

# HEFCE consultation on student number controls and teaching funding for 2013-14 and beyond

## – response from GuildHE

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### Part 1: Student number control and teaching funding: policy, priorities and principles

**1. We have proposed a set of principles (listed in paragraph 94) to inform our approach. Do you agree with the principles we have outlined?**

#### *GuildHE response:*

Higher education in England is a national and international success story. We feel that any principles which guide HEFCE's approach to funding and managing sector numbers should reflect this. The sector has an excellent record of supporting economic growth and delivering skills to key industrial sectors (see for example Universities UK's report *Driving Economic Growth*, 2011). Despite intense competition for graduate-level jobs, graduates are still more likely to be employed than non-graduates – often significantly more so in depressed areas. HE also plays a deep cultural role in our society – it delivers significant cultural capital and opportunity for individuals, provides diversity of choice, plays an important role in promoting social mobility, and transforms lives.

#### *Supporting Government priorities for HE funding:*

This consultation is taking place in the midst of wide-ranging upheaval and uncertainty around the future shape of higher education provision and participation. HEFCE's principles (paragraph 94) will broadly support a well-managed transition while emphasising the Government's priorities (set out in paragraph 88) – supporting strategically important sectors, providing support to ensure that HE remains open to students regardless of background, recognising high costs of provision and the value of specialist providers, protecting postgraduate provision, and supporting costs associated with the transition.

#### *Supporting wider national priorities – the value of HE:*

We also accept the need to manage within the overall funding envelope (paragraph 91), and recognise HEFCE is tasked with reducing the risk of over-recruitment.

However, this must be linked to the wider picture beyond the HE sector. Prospects for economic growth in the medium term are being revised downwards, and there may be further pressures to cut funding or student numbers in the years ahead. In this context the role of higher education becomes even more important. HE is part of the solution to economic difficulties – helping to grow the economy and the national tax base, to enhance individual employability prospects and the national skills-base, to reduce the burden on the welfare system, to build the nation's cultural capital and transform individual lives.

We therefore applaud HEFCE's recognition of priorities beyond cost-control, and encourage a long-term and holistic approach to the value of HE. Sacrificing parts of the HE system to short-term cost-cutting considerations will have consequences that range well beyond the sector and affect the fabric of society and economic progress.

*Balancing priorities:*

We support HEFCE's emphasis (both in its Strategy and in the present consultation) on promoting the student interest, supporting a well-managed transition, respecting institutional autonomy, recognising interdependencies and ensuring a fair settlement for institutions. HEFCE will need to consider these priorities together as it seeks to strike a balance between promoting competition, and promoting student opportunity and safeguarding quality.

*Promoting and supporting diversity:*

In addition, we call on HEFCE to continue to explicitly recognise the value of diversity in the English HE system. This is compatible with its plans to take a "comprehensive view of the HE system" (paragraph 93), and with Government policies aimed at driving up choice and opportunity. Diversity is a long-standing strength of English HE which increases student choice and opportunity, and we strongly support the recognition given by Government and HEFCE to the valuable role of small and specialist providers in the wider HE ecosystem. Many small and specialist institutions have strong links in local communities.

If pressures should arise in the longer term we call on HEFCE to look closely at the risks to national prosperity of sacrificing support for this diversity. As lead regulator, HEFCE should keep Government fully informed of those risks and of HE's wider social impact.

It will be important to continue to monitor and support diversity in the student population as well, if the opportunities that HE provides are to remain available to all types of students with a range of backgrounds and needs. We strongly welcome the continuation of support for providing opportunity for students to participate in higher education regardless of background. As the recent letter from BIS to HEFCE and OFFA acknowledged, the sector has made good progress in this area and, although demand for 2012 entry appears to be holding up, maintaining momentum in participation is a critical challenge for the new funding arrangements and is recognised as a top priority by Government.

Going forward, HEFCE will need to consider carefully what the "collective" student interest is, how its duty to promote and protect this interacts with the needs of individual students, and how the Student Number Controls interact with the interests of students.

We welcome the inclusion of support for and monitoring of postgraduate provision. Postgraduate study provides important skills and routes into professions. Risks around future progression to postgraduate study will need to be monitored over (and beyond) the coming student lifecycle, and the best way of allaying risks about postgraduate fee elasticity would be to provide a sustainable system of loans for postgraduate students.

