

Higher, better and different

An Association of Colleges proposal to the Independent Review of Higher Education funding and student finance, May 2010

Summary

1. The Association of Colleges (AoC) represents and promotes the interests of Colleges and their students. 39% of those entering higher education come via the 352 Colleges, 248 of whom also offer higher education courses themselves. There are 117,000 College higher education students, most of whom are part-time, aged over 21 and already in work. Colleges have an important role in securing a sustainable, excellent and affordable higher education system.
2. The Independent Review has asked for specific proposals in its second call for evidence. We set out our arguments in more detail in the rest of this paper but our proposal can be summarised as follows:
 - Higher education expansion should continue – to meet demand from young people and adults, to ensure adequate social mobility and to help the UK compete on the basis of high skills.
 - It is important that higher education continues to evolve. There should be more opportunities for older students, more flexible courses and more diversity in the system. Students, employers and the Government will benefit if there is variety in the way in which higher education is organised and taught.
 - The funding and student support arrangements put in place in 2006 have achieved many of their aims and there is no compelling case for a radical overhaul.
 - The UK fiscal crisis means that any move to increase full-time fees (and raise the cap) should only take place if there is a no increase in student finance costs. The review needs to ensure that there is compensation for higher fees in the form of higher bursaries or privately-funded loans.
 - Various reforms should be made to student loans and student grants to provide funds for continuing expansion. These reforms should include higher interest rates on repayments and a shift from maintenance grants to loans. The resulting savings should be used to extend student loans to more people.
 - HEFCE should use its funding actively to support diversity of provision, for example, by shifting funds to shorter programmes, foundation degrees and to institutions most able to provide such diversity of provision.

Part One: A sustainable higher education system

General principles

3. The UK needs an excellent higher education system for its people to prosper and to fulfil their potential. The review has identified various short-term pressures and has asked for suggestions about how the system can be developed in a sustainable way. There are a number of visible signs of success in the current English system:
 - Several hundred thousand people complete higher education study each year, 94% of whom are in work or further study six months after graduation¹ Various Government reports have confirmed the value for the UK economy of a strong supply of highly qualified people into the workforce²
 - Higher education makes a significant contribution to the success of the UK economy through generating research-based knowledge, exchanging information with business and making connections to global research networks.³
 - The international reputation of English higher education is high. England has more Universities in the main international league tables than any country apart from the USA; more than 10% of global international students come to English institutions.
 - Higher education makes a major contribution to British culture, arts and civilisation.

4. A successful higher education system cannot operate in splendid isolation from rest of society or other parts of education. There are a number of related issues in the English content:
 - The UK Government spends more than £12.5 billion on higher education teaching and student support.
 - Higher education facilitated social mobility in the past and continues to do so but there are obstacles.
 - The extent of public acceptance of and support for higher education depends on the way the system operates. Universities and Colleges need to show that they are fulfilling their mission, are working fairly and are doing everything necessary to use public funds effectively.

¹ Destination of Leavers from Higher Education survey, 2007-8,ONS

² Long-term review of skills, Treasury, December 2006 (Leitch report); Higher ambitions, BIS, November 2009

³ Innovation Nation, BIS 2008

5. The recession has made it clear that people and companies in the UK face major challenges in the next decade. It remains necessary for more people to participate in higher education and/or acquire higher level skills and for the UK workforce to be better educated and better skilled as a consequence. There are a number of ways of measuring progress in this area:
- In 1999, the previous Government set a target that 50% of those aged between 19 and 30 should participate in higher education. There has been some modest progress towards this goal, but the level in 2008 was 43%. With a rising number of people in the relevant age group, the Department for Business, Innovation and Skills (BIS) forecasts the level will be 44% by 2011.⁴
 - The Leitch Report⁵ on long-term skills needs widened the focus of attention to the entire working age population and suggested that 40% of those in work should have skills equivalent to level 4 qualifications by 2020. The previous Government set an interim target of 34% by 2011. Some progress has been made in this direction between 2003 and 2008 with the percentage at this level rising from 26% to 31%.⁶
 - The previous Government's "Skills for Growth" strategy identified the need for a wider definition of higher skills and the desirability of developing a modern technician class. The paper put a figure on this ambition – that, by 2020, 75% of those aged 19 to 30 should complete higher education or advanced apprenticeships.⁷ The relevance of this to higher education is the desirability of a wide base of education and skills below University and degree level.
6. Although expansion of higher education is desirable, the state of the UK Government budget makes it unrealistic to expect an increase in Government spending in the medium term. The Budget presented by the then Chancellor of the Exchequer in March 2010 set out plans to cut Government spending over the next few years to close a large budget deficit⁸. The Coalition Agreement published a week after the General Election promises a faster reduction in spending to reduce the deficit.⁹ In these circumstances, the Independent Review will need to devise proposals which are cost-neutral, at best, to secure its aims. At the very least, the Review will need to support BIS in the achievement of a £600 million efficiency gain for the 2012-13 financial year.¹⁰
7. The fiscal crisis for the UK Government limits the options for the review but comes after four years in which higher education institutions have strengthened themselves. The 2006 reforms had several aims, one of which was to provide more income to

