



House of Commons
Innovation, Universities,
Science and Skills Committee

**Withdrawal of funding for
equivalent or lower level
qualifications (ELQs):
Government Response to
the Committee's Third
Report of Session 2007–08**

Sixth Special Report of Session 2007–08

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The Innovation, Universities, Science & Skills Committee

The Innovation, Universities, Science & Skills Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Innovation, Universities and Skills.

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The Committee is one of the departmental Select Committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No.152. These are available on the Internet via www.parliament.uk

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/ius
A list of reports from the Committee in this Parliament is included at the back of this volume.

Committee staff

The current staff of the Committee are: Dr Lynn Gardner (Clerk); Glenn McKee (Second Clerk); Dr Edward Waller (Second Clerk); Dr Christopher Tyler (Committee Specialist); Dr Joanna Dally (Committee Specialist); Ana Ferreira (Committee Assistant); Camilla Brace (Committee Secretary); and Jonathan Olivier Wright (Senior Office Clerk).

Contacts

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Sixth Special Report

On 27 March 2008 the Innovation, Universities, Science and Skills Committee published its Third Report of Session 2007–08, *Withdrawal of funding for equivalent or lower level qualifications (ELQs)* [HC 215]. On 30 May 2008 the Committee received a memorandum from the Government which contained a response to the Report. The memorandum is published as an appendix to this Report. After the Committee considered the response, the Chairman wrote to the Secretary of State for Innovation, Universities and Skills. A copy of his letter is published as an Annex to this report.

Appendix: Government response

The ELQ policy is not about saving money: it is a re-distribution not a withdrawal. Our ELQ policy is part of our agenda to unlock talent.

The ELQ policy is a lever to incentivise institutions to do more to recruit more of those without a higher education qualification, whatever their age. At the moment, the number of graduates of all ages and backgrounds we are producing is just not good enough to meet the challenges of the 21st Century. An extra 5.5 million people will need to go through university by 2020 if we are to be even on the edge of the premier league for world-class skills, with at least 40% of the workforce with a first HE qualification. Countries like the USA and Japan have already reached that level and they are not going to stop. The ELQ policy will enable us to support more adults than would otherwise be possible.

It is also an intrinsically fairer way to spend the resources available to Government to fund the costs of teaching students. We will fund everyone with the ability to benefit from higher education once, but will only fund those studying for an equivalent or lower level qualification to one they already hold when we judge that it is in the national interest to do so. Our ELQ policy is therefore a balanced one with additional protection for subjects which are economically and socially important, and with opportunities for those who wish to retrain through foundation degrees and employer co-funded provision. Over two thirds of the current level of grant for ELQ students will continue to be invested in supporting them in 2010–11. We consulted on questions about its implementation, and made measured changes to our plans as a result.

As we have said in Parliament, we reject the Committee's main recommendation that it would have been better to defer implementation of this decision. Given the scale of the Government's ambitions and the social and economic background, we need to be bold and to take managed risks. Over 20,000 first time students would not be supported without the redistribution of ELQ funding.

We turn now to the report's recommendations.

The Select Committee's recommendations are in bold text.

The Government's response is in plain text.

In a few cases, some of the recommendations and responses have been grouped.

1. There can be little doubt that the withdrawal of HEFCE funding support for the tuition fees charged to ELQ students will increase substantially the fees such students will have to pay, if the full cost is passed on to them.

The Government believes that the costs of developing and expanding higher education need to be shared equitably and efficiently between Government, students, employers and other funders. We believe that our proposals for ELQs are right because they direct Government funding, as it increases significantly over the CSR period, to students who represent a higher priority in terms of public policy objectives. Lord Leitch was clear about the priorities for funding: in broad terms, the higher the qualification, the greater the level of individual or employer contribution.