*Competition and choice – student number control mechanisms:*

We agree with the broad aims of supporting greater choice of mode and flexibility of study. This compliments the general shift towards enhancing competition, helps foster employer-engagement, and allows the system to follow student demand.

However, now that there is more clarity about the competitive mechanisms (ABB+ and core/margin) for 2013-14, it is clear there are still no mechanisms that allow growth in certain types of institution, even where they have high demand. HEFCE must take account of this as it balances competing interests. We welcome the continuation of the opt-out for specialist Creative providers, but we note there are other high-cost specialists who do not benefit from

the opt-out, and that for some generalist providers, opportunities for growth in certain high cost subjects is still restricted.

Therefore we encourage HEFCE to continue working with BIS and the sector to develop a more holistic approach to controlling numbers which allows popular institutions to expand while controlling overall costs and supporting strategic areas of provision. More should be done to support and promote flexible provision with more innovative number controls. This will help to avoid unintended instability in key areas of the HE sector; to ensure a good deal for students; and in linking up with other strands of Government HE policy, for example around innovation or employer engagement.

*Monitoring and supporting vulnerabilities:*

We support the continued monitoring of vulnerabilities by HEFCE and broadly support the approach HEFCE is taking. It would be helpful if HEFCE could provide more clarity on how its longer term approach to vulnerabilities will operate.

HEFCE must play an important role in promoting a balanced approach to encouraging participation, and to addressing unintended consequences across the diversity of the sector and the student body. This will need to be balanced against HEFCE's priority of promoting competition.

Some vulnerabilities may not yet be visible and may be an unintended consequence of new HE policy – for example a potential decline in demand for Arts, Humanities or Social Science subjects, given the heightened emphasis on financial 'return on investment' in information-provision and the absence of discourse about the wider benefits of HE.

*Beyond 2013-14:*

The proposals in this consultation may need to be reviewed again if the settlement for higher education changes. It is possible that Government priorities may change in the near future: no Higher Education Bill has emerged, and BIS has still not responded to the White Paper consultation. We welcome HEFCE's efforts to ensure a smooth transition to the new arrangements, but we also observe that the current consultation is likely to have a short lifespan. We call on HEFCE to provide clarity around this when it responds to the consultation.

Furthermore, we note the absence of Government policy around how HEFCE will be required to interact with private providers. We note that private providers remain outside the student number controls although some designated courses have access to public funds.

*Payment profile:*

Finally, we agree with the proposal to continue the profile of payments as currently. We note that Student Loans Company (SLC) payments are still not aligned to HEFCE payments and the SLC profile is unhelpful to institutions – particularly where there is a significant drop in HEFCE teaching funding. Delivering funding through block grant allows for the effective use of funds by institutions, and recognises institutional autonomy. Block grant funding should be maintained.

**2. Do you have any comments on the impacts, positive or negative, that the proposals in this consultation might have on equality and diversity?**

*GuildHE response:*

The strong concerns about negative equality and diversity impacts which we outlined in response to last year's HEFCE number control consultation, also apply to the arrangements for 2013-14 and beyond. We make some specific comments below.

*Importance of monitoring participation:*

We welcome the confirmation in this week's letter from BIS to HEFCE and OFFA that spending on access will be higher in 2012-13 than it was in 2009-10, and we welcome Government's continued interest in access and opportunity in HE. Continued financial support for, and monitoring of, participation will be critical in the coming years, as applicant behaviour adjusts to the higher fee regime.

However, the net impact of the HE reforms could be instability for students – with greater impact on some groups of students than others.

*Impact of ABB+ and core/margin:*

The recent announcement confirming that the competitive mechanisms for controlling student numbers in 2013-14 will take the same overall form as last year but with no controls on ABB students and with 5,000 core/margin places, means that less traditional groups risk being disadvantaged again, with potentially major negative equality and diversity implications.

Government promised to progressively free up student numbers, but other than for the highest achievers, there is no sign of freedom from number controls to support student choice. Evidence demonstrates differentials across schools in different localities, in terms of the number of learners achieving the highest grades at A-level.

Therefore opportunities to attend a wide range of institutions for capable but less high-achieving students – more of whom come from groups which are traditionally less likely to enter HE – may decrease further as a result of freeing up a much larger number of high-achieving students as the threshold moves from AAB to ABB. This problem will be particularly acute if the new policy further squeezes numbers at institutions that do well in widening participation but attract applicants with less high levels of pre-HE attainment. This is very significant as these students have the potential to gain the most from HE. The controls will create a 'two-tier' HE system which will not encourage participation from those whom HE could benefit most.