⁴Figures from BIS performance reports

⁵http://www.ukces.org.uk/upload/pdf/2006-12%20LeitchReview1_2.pdf

⁶ Figures from BIS performance reports

⁷ Skills for Growth, BIS, November 2009

⁸ Estimated at 11.5% of Gross Domestic Product (GDP) by the Office of National Statistics for 2009-10

⁹ Coalition agreement available from Conservative party website

¹⁰ The December 2009 Pre-Budget report set a £600 million efficiency gain for higher education for 2012-13

Universities so that they could improve their quality. To a large extent, the numbers show that the 2006 reforms achieved this aim without damaging access to higher education:

- Higher education institutions have benefitted from a net increase in fee income of more than £1 billion¹¹. This has contributed to average 8% annual growth in total University income between 2005-6 and 2008-9¹².
 - Surpluses averaging 2% of income have been used to make desirable investments.
 - Academic staff pay in Universities has risen by an average of 20% in the three years from 2005-6 to 2008-9¹³ which should help retain staff in the UK, particularly as Universities in rival countries (for example the USA and continental Europe) will face similar spending constraints in the next few years to those in England.
 - Despite fears about the impact of rising fees, numbers of applicants and enrolments has continued to rise, including from disadvantaged groups.¹⁴
8. One consideration for the Review is the relationship between higher education and the rest of the education system. The legitimacy and success of higher education partly depends on the extent to which merit rather than social class determines access. This will only happen if the education system at earlier stages is managed successfully and adequately resourced. This, in turn, means that choices about the funding for higher education cannot be made in isolation from decisions about other parts of education. In the last few years, this has sometimes happened by default. Miscalculations about the costs of student support between 2004 and 2007 caused overspends on higher education student support which have had knock-on effects on other areas of adult learning, for example by increasing the size of the efficiency gain required from the BIS in the 2010-11 financial year¹⁵. This, in turn, has resulted in an average 14% cut in the funding for adult learning, limiting the opportunities for adults to take courses that will help them access higher education after the age of 19.
9. A sustainable higher education system in England will need to cut its cloth to fit the budget but this does not preclude reform and expansion. In AoC's view, the Review should focus on the following issues:

¹¹ Figures from independent review call for proposals

¹² Calculations from figures published by HESA

¹³ Higher education workforce framework, HEFCE, 2010, page 53

¹⁴ Evidence from HEFCE Young Participation rates

¹⁵ The Secretary of State announced a more generous student support package in July 2007 but partly reversed the grant changes in October 2008. Six months later, when the Treasury imposed a £400 million efficiency gain on higher and further education, the actual amounts taken from the two areas were £560 million in 2010-11 because of the need to cover student support costs.

- Measures to expand participation in a way that is affordable and accessible, via a shift to part-time courses and more flexible courses, accessible to those in work and achievable via credit accumulation.
 - Ways to encourage a shift towards economically-valuable forms of higher education, for example science, technology, engineering and maths. But also to include other areas where higher level technical skills, but not academic degrees, are needed for example tourism and business services.
 - Fair access so that merit rather than social class determines participation.
 - Action that will help but not hinder institutions from doing more of what they do well and which will allow them to make sensible long-term investment decisions.
10. The 2006 reforms to funding and student support achieved their aims of increasing the money flowing into higher education teaching without compromising access. The previous Government achieved this by extending income-contingent student loans to cover tuition fees, by requiring higher education institutions to complete access agreements as a condition of higher fees and by reintroducing maintenance grants. The previous Government smoothed the introduction of these reforms by keeping to a policy that additional fee income generated by the reforms should be additional to teaching grants.
11. In AoC's view, the principles of the 2006 reforms still hold. We are not convinced that there is a need or scope to make major changes either to HEFCE funding, tuition fees, student loans or maintenance grants. We do, however, believe that a number of reforms are necessary.

