



House of Commons

Business, Innovation and Skills
Committee

**Government reform of
Higher Education:
Government Response
to the Committee's
12th Report of Session
2010–12**

**Second Special Report of Session
2012–13**

*Ordered by the House of Commons
to be printed 12 June 2012*

Business, Innovation and Skills Committee

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

Current membership

Mr Adrian Bailey MP (*Labour, West Bromwich West*) (Chair)
Mr Brian Binley MP (*Conservative, Northampton South*)
Paul Blomfield MP (*Labour, Sheffield Central*)
Katy Clark MP (*Labour, North Ayrshire and Arran*)
Julie Elliott (*Labour, Sunderland Central*)
Rebecca Harris MP (*Conservative, Castle Point*)
Margot James MP (*Conservative, Stourbridge*)
Simon Kirby MP (*Conservative, Brighton Kemptown*)
Ann McKechin (*Labour, Glasgow North*)
Mr David Ward MP (*Liberal Democrat, Bradford East*)
Nadhim Zahawi MP (*Conservative, Stratford-upon-Avon*)

The following members were also members of the Committee during the parliament.

Luciana Berger MP (*Labour, Liverpool, Wavertree*)
Jack Dromey MP (*Labour, Birmingham, Erdington*)
Dan Jarvis MP (*Labour, Barnsley Central*)
Gregg McClymont MP (*Labour, Cumbernauld, Kilsyth and Kirkintilloch East*)
Ian Murray MP (*Labour, Edinburgh South*)
Nicky Morgan MP (*Conservative, Loughborough*)
Chi Onwurah MP (*Labour, Newcastle upon Tyne Central*)
Rachel Reeves MP (*Labour, Leeds West*)

Powers

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.

Publication

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/parliament.uk/bis. A list of Reports of the Committee in the present Parliament is at the back of this volume.

The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume. Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee are James Davies (Clerk), Neil Caulfield (Second Clerk), Peter Stam (Inquiry Manager), Ian Hook (Senior Committee Assistant), Pam Morris (Committee Assistant), and Henry Ayi-Hyde (Committee Support Assistant).

Contacts

All correspondence should be addressed to the Clerk of the Business, Innovation and Skills Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5777; the Committee's email address is biscom@parliament.uk

Second Special Report

The Committee published its Twelfth Report of Session 2010-12, *Government reform of Higher Education*, on 10 November 2011. The Government's Response was received on 11 June 2012 and is appended to this Report.

Government response

Introduction

1. The Government is grateful for the opportunity to address the issues raised in this thoughtful and constructive report. The wide ranging and substantial number of recommendations have been considered very carefully both in Government and with the sector. Some important issues were dependent on decisions about Government's overall legislative plans, and we thought it would be more helpful to the Committee if we responded after the May 2012 Queen's Speech. This involved some delay on the normal timescales for a response, and we are grateful to the committee for their forbearance.

2. Since the Committee's Report in November 2011, much more information has now emerged about applications to higher education for the 2012/13 academic year. For the 2011/12 academic year, applications were at a record level. Compared to this exceptional year, for 2012/13, the application rate for English 18 year olds has decreased by around one percentage point in 2012. While the application round is still not finished, the data paints a relatively encouraging picture. Figures published by UCAS in January show that, after allowing for demographic factors, application rates of young people from the lowest participation areas (a widely established proxy for disadvantaged background) have held steady, falling by just 0.2% from 2011. Applications for some of the subjects that employers have said they most need, such as the STEM subjects, have held up particularly well.

3. We note that the previous Government's funding changes, following the Higher Education Act 2004, also produced a fall in applications (for the 2006/07 academic year), and that this did not damage the overall demand for higher education in the longer term. We will continue to monitor the trends very carefully, and are far from complacent; we note, for example, that the drop in applications from mature students is at present greater than for school leavers. However, overall we believe there is cause for cautious optimism that our reforms have not generally put off applicants to higher education.

4. Having looked carefully at all the responses to our Higher Education White Paper, *Students at the Heart of the System*, we believe the overall approach set out there remains the right one. In this response we describe the progress being made in safeguarding social mobility and widening participation; in supplying more and better information to students and prospective students; in adopting a more risk-based quality assurance regime; and in ensuring that we move towards a more responsive higher education sector in which funding follows the decisions of learners and successful institutions are free to thrive.

5. The White Paper set out proposals for primary legislation to create a new regulatory framework. Many responses to the White Paper stressed that we cannot yet know the full

effect of the new funding arrangements. Hence, it cannot yet be clear what form of regulatory framework will be appropriate. We will therefore not at this stage be introducing changes to primary legislation, but will move our reform agenda forward primarily through non-legislative means.

6. In line with the White Paper approach, we announced on 27 April 2012, in a letter to the Higher Education Funding Council for England, that we would further increase the number of places freed from student number controls in 2013/14. We are asking HEFCE to reduce the A level or equivalent grade threshold to ABB+ in 2013/14 and as a result around one in three entrants will be taken out of number controls. In addition, we will make available a further 5,000 places in a more flexible “margin” allocation.

7. We will introduce targeted measures to bring alternative providers, and those FE colleges that do not receive HEFCE funding, into the formal student number control system, alongside other providers. We will consult later this year on the process for applying these changes. We will also bring alternative providers into the quality assurance framework operated by the QAA, to provide important protection for students and maintain confidence in our HE system. While we strongly support the entry into the HE market of alternative providers and FE colleges, we must maintain control of our financial exposure, and international confidence in the quality of our higher education system, and we believe these measures will achieve this.