However, fees for ELQ students are already unregulated and therefore subject to market forces. Any institution will need to think hard about whether to increase fees substantially taking account both of student demand and the pricing policies of other competing providers. Some institutions, including the Open University and Birkbeck College which the Committee specifically mentioned in its report, have already decided not to increase fees substantially next year and the extent to which they will be able to do so in future will depend on what students are prepared to pay.

2. We consider it unacceptable for there to be no memorandum provided from the Government. We expect government departments fully to comply with all reasonable requests for written submissions before they appear before us in future.

We apologise that we did not provide a separate Memorandum, and we will do so in future.

3. We accept that it is for ministers to decide priorities for funding and that it could be reasonable that public policy should give priority to students who have not studied for a first degree. This does require, however, a full rationale for, and justification of, the policy, scoping of its effects and a proper examination of possible unintended consequences, such as reducing the potential of adult learners to retrain and re-skill, which Leitch and others have argued is so vital, both on economic and social grounds.

We welcome the Committee's view that it is for ministers to decide on funding priorities, and that it could be reasonable to give priority to students who have not studied for a first degree. We would go further. We believe that, given that all governments have to prioritise one way or another it is right in principle that we prioritise "first time" students over those who already have higher level qualifications. That is first and foremost an issue of principle not analysis, although it also follows from the Government's response to the analysis in Lord Leitch's report.

The Funding Council's consultation exercise provided an opportunity to consider how the Government's core decision about priorities should be implemented, including identifying unintended consequences. As a result of this consultation significant changes to the draft proposals were made: notably a 50% increase in the additional support that had been proposed for part-time provision, and the creation of a mechanism to review the position of subjects that might be affected by the change.

The Government's policy is a balanced one which generally gives priority for public funding to those studying for a first degree in the light of the well-documented evidence of the social and economic benefits of obtaining a higher level qualification. But we also prepared to give targeted support for graduates to re-train and re-skill through foundation degrees and employer co-funded provision, and to protect strategically important subjects where we judge that it is in the national interest to do so. We stress again that one way or another, any government has to prioritise public funding and make a judgement on distributing funds between competing priorities.

4. Where resources are switched in line with those priorities, it is the responsibility of ministers also to demonstrate that there is unmet demand and that the reallocation will produce outcomes in line with the Government's policy and without unforeseen or unacceptable consequences.

7. In our view the Government has not shown convincing evidence that the withdrawal of funding for ELQ students and the phased re-allocation of the resources will meet its policy objective to encourage more suitably qualified individuals to start higher education for the first-time. In the absence of research on, or any analysis of, the groups to whom the redirected resources are targeted, we cannot see how the Government is certain that the funds taken from ELQ fees will meet their intended purpose efficiently or effectively. While we recognise that the expansion of the higher education sector has occurred in the teeth of substantial scepticism about the demand for, and value of, extra university places, we could find no convincing evidence that ELQ students were preventing access for first-time undergraduates or that there was a significant unmet demand from first-time undergraduates, though we accept that such evidence is not easy to collate.

8. We conclude that the Government should have carried out a full analysis of unmet demand, including the annual 100,000 individuals who apply but do not enter higher education and of their reasons for not starting higher education, before it switched resources away from ELQ students.

We disagree with the test that the Committee seems to be proposing here and we are surprised by the apparent implication that there is no-one of working age who would benefit from a university education who is not currently getting one. If that was the case, there would be no need for the entire widening participation programme or the funding we provide for universities for outreach work.

In the Government's view, it is not a matter of "demonstrating" that unmet demand exists. Rather, the argument is that there is an overwhelming economic imperative dramatically to increase the number of adults with a higher level qualification. The Government is confident that there is unmet demand for the reasons set out below and we note that the Committee appears in recommendation 20 below to share that confidence.

We are also encouraged by the response we have already seen, from local communities, to our "new university challenge" proposals to establish new "university centres" in areas of the country which are at present poorly served by accessibly higher education provision. This suggests that many local areas believe there is unmet demand within their