We also support HEFCE's proposal to free up progression for top-up students (our response to Question 4 below makes clear the links to equality of opportunity). More generally, with reference to our responses to Question 3 below, we note that the system for controlling numbers currently mitigates against students transferring. The overall effect of these inflexibilities may have Equality & Diversity implications and does not support progression or retention.

Overall, the number control policies are highly likely to affect momentum in widening access and will not help social mobility or economic rebalancing. We still do not know how students and careers advisers will understand the changes – especially those most at risk with least access to effective IAG.

The system may encourage some institutions to provide incentives to high-achieving applicants to boost recruitment of uncontrolled numbers – absorbing bursary or fee-waiver funding that would otherwise be delivered to non ABB applicants.

*Impact of graduate debt:*

Alongside higher fees and loans for HE, students may in future be able to take out an FE loan to cover their FE study. This may affect sensitivity to taking on further debt after FE. It would be useful to monitor the impact of the new systems on the views of FE students on progression to higher study.

Progression to postgraduate study is also – rightly – a priority for HEFCE and Government. Here we would note that the impact of debt built up at undergraduate level is likely to have Equality and Diversity dimensions.

*Encouraging progression – consider how ABB policy could help:*

It is very important that the ABB equivalences list supports all subjects and a wide range of routes into HE. Developments in pre-HE learning mean many learners will apply to HE with mixed qualifications. These have been encouraged at pre-HE level and can support the raising of aspiration for HE study among those who are traditionally less likely to apply. While we recognise HEFCE's need to identify a manageable number of students who will benefit from the ABB+ policy, HEFCE should also seek to support as far as possible the full diversity of students.

We suggest this will require HEFCE to reconsider the proposal not to allow mixed qualifications in the equivalences. This will be all the more important with the move from AAB/equivalent to ABB/equivalent, as the latter group may be more likely to have a mix of qualifications. In particular, those entering degree-level study as mature students may be more likely to fall into this category, where they have taken one or more A-levels to supplement previously-obtained qualifications. A refusal to give those with mixed qualifications the same consideration as those with a single set of qualifications, may therefore discriminate against specific groups of students.

Students applying for some subject areas may also be more likely to enter HE with a mixture of qualifications. Overall we argue that HEFCE must do more to accommodate these differentials in the interest of Equality and Diversity.

## **Part 2: Student number controls**

**3. Do you agree with our proposal to continue from 2013-14 to control the numbers of students starting HEFCE-fundable full-time undergraduate and PGCE study at each provider? If you disagree with this proposal, what alternative approach would you suggest?**

*GuildHE response:*

We broadly agree with the proposal.

*Consistency across the system:*

We note that Government policy on student numbers has not been joined up across Departments, and that there remain important inconsistencies in how HEFCE, the Student Loans Company and the Teaching Agency count students. This creates significant inefficiency and uncertainty. Where unnecessary barriers are placed in the way of transfer between programmes, this has a direct impact on students and on retention. We feel

strongly that this consultation presents an opportunity to urgently consider a more holistic approach, and to introduce greater consistency across Regulations.

We would welcome HEFCE engaging the sector when considering this issue – we note that this issue could be usefully discussed with the Higher Education Better Regulation Group.

*Recycling numbers:*

There are a number of different silos of student numbers (e.g. core/margin numbers) and it is possible that some number allocations may go unfilled. GuildHE would argue strongly that these places should be recycled into the sector. There is still strong demand from students despite the increase in fees, and it would be a missed opportunity for supporting the UK's economic and skills growth, social mobility, and raising social capital, if these places disappeared back into Treasury.

We also note that HEFCE propose to continue to protect some 'core' numbers for the most selective institutions, as in 2012-13, once again citing the link to supporting fair access and contextual admissions. We set out our support for HEFCE's approach to Student Opportunity in Question 14 below. Here we note that this core protection offers a further route through which institutions with large numbers of high-achieving students can grow their cohort of access students. HEFCE will need to think about how these places link to progress against access and widening participation targets. If these places remain unfilled, student opportunity could be supported by recycling these numbers to institutions with high demand from students less likely to participate in HE.