A more diverse set of institutions with expansion in new directions

12. Changes should be made to HEFCE funding to support greater diversity of higher education teaching. Higher education teaching does not only take place in Universities. It is perfectly possible for higher education up to degree level to be taught by those who are no longer or who never were researchers. Higher education is a system involving Universities which has common bonds (for example the QAA, JISC and UCAS) but it is not a University monopoly. As in other areas of life, a degree of competition will help secure choice and value for money, so long as the competition comes from well-regulated institutions like Colleges.
13. Colleges and certain private providers offer helpful alternatives to Universities. Many Colleges carry out some useful applied research but they do not have overheads or costs associated with primary or secondary research. Much HE in FE is located in less expensive parts of the country than the golden triangle or cathedral city model which dominates the university sector.

14. In AoC's view, College-based higher education can be developed if there critical mass of provision or local responses to specialised need. There are substantial numbers of Colleges with several hundred higher education students and, in most cases, these Colleges build their level 4 and 5 provision on a strong foundation of level 3 courses. The courses that are directly funded by HEFCE sit alongside courses franchised from partner Universities or the higher level courses funded by other agencies, some of which is described as 'non-prescribed' higher education. Many Universities deduct 20-30% of the money they pay Colleges for franchised students yet the Colleges concerned still deliver good quality higher education. We believe there may be an opportunity for HEFCE to secure a cost-effective expansion of higher education participation by actively directing funding towards Colleges.
15. HEFCE is currently consulting on reforms to its funding approach for 2012-13. We believe there are a number of steps that can be taken by HEFCE to make its budget go further:
 - There may be opportunities to transfer money currently spent via specific grants (for example the Strategic Development Fund and Higher Education Innovation Fund) to core teaching funds.

HEFCE should consider adjusting grants to certain Universities or Colleges where the subject mix is biased towards areas where there is an over-supply of graduates. This needs to be done sensitively and may need the involvement of an independently constituted committee.
 - Some of the changes proposed in the HEFCE consultation should be introduced, for example the increase in the fee assumption and the development of credit based funding.
 - HEFCE should fund non-prescribed higher education on the same basis in all types of institution as happens in Scotland.
 - HEFCE should progressively transfer indirectly funded provision from the host Universities to Colleges, subject to assurances on quality. This would mirror the approach taken by the Learning and Skills Council in the 2000s to foster competition.
16. These proposals could allow HEFCE to release resources for the expansion which we identified earlier as being necessary.

Re-balancing the student finance system

17. The 2006 reforms helpfully shifted the contribution to higher education from current students to future graduates but did so at some expense to the Government in terms of the total cost of the student finance system. We recommend a number of reforms to this system to reduce the average cost per current student with a view to releasing resources to support more part-time students.

18. A key change is the introduction of higher interest rates on student loan repayments to reduce the subsidy to higher-earning graduates. We conclude from the evidence from Professor Barr to this review¹⁶ that this will reduce the longer-term costs to the Government of each student, create incentives for earlier repayment and create capacity for the Government to make loans to more students. The existence of income-contingency makes this reform affordable to most graduates but this would need to be carefully explained by the Government. Some of the money saved by the change could be used to increase the threshold at which repayments start. Depending on the timing of the review's final report, we recommend that this reform take effect in either 2011 or 2012.
19. Further student loan changes could involve equalising the loan regardless of year or location. Ideally we would like to see the student finance system distinguish between and perhaps incentivise home-based study but we are not certain this is administratively possible.
21. In line with our principle that the average student finance cost per student must not rise and should reduce, The current fee cap should only be increased from current levels (£3,290 in 2010-11) if a way is found to provide scholarships or fee loans which do not introduce a further liability to the public purse. This implies either a reduction in public funding via the HEFCE teaching grant, with a compensating increase in student fee loans. Or it implies different methods for helping students cover tuition fee costs. The review should investigate the proposal from Professor Sheppard¹⁷ that individual Universities or groups of Universities might offer income-contingent loans from their own balance sheets with repayment operating via the Student Loan Company. It is unlikely that this option would be taken by all Universities but this, in itself, might contribute a helpful degree of price competition.
22. The funds released by the changes listed above could be used to increase financial support for those taking higher education on a flexible basis. Some people want to study higher education on a part-time basis are well-off, sponsored by their employers or are attempting second degrees. Professor Callender's evidence to the review shows, however, that part-time study is used by those from lower social groups to access higher education, for example by combining relatively low paid work with study.¹⁸ Government encouragement of part-time study will help rebalance the system towards more cost-effective modes. We believe that HEFCE should direct its funding towards part-time places and that maintenance loans should be extended to part-time students whose family income is below £30,000 (or personal income if aged over 25). This support should be limited to those taking their first higher education qualification and should cover maintenance only.