8. HEFCE will continue to provide the principal oversight of the English higher education system, and of overall student numbers, in the national interest, working with other sector bodies. As signalled in our most recent grant letter to HEFCE, we will authorise the Council to make grant adjustments for any over recruitment by institutions funded through them. These grant adjustments will be increased compared to the regime before 2012/13, in order to reflect the fact that as the funding reform is implemented, more money reaches institutions via tuition fee loans, so the costs of over-recruitment to the public purse increase.

Part Two: Recommendations and Conclusions

Recommendation 1. The series of delays to the publication of the White Paper and the subsequent consultation exercises has seriously truncated the Government’s timetable for implementing its reform of Higher Education. While the Committee understands the need for early implementation of the financial reforms, effective policy development can be undermined by the imposition of a rigid timetable. Many important pillars of the Government’s Higher Education policy are currently out for consultation and the Department will need to take full account of the views expressed by consultees. (Paragraph 24)

9. We agree with the Committee about the need to take the necessary time, and to take account of views expressed in response to consultation. We have engaged with students and with the sector and have valued the range of views expressed in response to the various higher education consultations.

Recommendation 2. We acknowledge the Government’s desire to enact the changes to tuition fees as a matter of priority. However, we urge the Minister to review the proposals for fee waivers, bursaries and scholarships to ensure the strategy meets the needs of intended recipients. (Paragraph 31)

10. We agree that it is important to consider the needs of intended recipients in 2012/13 and beyond. The Office for Fair Access (OFFA) advises us that following the introduction of tuition fees there was no hard evidence to support, for example, bursaries over fee waivers or vice versa. The Government is committed to reviewing the introduction of the National Scholarship Programme from 2012/13 in advance of the full Programme being in place from 2014. HEFCE has commissioned CFE Evaluation and Research to undertake a formal evaluation of the initiative.

11. OFFA will monitor the impact of fee waivers and bursaries closely and look to conduct research and analysis to see if evidence emerges to suggest one method of financial support is more effective than another in supporting and protecting access for non traditional or lower income group students. We have asked OFFA and HEFCE to work together to develop a shared strategy on Higher Education access and student success and examine how total investment might be best targeted to deliver most effectively (see paragraph 52).

Recommendation 3. The repeated use of mean average figures did not help move the debate forward as it was less helpful and relevant to students than modal average fee. We recommend that the Government use the modal average fee in its communications material, alongside availability of waivers and support for students from poorer backgrounds. (Paragraph 32).

12. We agree that the modal fee would be useful, though of course the fee is not paid up-front and does not affect an individual’s monthly repayments. However, it is not yet possible to calculate a modal fee after fee waivers, because comprehensive data on the impact of fee waiver support will depend on the actual profile of students that enter different universities and get these waivers, and this is not yet available. We should be able to calculate this once we have robust data from universities and the Student Loans Company—this will be during Academic Year 2012/13.

Recommendation 4. We acknowledge the difficulties the Government faced with regard to the communications strategy and we believe that it should have been better handled. However, the establishment of the Independent Taskforce of Student Finance Information as an independent body should go some way to re-establishing trust. Given the independent status of the Taskforce, we will expect its work to be published separately from Government and without the need for Departmental approval before it is put in the public domain. (Paragraph 41)

13. We welcome the Committee’s appreciation of the Independent Taskforce on Student Finance, chaired by Martin Lewis. BIS Ministers encouraged key partners and stakeholders to become involved in this initiative. The Taskforce secured its own resources and operates entirely independently of Government, retaining full editorial freedom. It does seek fact-checking for its material from the Department and the Student Loans Company (SLC), who have provided extensive factual advice.

14. The Student Finance Tour (September 2011–February 2012) made 2153 visits to schools and colleges in England, reaching over 150,000 students and 8400 parents. The evaluation of the Tour showed 94% of students understood the new student finance package better after the visit, while 98% of parents found the Tour helpful, 86% saying they now felt confident they had enough information to support their child through the student finance process. A large amount of highly positive feedback also came back from students, their parents and teachers. The tour specifically chimed with Simon Hughes' recommendation that BIS used the 6 months between July and December 2011 to "make sure all school, college and sixth form students and all other adults thinking of becoming university students for the first time next year and their families and teachers have accurate and accessible information and encouragement".

15. We have worked closely with the university sector and other HE stakeholders to ensure that its communications material reflected the needs of prospective students and clearly reflected the new student finance package. Bi-monthly meetings continue to be held with university communications colleagues. In autumn 2011, BIS also set up a working group with leading sector representatives to specifically address reaching potential part-time students, who are eligible for Government tuition loans for the first time. We are grateful to the Independent Taskforce's work on producing resources on student finance, including the new leaflet for part time students.