**4. Do you have any views on steps we might take to exclude from the controlled population students topping up to honours degrees from Level 5 qualifications such as foundation degrees, HNDs and DipHEs, but in ways which do not create a significant risk of unplanned student support costs?**

*GuildHE response:*

Top-up students represent a distinctive progression route to degree level. The way they are currently controlled creates a financial disincentive for institutions to take top-up students and we welcome HEFCE re-looking at the controls. Often top-up students represent less traditional HE entrants, and there is an argument for parity with high-achieving students who are being progressively freed from controls – particularly as Government has declared itself committed to student choice, progression, local study, and to HE taught in FECs.

There is therefore a logical argument for removing disincentives around supporting progression and increasing student choice. Our discussions with institutions across the sector suggest that the numbers involved would be small, so the risk to the loan book is low – especially as, by definition, these programmes are limited in duration.

So as to allow for currency of prior studies, a 'pool' of eligible students could be identified with progression occurring within a time-frame for progression of at least 2 or 3 years.

While there is a particular argument for honouring the commitments given to Foundation Degree students to progress and have flexibility for the future, we would not want to differentiate between students on Foundation Degrees or HND programmes. These students tend to have the same kind of background and the same expectations. The overall numbers

involved are relatively small and there will be a net positive impact on students and institutions.

There is a link to existing policy supporting progression in the Benchmark Statement on Foundation Degree provision, and this may also help guide HEFCE on the length of eligible top-up programmes.

To implement changes, we suggest HEFCE review the wording defining the student number control population. Simple changes to this should ensure that students are not confined to topping up at the same institution.

As the numbers are likely to be small, we would hope it is not necessary to implement reductions to the number controls. However, if this is really felt necessary in order to protect other routes into HE, we assume only institutions with relevant programmes would be affected.

Overall, HEFCE should look to remove disincentives, but should also look to avoid creating new ones. A simple and low-burden solution should be sought, which is compatible with existing methods of counting and controlling students and which helps identify a recognisable population of students. Current systems for managing applications from top-up students work well and should be retained.

Our understanding, set out in our response to Question 1 above, is that the proposals in this consultation are likely to be revisited in the light of a future Government Spending Review or change of government. If necessary, it would be possible to review the position on top-up students at that stage but we see the proposal to free up top-up progression as relatively low risk, given the limited size of the potential population for progression from Foundation Degree and HND, as well as the limited length of the top-up programme.

**5. Do you agree that we should consider making adjustments to providers' number controls, where necessary, to take account of changes in their average course duration?**

*GuildHE response:*

There are valid reasons for courses having different lengths and we would support HEFCE's proposal provided it reflects this. The policy will need to be implemented with appropriate flexibility, so as not to stifle innovation or restrict institutions' development, and it will need to be consistent with institutional autonomy and student demand.

Course length should be designed to meet specific legitimate needs that are academic, employer- or employability-related, or that apply to specific types of students – not to meet narrow cost-saving priorities. Sandwich courses, and overseas language study, are examples of courses we would not wish to see disadvantaged during a period when encouraging skills-development and economic growth remain key problems for the UK.

Further thinking will be required if part-time courses come under future number controls and were to be integrated into this proposal.

Some courses have clearly defined progression routes into postgraduate study which deliver public and individual benefit. HEFCE should take care to ensure that these routes are not adversely affected.

There could be a danger of creating perverse incentives to offer intensive provision where it is not appropriate. While students (and frequently employers) can benefit from courses of varied duration, including intensive provision, current development of two-year courses has not been prolific and demand for these courses remains limited.

We also note that private providers will continue to have more flexibility to innovate outside the number controls, and may reduce the scope for intensive provision in the controlled HE sector. We feel this anomaly should be addressed.

## **6. Do you agree with the proposed criteria for determining equivalent entry qualification and grade combinations?**

### *GuildHE response:*

HEFCE will need to ensure a broad range of high-achieving students can benefit from the policy. It may be necessary to expand the range of equivalences to support this.

Consistency with the UCAS tariff will be an important aspect of setting equivalences.

We strongly encourage HEFCE to continue to work closely with Government on the possible unintended consequences of the ABB+ policy. The stakes are extremely high given the fixed envelope of funding for HE, and consideration must be given to ensuring an appropriate balance between opportunities for students from different backgrounds, and the need to close potential loopholes that may be exploited by changes to recruitment behaviour if the equivalences are not set carefully.

We are particularly concerned to ensure that the equivalences will provide appropriate encouragement for vocational pathways into HE.