An excellent, efficient and innovative higher education system

¹⁶ Evidence to the Independent review, January 2010

¹⁷ Evidence to the Independent Review, January 2010

¹⁸ Evidence to the Independent Review, January 2010

23. There are some actions which can be taken to improve the excellence, efficiency and innovation of the higher education system but the starting point is that there are many reasons to be proud of the existing system:

- Teaching and research in higher education underpins many important and successful areas of the UK including its professional services, its pharmaceutical industry, its creative sectors, its public sector, the NHS and its schools.
- There is strength in depth in terms of institutions. The UK has a number of Universities that are highly regarded internationally but also a large number of high quality Universities and Colleges
- There have been improvements in participation. Participation by those aged 18 or 19 has risen from 30% to 36% in the last five years.

24. As we have already made clear, there is no cause for complacency:

- The system has not expanded enough to meet demand or need. The potential shortage of places in 2010 is exacerbated by the recession but there would have been problems even if the economy had continued to grow. Higher education has not expanded enough to keep up with rising aspirations, growing success rates in schools and Colleges and the expansion of opportunities for graduates.
- There are public concerns about the effectiveness of the existing quality assurance. From the recent Select Committee report¹⁹ on this subject, there are clearly concerns on the workings of the external examiner system and academic infrastructure; these concerns are being addressed in a number of QAA sponsored groups.
- There is unequal access, it is more difficult in the UK to transfer between institutions than in some other countries and there are parts of the country with very low rates of participation.²⁰

25. Many of the activities needed to maintain and improve quality are already underway. It is important to make progress in the following areas:

- Maintain the rigour of existing quality assurance processes to satisfy student, public and international expectations.
- Ensure that these processes remain sufficiently flexible to deal with a more diverse set of institutions. There are already several privately run teaching institutions with taught degree awarding powers. In the next few years, there should be several Colleges with foundation degree awarding powers.²¹

¹⁹ Innovation, Universities, Science and Skills Committee Report “Universities and Students” 2009

²⁰ HEFCE Common evidence base for the University Challenge initiative

²¹ The Further Education and Training Act 2007 allowed the Privy Council to give further education colleges the power to award foundation degrees.

26. Efficiency will be promoted by some of the actions suggested earlier in this paper. In general terms, the following activities will make a difference:
- Continuing to empower students to make informed choices and to be able to press institutions to be responsive. The National Student Satisfaction survey has some flaws but has been a useful initiative in this regard.
 - Competition in the way that higher education is taught to ensure that there are alternatives to a University monopoly. Colleges are not constrained by University overheads, research-linked pay scales or teaching time limits. Some Universities get around the inflexibility of their own staffing arrangements by a high use of postgraduate students or casual staff to teach. It is better to have efficiency at the heart of an institution not at its corners.
27. Universities have a strong history in fostering innovation. The university model is important for protecting original research and the freedom to develop innovative ideas and for testing these via peer review. Universities do not have monopoly of ideas but it is important that public service independent institutions like Universities and Colleges predominate in this area of life (ie not companies or government research centres). Action to foster innovation further implies:
- Innovation at all stages in the chain from primary research to impact in economy/society. There is a tendency to believe knowledge transfer is just about universities passing on research to grateful companies. There are some good models from Colleges involving transmission of new techniques and working together, for example Derby College and Warwickshire College both work with large local engineering companies and have industry-standard resources which they have jointly developed for mutual benefit.
 - Innovative methods of teaching and organising higher education mean allowing diversity. There is a tendency for many universities to be conservative when it comes to changing things like the three year full-time degree delivered on a residential basis.