<http://www.studentfinance2012.com/news/article/part-time-student-application-crisis>

Recommendation 5. It is important that the increase in undergraduate tuition fees does not act as a deterrent to potential postgraduate study. We welcome the Government's decision to ask HEFCE to monitor and review this. We believe that interim reports from HEFCE may help reassure both students and institutions and we recommend that HEFCE considers this approach as part of its work (Paragraph 56)

16. The Government recognises the important role of postgraduate study in sustaining higher level skills for the UK and in contributing to the development of the next generation of researchers for academia and the wider economy. The Government welcomes the Committee's assessment and endorsement of role which we have asked HEFCE to take on. They will monitor and review participation in postgraduate study following the changes to undergraduate funding, as part of a longer term assessment of the impact of the funding changes. We recognise that some uncertainty around postgraduate provision remains. BIS will continue to work closely with HEFCE to better understand the underlying evidence. HEFCE has considered the Committee's recommendation and has confirmed that it will publish reports as this work progresses. Initial work to date has focused on gathering evidence on issues such as the progression rates into postgraduate study from students from different backgrounds; the fees charged and costs incurred for postgraduate study, long-term patterns of postgraduate study with regard to issues such as the subject; mode and location of study, and the attitudes of undergraduate students to postgraduate study before and after the Government's reforms.

17. The January 2012 Grant Letter also requested that HEFCE provide a first report on the impact of the HE reforms in December 2012, and HEFCE expect that this will include early advice on the situation of the postgraduate economy. In addition, HEFCE was asked to take steps as far as possible to support postgraduate provision, while further evidence of the

impact of reforms is gathered. HEFCE allocation for 2012–13 in relation to taught postgraduate provision is now being maintained at similar levels to 2011–12, so there should be no specific need for postgraduate courses to cost more as a result. HEFCE's February 2012 consultation on funding arrangements for 2013–14 and beyond¹ announced their intention to continue to provide this funding support for postgraduate provision as a transitional approach, together with further development of the evidence base for future investment. HEFCE is also providing an additional £35m for postgraduate research in 2012-13.

Recommendation 6. The Government should work with the Higher Education sector to develop a consistent message, pointing out the limits on repayment, rather than its current concentrations on slightly lower repayments regardless of the increased debt. (Paragraph 61)

18. The findings of focus group research which was carried out to inform the BIS campaign influenced our decision that repayment messages would be best delivered by third parties, such as the Taskforce or other independent voices. How we deliver messages is being reviewed for the upcoming Student Finance Tour which will recommence with sessions for parents in June 2012. Messages about monthly repayments being linked to earnings rather than the outstanding loan amount will be included, just as they have in the past.

Recommendation 7. We acknowledge that some form of annual statement on the student loan is an essential piece of information for the graduate. However, we recommend that the Government and Student Loans Company give serious consideration to the form of the statement and supporting information to avoid causing undue concern to graduates about rising student loan balances. (Paragraph 65)

19. BIS officials are carefully considering this issue with the Student Loan Company (SLC). We need to ensure that borrowers understand that, even though they may be making repayments, their balance may increase, especially during the first few years of the lifetime of the loan, because of the interest accruing. Also, due to the variable interest rates applicable to students who commence new courses in September 2012 or later, the statement would also need to show the rate of interest accrued during the previous year. We do not, however, have any plans to estimate 'break even salaries' in these statements. The SLC are currently working on the design of the statements and accompanying information

Recommendation 8. We acknowledge that the current proposals for student finance have been developed at a time of severe constraints in public finances. The White Paper states that the Government was “given the [Browne] report in an environment when public funding had to be reduced and we accepted the main thrust—that the beneficiaries of higher education would have to make a larger contribution towards its costs”. It would appear that the Government has left the door open to reducing the burden on the student should economic circumstances improve. This approach should be made clear and we recommend the Government set out its long-term aspiration for Higher Education funding, in the context of improving public finances, in its response to this Report. (Paragraph 77)

¹ Student number controls and teaching funding: Consultation on arrangements for 2013-14 and beyond, HEFCE, 29 February 2012

20. The Higher Education White Paper set out principles for the future funding of higher education. We will monitor carefully the impact of the new funding arrangements. We have committed to contribute to reducing the deficit over the life of this Parliament. Spending plans beyond 2015 are subject to the outcome of the next Spending Review.

Recommendation 9. The affordability of the new system is dependent on a wide range of variables which are outside of Government control. We welcome the Government's commitment to "monitor the overall affordability of the system", but we are not convinced that its current assessments can accurately deliver on that. Should the loan system prove more expensive than planned, the Government will need to act to reduce the costs of the system and to reduce the RAB charge. In its response the Government will need to demonstrate not only that its assessment of affordability is accurate, but that it has robust contingency measures in place to deliver an affordable system without cutting student numbers. (Paragraph 78)

21. The student support system is partly demand led and Government has made informed, transparent estimates of the likely eventual costs of the system. Currently, about 86% of students take out a tuition fee loan. It is possible that higher tuition charges might increase the proportion of students choosing to borrow. However, there has been an interest rate subsidy in the past that may have encouraged students to take out a fee loan when they could have afforded to pay up front. Such behaviour may now change. On balance, we have made a prudent assessment that a higher proportion of students will borrow in future than at present. We have assumed that 90% of eligible students will draw down a loan and that they will borrow an average of £7,500. This is not a fee assumption, but an estimate of the average loan amount. It is also based on universities recruiting responsibly. The Institute of Fiscal Studies confirm that they broadly agree with our estimates .

22. We will not know how much is actually being lent until the end of the 2012/13 academic year when we see how much students actually draw down in tuition loans. It could be higher or lower than estimates, and we will take stock then. Out of a higher education budget of around £10 billion we consider that this should be manageable.