We suggest HEFCE will need to reconsider the proposal not to allow mixed qualifications in the equivalences. This will be all the more important with the move from AAB/equivalent to ABB/equivalent, as the latter group may be more likely to have a mix of qualifications. Developments in pre-HE learning, and the diversification of the HE student body, mean that many applicants will apply to HE with mixed qualifications. A mixture may have been encouraged at pre-HE level, and can support the raising of aspiration for HE study among those who are traditionally less likely to apply. Mature students may be likely to apply with mixed qualifications, having taken one or more A-levels to supplement previously-obtained qualifications (as mentioned in our response to Question 2 above). Therefore while we recognise HEFCE's need to identify a manageable number of students who will benefit from the ABB+ policy, HEFCE should also seek to support as far as possible the full diversity of students.

Students applying for some subject areas may also be more likely to enter HE with a mixture of qualifications. Overall we argue that HEFCE must do more to support these differentials. A refusal to give those with mixed qualifications the same consideration as those with a single set of qualifications may discriminate against specific groups of students.

We would also highlight, as we did in detail in our response to HEFCE's previous consultation last autumn, that many institutions – in particular specialists in key sectors such as Creative Art & Design and the Land-based sector – do not admit students on the basis of grades alone. We welcome the opt-out for specialists in the Creative sector, but we note that the policy continues to create difficulties for many providers.

We encourage HEFCE to consider how the ABB+ policy and equivalences could interact with contextual data for admissions.

Finally we note that the policy for freeing ABB students from entry controls has already been announced and although HEFCE has said decisions will be announced in July, institutions would benefit from early indications about equivalences.

### **Part 3: Proposals for funding teaching from 2013-14 onwards**

#### ***High-cost subjects***

#### **7. Do you have any comments about our proposed approach to supporting high-cost subjects?**

##### *GuildHE response:*

We welcome HEFCE supporting high-cost subjects. We welcome the recognition of the need to support higher costs for subjects in Price Group C1. This funding will help to maintain the diversity of higher education, including where student number controls threaten to squeeze specialist institutions or subjects deemed to be of strategic importance.

However, we are concerned by the approach to those subjects that previously straddled price groups – Media Studies and Sports Science. HEFCE's proposed approach does not reflect this cross-banding, and courses in these subjects which have genuinely higher costs will actually lose out from the proposed changes. This could significantly damage key areas of provision or high-cost specialist providers whose viring opportunities are limited. We therefore question HEFCE's move away from the original bandings, and note that it is at odds with the principle of supporting higher costs of delivery where they are found.

Addressing concerns about future SIVS policy (to which HEFCE also refers) is also important, and we note that Government also recognises these concerns and should continue to do so, particularly for key growth sectors such as the Land-Based sector and the Creative sector.

#### **8. Do you agree that we should provide funding support for postgraduate provision including for price group C, as a transitional approach together with further development of the evidence base for future investment?**

##### *GuildHE response:*

We welcome the new approach based on risks around future postgraduate demand. Support for postgraduate provision is rightly a Government priority and helps deliver key high-level skills and progression into professions. It is sensible not to assume future fee elasticity for postgraduate students. Public discourse around the new fee regime suggests student nervousness about debt is increasing and should be monitored as future student cohorts progress through their undergraduate studies.

We agree with the need outlined in paragraph 194 to support a smooth transition and to protect choice and opportunity for students from different backgrounds to enter postgraduate study. We would add to this the value of postgraduate study in enhancing employability and life prospects for all students.

Sensitivity to the disproportionate and wider risk to subjects where postgraduate study is an established route into a profession, is also sensible – given especially the potential wider risk to economic growth and the implications for social mobility. We note that there are similar vocational pathways at Undergraduate level where similar considerations should also be made.

**9. Do you have any comments about our proposal to use an approach based on TRAC(T) – with modifications – to inform our development of the future funding method for high-cost subjects?**

*GuildHE response:*

We broadly agree with this proposal but we note that no alternative has been proposed in the consultation.

We note the current review of TRAC(T) which presents the opportunity to review all aspects of cost together, and we hope that the review will deliver confidence in the granular use of TRAC going forward, provided there is adequate consultation with the sector. With reference to our comment under Question 7 about subjects which straddle current Price Groups, it may be harder to capture high or differential costs in some subjects and we expect the review will consider this.

It is important that HEFCE considers the wider societal benefit of HE providers' activities, when thinking about cost and return on public investment.

