially be stimulated further if there are forms of similar opportunity for loans/support for part time study.
- With total costs of over £30,000 in prospect, it is also not clear whether there is a threshold fee-level at which, despite loan opportunity, the middle to lower income group will be put off taking up the HE opportunity. At the lowest end, the grant support should mean there is no disincentive to participation, but only if that covers all costs and there is successful communication about fees, funding and bursaries on which there is poor track record. Clearly without help fee rises will restrict range of opportunity for some people.
- In a context of current high demand, it seems likely that it will be the ways and places that HE is accessed, not necessarily the fact of accessing it, that the stronger market will provoke.
- It may be that students will start to look elsewhere in Europe to study on courses taught in English or to Anglophone countries such as the USA, Canada, Australia.
- Depending on the market behaviour and price elasticity the “Charity Regulator” could take action to move the boundaries of the fee position.
- It would be especially troublesome to have created bad market conditions and institutional destabilization, where good quality HE is lost by financial accident.
- Given this lack of modelling and the impossibility of establishing some “pilot” process, it is with some unease that GuildHE has made proposals for a range of fee-cap and the scale of change is deliberately limited.

## **8 Investment in Flexibility**

**8.1** The acquisition of expertise delivered by many subjects in HE often needs face to face interaction and physical resources. Skills of back manipulation, animal husbandry, stage management, ceramics, cello playing, giving safe injections, playground discipline etc. cannot be gained without presence in work (or simulated work) environments. This requires intensive periods of student engagement and the past structures of full time study serve students well to gain the competences required from novice levels on entry. It can also be argued that other subjects also benefit significantly from the engagement on site with peer groups as well and interaction with other scholars and teachers.

**8.2** The key feature which GuildHE members would argue makes the difference in HE is the expectation for self development and personal transformation – the student as co-producer. This context makes the issue of student choice in terms of where and how they study especially important in terms of the availability of diverse solutions that support different disciplines and professions. The past funding methods, welfare benefit structures and data collection processes have not supported easily those who did not wish to study degree and sub degrees full time. They also have created difficult environments for those needing to change the rate, coverage, location and timing of their studies.

**8.3** If the same availability to loan funding on acceptable terms was available to part time students it is possible it would affect the numbers willing to take out larger loans in order to study full time. This might mean people previously unable to take part in HE because they couldn’t take up full time study mid career would do so or it could provoke some of those currently in full time mode to change. Bursaries would continue to have validity to support WP and prevent drop out and academic waste as a result of financial hardship. Making the welfare context for those designated as “students” would also be valuable and tracking by credit might aid some aspects of administration but make some of the spurious analysis of drop out, course completion and retention ineffective.

## **Picture acknowledgements -**

### **Page 2**

**Plymouth College of Art – Graphics Studio  
University of Worcester – ceramic pots**

### **Page 4**

**University College Plymouth St Mark & St John –  
graduates**

### **Page 6**

**Bishop Grosseteste University College Lincoln –  
computer room  
University of Cumbria – student nurses practicing**

### **Page 7**

**Ravensbourne College of Design & Communication  
– new campus at the 02, London**

### **Page 8**

**York St John University – students dancing  
Rose Bruford College – students on stage**

### **Page 9**

**University College Plymouth St Mark & St John –  
graduates and mortar boards**

### **Page 17**

**University College Plymouth St Mark & St John –  
calendar  
University of Worcester – MARRC cameras  
<http://www.marrc.co.uk/>**

### **Page 18**

**University College Falmouth – BA Hons Digital  
Animation - students working in the digital stop  
frame animation facility  
Newman University College – students and body  
pod**

### **Page 20**

**University College Birmingham – chef cutting**

### **Page 22**

**Writtle College – student & conservation  
York St John University – Students & early College  
buildings**

### **Page 23**

**Newman University College – student teacher  
University for the Creative Arts – coat hanger stool**

### **Page 24**

**St Mary's University College Twickenham –  
athletics track  
Rose Bruford College – hands in the dark**

**For further information about GuildHE  
and its members:**

**call us on 020 7387 7711**

**e-mail us at [info@guildhe.ac.uk](mailto:info@guildhe.ac.uk)**

**visit our website [www.guildhe.ac.uk](http://www.guildhe.ac.uk)**

**or write to us at:**

**GuildHE  
Woburn House  
20 Tavistock Square  
London WC1H 9HB  
UK**

The Arts University College Bournemouth  
Bishop Grosseteste University College, Lincoln  
Buckinghamshire New University  
Harper Adams University College  
Leeds Trinity University College  
Liverpool Institute for Performing Arts (LIPA)  
Newman University College, Birmingham  
Norwich University College of Arts  
Ravensbourne College of Design and Communication  
Rose Buford College  
Royal Agricultural College  
St Mary's University College, Twickenham  
University College Birmingham  
University College Falmouth incorporating Dartington College of Arts  
University College Plymouth St Mark & St John  
University of Cumbria  
University for the Creative Arts  
University of Winchester  
University of Worcester  
Writtle College  
York St John University  
- Associate members:  
American Intercontinental University  
Anglo European College of Chiropractic  
Bradford College  
British School of Osteopathy  
Leeds College of Art & Design  
Glyndŵr University  
Plymouth College of Art & Design  
Regent's College  
Tavistock & Portman Trust

Distinction and Diversity  
in Higher Education

**GuildHE**