Recommendation 10. We understand that overpayment by some graduates is essential to the affordability of the Government's proposed loan system, and we support a progressive system which means that the better off make a greater contribution than those on lower incomes. We welcome the consultation on this issue. We believe that a fair mechanism must be found to cater for those who wish to clear their debts more quickly but which also addresses the issue of those seeking to avoid a progressive contribution by paying their fees up front. (Paragraph 84)

23. We published our response to the Early Repayment consultation on 23 February, and made a Written Ministerial Statement to announce that there will be no system of charges introduced for early repayment of student loans. The consultation, which closed on 20 September 2011, prompted 154 responses from key stakeholders and the general public. After careful consideration and analysis of all the evidence and responses submitted, we agree that individuals should be allowed to repay early without penalty if they so wish, as they have in the past. We have therefore decided that we will not make any changes to the status quo and will not implement any early repayment system.

24. Students are not required to take out a student loan. They can if they choose to do so, make payments directly to their institution. However, paying up-front means that the student opts out of the extremely valuable insurance aspect of our student support system, whereby those who do not go on to earn enough never have to repay their loan in full.

Recommendation 11. There is a clear tension between accountability to students for how their fees are spent, and institutions' legitimate need to charge fees in excess of the cost of courses in order to replace the income cut from the block grant (and also cover the increased costs of widening participation work required because of the higher fees). We accept that graduate contributions towards the costs of their higher education should rise, but we recommend that the Government explore with the sector how to ensure that students seeking 'value for money' from their investment can see a clear relationship between the fees they pay and the cost of their course, while avoiding a fee structure which potentially discourages applications to higher cost courses in science, engineering, technology and medicine. (Paragraph 88)

25. We agree with the Committee on the need for transparency in this area. For the first time, from September this year, the Key Information Set (KIS) will provide prospective students with comparable information at course level in 17 different areas identified by students, including time spent on teaching and study, average graduate salaries and employment rates. As students become more discerning they will increasingly want to know how their graduate contributions are being spent. Through the White Paper we asked the Higher Education Public Information Steering Group (HEPISG) to consider whether, as part of the wider information set, institutions should provide the sort of material that local councils offer to residents on how their council tax is being used. HEPISG is currently looking at this issue including the information that will be of most use to student on how student fees are spent to allow students to make more informed decisions about the value for money of courses before they apply. HEPISG expect to report back to Ministers on this by September 2012. HEFCE is commissioning two research studies: understanding the information needs of postgraduate taught students and how these could be met; and the feasibility of developing a postgraduate NSS-style survey.

Recommendation 12. Given the scale of the reforms being implemented, we recommend that the Government take this opportunity to resolve the illogical and unjustified 'kink' in the student maintenance model which under present proposals will reduce the current level of support available for students from middle-income families. (Paragraph 94)

26. The new arrangements will ensure that the reduction in total maintenance grant and loan support as household income increases will take place at a more constant rate than under the current system. Students and their families should also find this new system simpler and easier to understand. The 'kink' identified by the Committee could be addressed through changes to tapers for maintenance grants and loans, or an increase to the maximum loan, but such changes would increase the system's complexity and are not affordable within current spending limits. It is important to note that no individual is disadvantaged by this, as the 'kink' is a comparison between the old system and the new system.

Recommendation 13. We recommend that the Government demonstrates its pledge to “put students at the heart of the system” by committing to improve the student maintenance model as soon as possible to ensure that the minimum non means-tested support available to every student covers at least the average annual cost of accommodation in university accommodation. This may require working with the sector to reduce these costs. (Paragraph 99)

27. We disagree with the Committee. It has been a longstanding principle of student support that maintenance grants and loans are generally paid as a contribution towards living costs rather than to cover them in their entirety. All eligible students are guaranteed a minimum amount of maintenance loan, but the principle of means testing maintenance support ensures that students from the lowest income households receive the largest contribution towards their living costs. Students are likely to need to cover a portion of their own living costs.

28. If the minimum non means-tested maintenance loan were to be increased within current spending limits to cover the full annual cost of accommodation, in order to stay within current spending limits this could only be achieved by reductions elsewhere in the package, such as a lower maximum maintenance grant or loan. This would reduce the amount available for students from lower income households who are entitled to means-tested support. Such an approach is counter to the Government’s wish to provide a more progressive student finance system that focuses support on income groups that are under-represented in Higher Education.

29. The cost of accommodation for students is a matter for institutions and landlords and the Government has no involvement in what they charge. Were we to commit to cover the costs of accommodation, this may incentivise price increases. The Government is committed to providing information for students to enable them to make informed choices about where they study. From September 2012, institutions offering higher education courses will provide a Key Information Set (KIS) which will help students to factor accommodation costs, and financial support available, into their final choice of institution

Recommendation 14: As a minimum, we recommend that the Government urgently reconsiders its decision to increase the amount of student support available in 2012 for designated courses provided by alternative providers charging tuition fees of more than £6,000, unless it also requires that some form of access agreement and the Key Information Sets for those courses be made available. (Paragraph 105)

30. The Government is keen to encourage a more open, dynamic and diverse higher education (HE) system with new providers able to enter the system on fair terms. We believe that new providers and new forms of higher education provision will help stimulate and strengthen market competition and help keep prices down.