***Flexible learning: part-time and alternative modes of study***

**10. Do you have any comments on our proposal to provide an allocation for part-time undergraduate provision from 2013-14 which for new-regime students will only apply if they are in high-cost subjects?**

*GuildHE response:*

We agree with HEFCE's general approach to and considerations around part-time allocations given the increased tuition fee and fee-support that will be available to students under the new student finance regime. We outlined above our argument for supporting high delivery costs, and believe this is also valid for part-time delivery.

However, we would question whether the case for restricting support to high-cost subjects has been made sufficiently in the consultation. We do not yet know what impact of new part-time fee loans will have on part-time demand or fee elasticity, and we note that the £40m part-time widening access uplift is also being removed. We do not know of plans to control the number of part-time students. There may be cause to support part-time provision more generally as well as in proportion to subject cost, for example if other cost and retention-based imperatives emerge.

**11. Are there other innovative types of flexible provision that might warrant funding to widen the choices students have as to where, when and how they study, given the overall limited resource and the many priorities competing for it?**

*GuildHE response:*

We agree with HEFCE's broad aims of supporting greater choice of mode and flexibility of study. Although Government has declared its desire to enhance flexible study, particularly part-time study, there has been slower development of policies to support this ambition. This is a missed opportunity, given the economic and social value and of flexible learning which enhances student choice, employability and skills-development, and access to higher education for students with diverse needs. GuildHE welcomes HEFCE's lead in this area.

Above we have questioned whether the case for restricting support to specific types of provision has been made sufficiently in the consultation. Accelerated or part-time provision may not be appropriate for all students. There may be issues of equality and diversity around the options available to students, and further flexible options should be supported. Funding to support growth of mixed-mode study, for example, would help boost its development, supporting students whose needs change while they are studying, and support retention.

*Monitoring flexible provision:*

As part of its monitoring of provision, HEFCE should monitor the types of flexible provision offered, their availability, demand and vulnerability, and their role in promoting a diverse and flexible HE system which is responsive to the wider needs of society and to the demands of students. Dynamism in provision and flexible options for students is currently an active area of Government policy.

*Articulation with other funding and number controls:*

We would encourage HEFCE to consider how its approach to supporting flexible provision might articulate with other areas of HEFCE's funding and number control policies, including competition around fee-levels.

In particular, we ask HEFCE to further explore the scope for flexibility around credit-based funding. This would help students return to study where they are not able or do not need to embark on a long-term HE commitment. There could also be advantages for managing student numbers.

***Allocation to recognise costs of London providers***

**12. Do you agree with our proposed approach to contribute to the additional costs of operating for London-based providers?**

*GuildHE response:*

Institutions will have views of the value of this funding. We expect that this stream of funding may be particularly vulnerable to being absorbed back into Treasury rather than recycled into other HEFCE streams, if the decision was made to discontinue support for London providers.

***Student Opportunity***

**13. Do you have any comments on our proposal that the role of HEFCE funding for student opportunity should be to enable providers to underpin their continued commitment to widening participation and student retention and success and to contribute to further national progress on social mobility?**

*GuildHE response:*

Higher education plays an indispensable role in delivering public benefit through providing opportunities for individuals across society, promoting social mobility and transforming the life-chances of students from disadvantaged backgrounds. This has been a huge success story, with significant improvement in recent years (see for example HEFCE's work on *Trends in Young Participation*, 2010). It must be a priority in an inclusive, student-centred HE system.

*Link to Government priorities:*

We strongly welcome the inclusion of student opportunity as a strategic priority for HEFCE and note the link to Government priorities around social mobility, social capital, and enhancing skills and employability for individuals regardless of background. Higher education is part of the solution to these ambitions.

*Importance of funding to support student opportunity:*

Funding will be crucial to HE's continued provision of student opportunity, ensuring positive outcomes for individuals who participate in HE, and thereby sustaining HE's contribution to the well-being of society and individuals.

HEFCE's funding is important as it plays a different role from spending under OFFA access agreements; the role of HEFCE funding is critical and it is not in the national or the collective student interest to treat it as an easy target for further cuts. Additional costs are often incurred around teaching and learning for more vulnerable groups of students. Funding that has a positive impact on supporting student achievement and opportunity is essential to social mobility priorities.