Part Three: Encouraging new forms of participation – the College route

28. The Review has started at a time of considerable change in higher education caused, in part, by the recession and the squeeze on public spending. These short-term higher education pressures must not divert the review team from the longer-term challenges for the higher education system. It is vital for the UK to secure a more highly educated population, with arrangements in place for people to update and acquire new skills. The higher education system needs to attend to the needs of those moving straight from school and College to university at age 18 but also needs more flexibility for those in older age groups, to enable students to combine study with work, taking breaks from study as the demands of career or family dictate.
29. A central challenge for the higher education system will be the one posed by population change. Over the next ten years, there will be a 10% decline in the number of 18 year olds. Meanwhile there will be significant growth in older age groups. It will be possible for individual Universities to continue to prosper by focusing solely on

entrants from sixth form but the system as a whole needs to be more responsive to a wider set of needs. In AoC's view, particular attention will be needed to encouraging new routes for people of all ages to study on a flexible basis, whether this is for their first higher education qualification or for their second. Government funding is available for the former, but not the latter; Government action to stimulate the provision of more part-time places will help institutions of all kinds to develop new provision. At the same time, flexible provision needs to be available locally. This is one reason why Colleges could prove an important vehicle for the realisation of Government policy.

30. Colleges had a central role in the previous Government's education strategy for 14 to 19 year olds and account for 44% of entrants to higher education.
31. Colleges play an important role in diversifying the higher education system. There are 248 Colleges which offer higher education (HE). There are some 117,000 students taking higher education courses. Most are part-time, older and already at work. Higher education students in Colleges may not always possess the traditional academic qualifications associated with admission to university. They often have vocational qualifications (at a level equivalent to GCE A-Level) and frequently come from families with no tradition of progression to higher education. Foundation degree students in Colleges are more likely to come from disadvantaged backgrounds than foundation degree students in universities²². Many College higher education students live locally and deliberately choose to pursue their studies in a College setting. They may have gained their previous qualifications in this environment and feel more comfortable receiving higher tuition from staff who are already familiar and who understand their particular learning style. Significantly the work that Colleges do in higher education complements their strong role in other areas of education. Colleges educate twice as many young people aged 16 to 18 than schools, they train tens of thousands of apprentices and account for 49% of vocational qualifications achieved each year²³.
32. Recent research (May 2010) by the Mixed Economy Group²⁴ of colleges involved 828 College students on higher education courses with roughly equal numbers of part-time and full-time. Key findings were:
 - 53% of respondents chose to pursue higher education in this way because it was near to where they lived.
 - Fewer than 5% were unsuccessful applicants to a University. Students are making a positive choice to study at a College due to its location, its reputation and its specialism.
 - 79% of respondents rated high quality teaching as being most important to them. The students also rated enthusiasm and knowledge about the subject; keeping up to date and staff being approachable. They stated that it was less important

²² House of Commons Hansard, 16 Dec 2009: Column 1371W

²³ AoC key facts http://www.aoc.co.uk/en/about_Colleges/facts_and_figures/

²⁴ The Mixed Economy Group of Colleges comprises 29 colleges with substantial amounts of higher education. Their research into higher education in Colleges is funded by the Learning and Skills Improvement Service (LSIS) and is not yet published,

whether staff undertook research, whether class sizes were small or whether there is a higher education environment.