31. However we also recognise the thinking behind the Committee’s concerns. This is why we increased to £6,000 the maximum tuition fee loan that new full-time students studying at alternative providers could secure from September 2012, but kept it below the £9,000 available to students at other higher education institutions.

32. In addition, we will introduce measures to bring alternative providers, and those FE colleges that do not receive HEFCE funding, into the formal student number control

system, alongside other providers. We will also bring alternative providers into the quality assurance framework operated by the QAA, to provide important protection for students and maintain confidence in our HE system.

Recommendation 15. If a market model is to be effective in the higher education sector, we agree that restrictions on supply must be removed. However, this cannot be achieved overnight. The Minister is right to acknowledge that the Government’s proposals to change student number controls will add to the uncertainty currently experienced by universities. We therefore recommend that changes to student number controls be deferred for at least 12 months after the reforms to the student finance system have been implemented to enable the sector to be consulted on whether reforms to reduce control of student numbers should be phased in over several years, or introduced in a single measure. (Paragraph 126)

33. Student choice is at the heart of our HE system. We have freed up the current approach to allocating student places, allowing more students to go to the institution of their choice. 2012/13 will see the implementation of policies to increase the number of student places freed from Student Number Controls to around 20% of current places. HEFCE consulted with the sector on the operation of Student Number Controls in 2012/13 and made changes as appropriate (set out here: http://www.hefce.ac.uk/pubs/circlets/2011/cl26_11/).

34. As we set out in the White Paper, we want to continue the process of liberalising student number controls over the Spending Review period. This is an incremental process and is not being done overnight. To help make student choice real and give institutions plenty of time to plan, we have decided we can safely go further next year. We have decided to reduce the A level or equivalent grade threshold to ABB+ in 2013/14 and make available a further 5,000 places in the margin. As a result around one in three entrants will be taken out of number controls, and will have a better chance of going to the institution of their choice. We will continue to monitor the impact of this on supply and demand, taking advice from HEFCE on the scope for further progress and will take this into account when considering any further liberalisation of student number controls. This will include monitoring the effect on subject choice in schools and colleges, in particular the take-up of facilitating subjects for degree-level study and STEM subjects specifically.

Recommendation 16. While the Department’s aim of “diversity, not division” is laudable, we have yet to be convinced that the access agreement mechanism will be sufficiently robust to counteract polarisation within the sector. It would help if the Government was to provide evidence on this issue in its response to this Report. For that reason, we recommend that the Government monitor very closely any changes in the social mix at English higher education institutions, and take swift action should any polarisation of the sector begin to emerge. (Paragraph 137)

35. Data is already published by both the sector and Government which monitors the social mix of those entering Higher Education. The Higher Education Statistics Agency (HESA) publishes Performance Indicators (PIs) annually on behalf of the English, Welsh and Scottish funding councils and the Department for Employment and Learning in Northern Ireland. The PIs provide comparative data on the proportion of students from disadvantaged backgrounds (access indicators), and retention rates, at institution level. The access indicators cover the proportion of entrants from state schools, from the lower 4

socio-economic groups, and from low participation neighbourhoods. HESA published the latest set of information on the performance indicators on March 29th 2012, and these can be found at –

http://www.hesa.ac.uk/index.php?option=com_content&task=view&id=2072&Itemid=141

36. Many institutions have used these access and retention performance indicators and benchmarks in the access agreements they have agreed with OFFA, others have selected indicators more relevant to their own circumstances. In addition, BIS as part of the set of indicators in the Social Mobility Strategy “Opening Doors, Breaking Barriers”, published data on the estimated number of 15 year olds in receipt of Free School Meals (FSM) who progress to Higher Education (HE) by age 19, at national and local authority level. Further data is also provided on the number of young people taking A levels or equivalent qualifications who progress to the most selective universities by independent and state schools and the gap between them.

<http://www.bis.gov.uk/analysis/statistics/higher-education/official-statistics-releases/widening-participation-in-higher-education/analysis-of-progression-rates-for-young-people-in-england-by-free-school-meal-receipt>

37. Whilst it is too early to draw any firm conclusions, there is no evidence to suggest that gaps in participation will increase for those entering higher education in 2012/13. We are cautiously optimistic based on the most recent UCAS data, although we do not underestimate the scale of the ongoing challenge. Our Grant letter to HEFCE asked them to monitor the situation closely, as will the Department.

Recommendation 17. We note the proposals for additional flexibility for students achieving AAB grades or above. However, the Government will need to demonstrate that its policy encourages bright candidates from all backgrounds to aspire to achieve high grades at A-level. In its response we will expect to see more detail on how the Government will deliver equality of opportunity through this policy. (Paragraph 141)

38. Our proposals will mean that high achieving A level (and equivalent) students will have a better chance of going to the university of their choice, regardless of their background. Under the 2012/13 arrangements, HEFCE gave institutions a student number limit equal to at least 20% of their limit for 2011-12. That meant that for the institutions recruiting a very high proportion of AAB+ students, there would still be a margin to make contextual data offers. We have now announced plans to further liberalise student numbers in 2013/14 and HEFCE wrote to institutions on 14 May to outline their approach.

39. Educational attainment is directly related to progression to HE and narrowing the gap in educational attainment will support progression for those from disadvantaged backgrounds including the most able. The Pupil Premium will help schools provide targeted support to improve the life chances of the poorest children and young people. It will help children from low-income families to reach their full potential and to achieve higher grades at GCSE, enabling them to progress to further and higher education with improved employment opportunities in the future.