*Going forward, continued need to protect students less likely to participate:*

As mentioned above, good progress has been made in widening participation in recent years and funding support to maintain momentum is also crucial. It is still too early to tell who will actually enrol in September 2012. There is encouraging evidence of continued high application rates, but there has been a drop in mature applicants, and it is not yet clear whether students that are traditionally less likely to participate in HE will be deterred by the new funding arrangements. Further pressures on student numbers will increase competition for places and could threaten the rate of entry of vulnerable students or students from disadvantaged social groups.

It is essential that HEFCE continues to recognise the high costs of retaining vulnerable students.

HEFCE and Government have also included progression to postgraduate study as a priority and HEFCE should consider this priority alongside the parallel emphasis on providing opportunities for students regardless of background.

*Other comments on HEFCE's approach:*

We agree with HEFCE's aim of supporting individual providers as well as supporting further national progress. A flexible approach to selecting outcomes, as outlined in the consultation, is key. All institutions will have different parameters and specific aims relevant to their students. But GuildHE also believes all HE providers in receipt of public funding must aim to

promote student opportunity. This supports choice for all students, irrespective of their situation, location, or ambitions from HE.

Institutions that do well in widening participation and providing student opportunity will benefit from the proposals. We support this, as it recognises their contribution to public benefit and social mobility, and supports their continued progress in these areas.

**14. Do you agree with our funding method for the Student Opportunity allocations? If not, do you have alternative suggestions that would provide relative stability and support for the infrastructure for widening participation and retention, bearing in mind burden and complexity?**

*GuildHE response:*

We broadly support the proposed method and the outcomes-based approach outlined in paragraph 276, but we have a number of comments.

*Methodology – recognising disadvantage:*

We support the proposed methodology but would advocate that HEFCE ensure that the approach can flexibly accommodate a manageable but diverse range of measures. We note, for example, that some providers do well at attracting disadvantaged students who live in wealthier areas and there is a distinctive value to this sort of widening participation. The Office for Fair Access already makes use of income data and an income-based approach would also be consistent with Government policy.

*Impact of new fee regime on participation:*

The impact of the 2012-13 fee regime is not yet known, and it will be essential to consider this when establishing an appropriate and responsive way forward with Student Opportunity funding beyond that year. Patterns of applicant behaviour may change over the longer term and HEFCE should continue to monitor this and build in flexibility to respond accordingly.

*Monitoring and institutional strategies:*

We support an approach to monitoring which is light-touch but delivers the necessary information on institutional strategies. HEFCE and OFFA should continue to work together to further explore reporting synergies – that would be appropriate given the closeness of their agendas, and would also help reduce administrative burden.

It is important that strategies contribute to a positive national story on student opportunity and the impact of participation in HE.

We also support HEFCE's continued role in analysis around participation in HE – this complements the monitoring role and the national strategy outlined in the consultation.

***Institution-specific allocation***

**15. Do you agree that the criteria for the institution-specific allocation review are appropriate and demonstrable? Are there any other criteria you believe we should include in the review?**

*GuildHE response:*

We broadly agree the proposed criteria of distinctiveness and public benefit are appropriate and demonstrable.

We also support transparency and contestability in the approach to these allocations.

Distinctiveness is a critical determinant of student choice and HEFCE's proposal recognises its value to students.

Emphasis should be placed on how providers support the delivery of skills to the economy and UK workforce. This goes beyond a simple measure of employability and should be aimed at supporting key sectors as well as vocational education, which are emphasised in Government policy.

We note that specialist institutions play a key role in promoting distinctiveness in HE and in skills-training. We welcome an approach from HEFCE that recognises the value of specialism and supports specialist provision.

There is also an important link between public benefit and the benefit that HE taught at distinctive institutions delivers to individual students/graduates, where students have an interest or a need to study at a particular kind of institution.

HEFCE should also explore closely the links between public benefit and knowledge exchange. The recent changes to the criteria for Higher Education Innovation Funding have cut off funding to many providers whose Knowledge Exchange work continues to provide a high rate of return on investment and significant public benefit and community and business engagement. The proposed approach to providers institution-specific allocations would allow this contribution to be recognised.

HEFCE states that these allocations will be 'funding of last resort'. This approach should recognise where institutions already operate efficiently. This would be consistent with the need to maximise the effective use of funds. It is important that the approach does not penalise institutions that have been effective in driving up efficiencies.

As there will be a limited amount of funding available through this allocation, it is unlikely to cover all specialist providers. Institutional diversity supports a healthy HE sector and enhances student choice, and needs to be protected in other ways.