- 75% stated that their primary aim was a wider range of career choices. This was the most important aim for 81% of those over 25 year olds studying part-time and for 67% of 18-20 years olds.
 - Employers of part-time students are selecting Colleges for specific courses.
 - Lower course fees are important to College students
 - The majority of PT students receive up to 11 hours teaching; most FT students receive between 11-16 hours teaching but this is offset by some courses being predominantly based in the workplace.
 - There is regular contact between teachers and students. The type of contact is not identified but the fact there is such consistency of responses indicates a high level of support being provided by teachers to their students over and above the taught hours.
33. Several Colleges run degrees validated by Universities but, in the main, they are following vocational courses such as Foundation Degrees, Higher Nationals and a range of professional qualifications such as housing or accounting examinations. Teacher training and the various routes to the health care professions are also heavily dependent on good College provision.
34. AoC surveyed scholarly activity in a small sample of Colleges in December 2009.²⁵ This survey concluded that within an FE setting, scholarly activity, however defined, focuses on activities that have a direct impact on teaching and learning, rather than discovery research or the application of research. It is likely that any definition which did not balance teaching and scholarship would almost inevitably result in a reduced commitment to staff development on the part of the organisation. Within the research sample, scholarly activity was undertaken for any of three broad reasons:
- Own personal study for higher academic qualifications e.g. studying for Doctorates or Masters Degrees.
 - Professional development e.g. updating subjects, industry updating, professional qualifications and membership of professional bodies, practising artists, curating exhibitions, offering consultancy to industry
 - Specialist subject research (most often referred to by the Specialist Colleges) e.g. equine science; early years, writing a book for fine arts students, authoring and contributing to text books.
35. Whilst most Colleges now charge fees, these are generally lower than those charged by Universities. AoC's survey of Colleges in 2009 calculated that the average full-time fee for a degree course was £2,100.

²⁵ Unpublished survey

Colleges could be a useful vehicle for expansion but the guiding aim should be to ensure appropriate access to higher education access in every city and major town. HEFCE's research for the 2008 University Challenge initiative identified a number of parts of the country where there is relatively low participation in higher education and limited access to Universities. Despite the presence of Cambridge at its centre, some parts of East Anglia featured in this research. In recent years, there have been some positive developments in the form of new higher education campuses in Peterborough, Ipswich, Harlow and Southend to address these deficiencies. These developments centre upon an existing College, involve a University partnership and have been supported by local councils. There are similar good examples in the North East or South West. This form of initiative provides a good model for future expansion. The turbulence in the economy makes it difficult to plan the higher education system but there are, nevertheless, some subject areas where expansion is likely to be desirable. In January 2010, the previous Government's "Going for Growth"²⁶ identified energy, manufacturing, life sciences and healthcare as priority areas.

Part Four: Improving access to higher education

36. The higher education system has an important role in making the UK a country where people can achieve their potential and where there is social mobility. Universities cannot rectify deep-seated problems caused by poverty or failures in school but do have a role in ensuring that everyone who could benefit from higher-level study is able to do so. It is undesirable if access is unfair, not just because this has a damaging effect on individuals but also because it means that UK is not using the talents of all of its people. Furthermore, higher education will lose public legitimacy if access and opportunity is seen to be unequal.

37. Measuring the extent to which access is fair is a complicated subject. There will be other contributions to the review which present and explain current research. AoC has a contribution to make from research carried out with Universities UK (UUK) at the request of the then Secretary of State, John Denham. We reviewed extent to which applicants with similar grades from different types of institution secured access to the most competitive institutions (defined using UCAS data). The AoC/UUK research showed the following:
 - that there is a difference in the entry rate of students from General FE Colleges and maintained schools equivalent to one A-level grade.

 - that the greatest differences were at application stage rather than in decision-making. In other words, if individuals with high grades apply to competitive universities they are likely to be accepted but fewer students in General FE Colleges with higher grades are likely to apply to competitive universities.

²⁶ Going for Growth, BIS, January 2010

- Our research did not examine the differences in entry from private schools. We also need to look at the courses applied for asking the question: 'do "competitive" universities offer the vocational courses our students want?
38. One conclusion from our research is that Colleges and Universities must continue to work together to raise aspiration and address obstacles which prevent application (or entry), for example post-qualification applications. Another possibility is that there are good reasons why College students with excellent academic results do not want to study at particular universities. There may be good reasons why, for example, a student wants to study closer to home or to take a particular course offered at another institution.
39. We recommend that the Independent review encourages action to improve access to higher education but does so in a way that differentiates between different groups of potential student, for example:
- those over 21, many of whom may want to study part-time.
 - those who want to study close to home, for example because of childcare or family responsibilities
 - those taking advanced apprenticeships, which often come after a level 3 course, and which ought to be followed by a shorter higher education course.
 - those from particularly disadvantaged groups, for example care leavers.
 - students who want, or need, a more flexible affordable study route combining work, family and other responsibilities with study.

Association of Colleges
May 2010