Recommendation 18. Without detailed proposals we are unable to see how the Government will ensure that admissions to “off-quota” places are “based on ability to learn not ability to pay”. The Minister rightly acknowledges that there is a lot more work to do on this proposal, and we recommend that the Government proceed with extreme caution to ensure that the system is not open to abuse. In its Response, the Government will need to set out in much greater detail, how this policy will provide additional places while protecting the integrity of the admissions system. (Paragraph 147)

40. It remains our intention to work with the sector to examine potential models that might enable employer and charitable supported places outside of the controlled quota of student numbers provided that any such places do not create a cost liability for government and comply with fair access principles. More generally, within Spending Review totals, we remain committed to freeing up student number controls. We believe this is essential to introduce competition into the sector to drive quality and value for money for students.

Recommendation 19. We consider it essential that the KIS for all higher education courses should be available from a central point, in a form which allows direct comparisons to be made between courses and institutions. We are encouraged by references in Students at the heart of the system to interest from organisations such as OpinionPanel, Push, the Student Room and Which? in providing such a comparison service. The private sector may be in a good position to deliver this service quickly and efficiently. We recommend that, as a priority, Government engages with these companies to develop an effective and impartial comparison site as soon as possible. (Paragraph 153)

Recommendation 20. We are concerned about how the information in the KIS will be made accessible to prospective students who do not have easy access to the internet, and recommend that at the very least, institutions should also be required advertise widely, the availability of hard copy versions of the KIS with their prospectuses. To facilitate side-by-side comparisons of printed versions, we recommend that a standard form be agreed for the KIS. (Paragraph 154)

Recommendation 21. We recommend that as part of its improvements to the information available to prospective students, Government should ensure that detailed information on the sectors or types of roles in which graduates of each course are employed are contained within Key Information Sets. (Paragraph 158)

41. Better information for students is key to our reforms. We agree that KIS information should be available at the earliest opportunity from a central point in a form that allows comparisons to be made at course level. As a result we have asked HEFCE to ensure that such a website, which will replace the existing Unistats website, is available to prospective students from September 2012. The new website will also provide additional information on employment prospects including the top 10 professions of those in a job six months following graduation.

42. We and HEFCE are engaging with the growing number of independent organisations who provide analysis of data and information for students to use. We aim to ensure that all

KIS data is made available to such third party providers at the launch of the new website in September 2012, so that they can re-present and re-package the information in innovative and imaginative ways. In such cases a disclaimer will have to be agreed to ensure that the “KIS brand” is protected. Our aim is to ensure students have access to a choice of high quality information websites, where they can access reliable information, personally tailored to their needs.

43. The Key Information Set will be available on both the Unistats website and on individual institutions websites in a standard format on-line or in pdf format so that it can be printed by prospective students. It will include course information, costs and the following employment information:

- The destinations of graduates six months after completing their course—comprising working, studying, working and studying, unemployed, and not available for work;
- Of those in employment, the proportion in managerial/professional jobs six months after graduation;
- Information on which professional bodies accredit the course.

Recommendation 22. Given the increasing reliance on well-informed students to shape HE provision, and the inclusion of data in the KIS about employment outcomes and endorsement of courses by professional bodies, we recommend that the membership of the Higher Education Public Information Steering Group be expanded to include one or more representatives of the all-age National Careers Service, and the Alliance of Sector Skills Councils. (Paragraph 159)

44. The Higher Education Public Information Steering Group (HEPISG) is a sector led group. HEFCE, which provides Secretariat for the Group, intend to review its membership in due course. Currently HEPISG does have representatives from careers and employer organisations including the UK Commission for Employment and Skills, the CBI and the Higher Education Liaison Officers Association.

Recommendation 23. It seems clear that for the next three to four years at least, young people will be expected to act as informed consumers in an unfamiliar market place, for which their schooling has not necessarily prepared them. We recommend that the Government, as a matter of urgency, put in place transitional arrangements so that prospective students have the necessary advice and guidance infrastructure to help them make informed decisions on their education. (Paragraph 165)

Recommendation 24. We do not believe that “hoping” people get the information they need is a sufficient response to concerns about advice reaching young people, in particular those young people in hard to reach groups. The Government must act urgently to put in place transitional measures to ensure school pupils have access to adequate careers advice and guidance before the first UCAS deadline for 2012 applications in January. (Paragraph 172)

Recommendation 25. We support the view that the government should act urgently to guarantee face-to face careers advice for all young people in schools and agree that the

all-age careers service should provide face-to-face advice for people under 19. (Paragraph 173)

45. Schools and colleges have a key role in supporting young people to make a successful transition to work, further or higher education, including through the provision of high quality, impartial careers guidance. The Education Act 2011 places a new duty on schools to secure access to independent and impartial careers guidance on the full range of post-16 education and training options for pupils in years 9–11. Subject to consultation, this will be extended to year 8 and to young people aged 16–18 in schools and further education settings.

46. Schools will be expected to work in partnership with external and expert careers providers. The Department for Education recently published statutory guidance to support schools in planning for the introduction of the new duty from September 2012. This highlights the national quality standard for careers guidance which will act as a marker of quality throughout the system and inform the decisions schools make when commissioning support for pupils.