**16. Do you have any comments on the method, timing and levels of external involvement proposed for the institution-specific allocation review?**

*GuildHE response:*

We support a consistent, non-formula-based approach, which recognises the diversity of institutional contributions to the wider economy and society.

It would be helpful to have some early clarity of detail on how the review will be conducted and the criteria to be adopted. The timing of the competition is not ideal as it falls over the summer period, and although we recognise the constraints on timing to implement new allocations in time for 2013-14, early clarity would help institutions plan more effectively.

The consultation does not provide any indication of the likely composition of the 'external panel' that HEFCE proposes will recommend allocations. We welcome the opportunity to contribute ideas about the type of members the panel should include.

The 'lower threshold' for eligibility to apply for targeted allocations (i.e. 250 FTE HE students) appears reasonable.

### ***Strategically important and vulnerable subjects***

**17. We have been asked by Government to consider a new approach to strategically important and vulnerable subjects and whether any subjects may require support to avoid undesirable reductions in the scale of provision. Do you have any comments on our proposed new approach to supporting this area through recurrent funding?**

#### *GuildHE response:*

We broadly support the principles HEFCE proposes to adopt. We propose a strong emphasis should be placed on the importance of:

- skills-development for key economic sectors;
- the employability benefits of work placements – which are central to other programmes as well as STEM and Modern Foreign Language subjects.
- local study;
- recognising the value of a diversity in choice of institution for students.

The option to study at a smaller institution, to study locally or to study in a specialist environment, is important for many individuals including those from vulnerable student groups. Diversity of choice will ensure that students choose the path that is right for them, improving retention. The latest HESA employability figures show that small specialist institutions are among the best institutions at getting graduates into employment or further study.

We welcome an approach that will consider postgraduate progression, which is important for skills-development and employability and is a key route into particular professions. We note, however, that from the graduate's perspective, if the higher undergraduate fee creates resistance to continuing to postgraduate study, this will apply as much to subjects taught in price group D as to the higher-cost price groups. Students are experiencing higher UG fees whatever their subject.

We note the Government has a "preference where possible for self-correction" through student choice and the operation of the market. However, self-correction is unlikely to help fulfil Government's ambition for promoting strategically-important subjects. This ambition is best achieved by the kind of intervention HEFCE proposes.

There is a strong value in monitoring vulnerabilities and we support HEFCE's proposed approach to monitoring (para 321) – identifying risks to continued subject-availability, considering their significance with external bodies, and basing HEFCE's response on "scale and materiality of risk".

#### *Future of SIVS policy:*

While the proposed approach is an appropriate way of facing the immediate challenges of the transition to the new funding regime and the approach outlined in the consultation reflects a "revised approach", it would be helpful if HEFCE could provide further clarity about the

longer-term future of SIVS policy – for example, whether the list-based approach to strategic intervention is likely to continue over the longer term, or whether HEFCE anticipates the need to consider new approaches. We note that the current policy may need to be reviewed if the funding system is subjected to comprehensive overhaul (for example following a future Government Spending Review).

We note HEFCE's intention to adopt a "highly selective approach to intervention" in the short-term, and we agree with the proposal to continue to support areas that are currently considered for SIVS support in 2013-14. As the new funding system develops, new or additional areas may become vulnerable as a result of unintended consequences of the new funding and regulatory regime.

Therefore it will be important in the longer term to continuously monitor vulnerabilities and risks to sector and student diversity, with a policy of intervention which is responsive and adaptive where change is needed.

### ***Minimising administrative burden***

#### **18. Do you have any comments on the approach to data reporting and monitoring outlined in this document?**

##### *GuildHE response:*

The funding and number control method remains complex at a time when Government is looking to reduce the administrative burden on institutions. The arrangements combine less funding with greater scrutiny.

The burden will be particularly heavy for smaller institutions where there is more pressure on staff resource. Hitting very strict control numbers creates particular difficulties for smaller providers, as the margin for error is extremely small and this adds complexity and difficulty to administration.

We acknowledge that HEFCE has been charged by BIS with controlling the cost of HE but we also expect HEFCE to look to ensure burden is kept as low as possible. HEFCE should look to avoid duplication of data requirements.

Three census points remains an issue, as we highlighted in our response to the previous last autumn's consultation. A better longer-term solution would be preferable, including looking at interaction with SLC processes.