47. Young people will require different types of support at different times depending on their needs and circumstances. We recognise that face-to-face conversations do benefit young people enormously and can help to raise aspirations and guide them onto a successful path. This is particularly true of young people who are disadvantaged, come from a background of inter-generational unemployment, or have special needs or disabilities. That is why the statutory guidance sets a clear expectation that schools should secure face-to-face careers guidance where it is the most suitable support, particularly for the disadvantaged. Following the recent launch of the National Careers Service, young people can also speak to an appropriately qualified adviser through the National Careers Service helpline.

Recommendation 26. We recommend that a planned awareness-raising campaign should be put in place prior to the launch of the National Careers Service to make young people and adults aware of the Service and the higher education opportunities which may be available to them. (Paragraph 174)

48. There has been a series of communications to raise the awareness of young people and adults of the launch of the National Careers Service. The Ministerial launch of the service on 5 April received TV, radio and press coverage and included a live Twitter session with the Minister. Radio adverts ran for a month after the launch. The Skills Funding Agency is now working with National Careers Service Prime Contractors to generate on-going awareness raising.

Recommendation 27. We welcome all efforts to assist prospective students in making informed choices, but we consider that some prospective students, particularly those from families without experience of higher education, may need assistance in identifying the most reliable, unbiased and appropriate sources of information. Given the infrequency of QAA audits, we do not consider that its endorsement of an institution's public information provision alone is sufficient. We recommend that the Government develop a form of 'kitemark' which could be used to authenticate reliable

and accurate sources of information about higher education opportunities. (Paragraph 179).

49. We think that the Key Information Set will provide prospective students, parents and careers advisors with reliable and unbiased information on higher education. It will provide students with the information, which research shows, will be of most use to them. This nationally assured and branded information will be available from institution's websites and through the updated national Unistats website.

50. We want employers to clearly signal which courses or qualifications they value so young people can be confident in their choices. A group of Science, Technology, Engineering and Mathematics (STEM)-focused Sector Skills Councils (SEMTA², COGENT³ and e-skills), with support from the Confederation of British Industry and Skillset, plan to lead an industry group to kite-mark courses, helping students understand better which courses are valued by employers. The Government will encourage other Sector Skills Councils to do the same.

51. As the Select Committee report identified (recommendation 19) a real strength of the KIS is that the data can be compared across courses and institutions. This includes accreditation of individual HE courses by professional and statutory and regulatory bodies. Any such bodies including Sector Skills Councils that wish to have their accreditation for a course shown within the Key Information Set can seek acceptance from HEFCE (against specific criteria) to the list of accrediting bodies. The criteria for inclusion is available on the HESA website:

http://www.hesa.ac.uk/component/option,com_studrec/task,show_file/Itemid,233/mnl,12061/href,accreditation_guidance.html/

Universities are also free to show employer support or endorsement of courses on their individual websites, and we would encourage them to do so.

52. Organisations delivering the National Careers Service will need to meet the revised matrix quality standard for information, advice and guidance. This will provide assurance that the service offered—including information on HE opportunities—is of the required quality

Recommendation 28. We are concerned that efforts to fund wider participation through a proportion of tuition fees will not achieve the Government's objectives in this area. Widening participation in higher education has an important impact on future economic prosperity and therefore is worthy of public investment. We therefore recommend that the Government reconsider funding this activity through a programme similar to the 'pupil premium'. This could reduce headline tuition fees, and consequently also reduce the size of student loans and improve repayment rates. (Paragraph 192)

53. We agree with the Committee about the importance of widening participation. This year will see significant new spending on widening access made by Government, HEFCE

2 the Sector Skills Council for Science, Engineering and Manufacturing Technologies

3 the Sector Skills Council (SSC) for the Chemicals, Pharmaceuticals, Nuclear, Oil and Gas, Petroleum and Polymer Industries

and institutions. There are three main elements to the available funding. Government funding for the National Scholarship Programme will reach £150 million a year in 2014/15; HEIs have estimated they will spend £620 million on access through their access agreements by 2015/16; and HEFCE have allocated £140 million in 2012/13 in the widening participation part of the teaching grant plus the wider teaching enhancement and student success allocation of £224 million.

54. BIS Ministers have written to HEFCE and OFFA to ask them to develop a joint strategy for promoting widening participation and fair access and maximising the impact of the investment made by Government, the Council and institutions. In developing the strategy our expectation is that it will consider how the impact of investment might be better targeted across the whole sector and the whole range of potential activity which supports widening participation, taking into account the latest available evidence here and abroad. The recently published update on Opening Doors, Breaking Barriers: A Strategy for Social Mobility included a commitment to consider the large number of options for reform of the National Scholarship Programme and other forms of student support, including a possible 'HE premium', alongside other models such as those suggested by Simon Hughes, the NUS and others. We will also be looking at whether we can give greater certainty about the support available to individuals at the point they are considering applying to university.

Recommendation 29. We welcome any additional investment to remove barriers to participation in higher education. However, we are not convinced that the Government's policies for widening participation will achieve its objectives as effectively as it may have hoped. What prospective students need is a level of certainty about their entitlement and support before making an application. (Paragraph 202)

Recommendation 30. We believe that focusing financial support on providing money for living costs to students while they are studying would be a more effective means of support than fee-waivers and would be more consistent with the message that students should not be dissuaded from applying to university because of the cost. We therefore recommend that the National Scholarship Programme be refocused to direct public funds to support living costs of students. (Paragraph 203)

55. We think it is premature to draw conclusions about what financial support, or other forms of support, will prove most attractive to prospective students under the new funding regime. In particular, we want to see how the National Scholarship Programme (NSP) works in practice, and get the views of students who have experienced it, before committing to change it but we have asked the advisory group to reconvene and they will meet again in June. We agree that it is better for students to know about their entitlement to support under the NSP before entering higher education, and that the ideal is that they know before accepting offers of a place at a particular institution.

56. We recognise that cash can be an important factor for many students and the menu of support that institutions can offer students from the National Scholarship Programme includes a cash bursary—capped at £1,000. Under the current student finance system for 2011-12, analysis shows that bursaries have had no impact on students' universities choices. With student finance changes coming into force in 2012, OFFA will closely monitor the impact of fee waivers and bursaries and look to conduct research and analysis

to see if evidence emerges to suggest one method of financial support is more effective than another in supporting and protecting access.

57. We will consider the evaluation of the introduction of the NSP in advance of a full Programme being in place from 2014 and will bear the Committee's views in mind as we develop the full Programme.

Recommendation 31. We welcome the Government's intention to create a more level playing field for all providers of higher education. In particular we agree that where public funding is applied, alternative providers should be subject to the same criteria as traditional universities. This is both a sensible and proportionate approach to expanding Higher Education provision. (Paragraph 212)

58. We welcome this recommendation, which supports the Government's policy intention set out in the Higher Education White Paper and Technical Consultation. We will introduce targeted measures to bring alternative providers, and those FE colleges that do not receive HEFCE funding, into the formal student number control system, alongside other providers. We will also bring alternative providers into the quality assurance framework operated by the QAA, to provide important protection for students and maintain confidence in our HE system.

Recommendation 32. We further welcome the fact that the Government has decided to restrict access to direct grant funding to institutions operating on a not for-profit model. However, for-profit providers may still be designated to receive student support from the public purse, and it is not clear from the proposals set out in the Government's technical consultation whether they will be able to profit directly from tuition fee income backed by public student loans. We recommend that the Government clarifies the situation in its response to this Report. (Paragraph 213)

59. For-profit providers currently can have individual courses specifically designated for student support. Therefore, for-profit providers can already potentially benefit indirectly from public support through Government-backed tuition fee loans. Tuition fee loans involve contractual agreements between the Government and the student but not the provider. Hence the student is the direct beneficiary of the tuition fee loan, not the provider.

60. The Government intends that for-profit providers will continue to be able to benefit indirectly from public support through Government-backed tuition fee loans. We will introduce targeted measures to bring alternative providers, and those FE colleges that do not receive HEFCE funding, into the formal student number control system, alongside other providers. We will also bring alternative providers into the quality assurance framework operated by the QAA, to provide important protection for students and maintain confidence in our HE system. We will consult later this year on the process for applying these changes. While we strongly support the entry into the HE market of alternative providers and FE colleges, we must maintain control of our financial exposure, and international confidence in the quality of our higher education system, and we believe these measures will achieve this.

Recommendation 33. Access to public funds brings with it responsibilities. We acknowledge the Government's ambition to open up the market to all providers of

higher education, but alternative providers must be held to the same standards as traditional universities in respect of widening participation and access. (Paragraph 219)

61. See response to Recommendation 14.

Recommendation 34. Further education colleges offer another avenue to higher education and we welcome the Government's focus on the potential that is in the college system. However, if overall student numbers are to remain capped (particularly for institutions recruiting applicants without high A-level scores), the expansion of places at further education colleges may well come at the expense of places at traditional universities. We will expect the Government to set out clearly whether the expansion of HE in FE is a real expansion in higher education or merely a transfer of higher education provision from 'traditional universities' to potentially cheaper alternatives. (Paragraph 224)

62. Further education colleges are a vital component of the higher education landscape, offering a range of qualifications including diplomas, foundation degrees and degrees, and providing accessible learning to approximately 10% of HE students. The Government's funding reforms, including the extension of loans to part-time students and enabling student choice to drive higher education funding, will benefit further education colleges that can offer an attractive proposition to prospective students. Higher Education will now be available in places where it has not been previously. It is this expansion in choice, driven by students, which will be the real benefit of an increase in HE in FE. However, it will be for students to decide where they wish to study; our policy is to seek to support their choices.

63. Overall we expect student numbers to be broadly maintained over the spending review period. We are not changing that, but we want to inject more dynamism into the system. As a result of our flexible "margin" of contestable places in 2012/13, 10,354 places have been allocated to 155 FECs, including 65 colleges who will receive direct funding from HEFCE for the first time

Recommendation 35. We welcome the fact the Government has agreed to extend the Graduate Talent Pool for a further year. That said, it is not ideal to run such a scheme under repeated short term threats of closure. We recommend that Government commit to a five-year programme of support to the Graduate Talent Pool. (Paragraph 229)

64. We welcome this recommendation and have recently approved plans to extend the Graduate Talent Pool (GTP) until 2015. We will, however, monitor it regularly to ensure continued 'fit for purpose' and that we are not displacing successful private sector initiatives.

Recommendation 36. In principle, we welcome an increased focus on collaboration between higher education providers and the private sector, but the student must be clearly aware of the relationship between the institution and the private sector. For that reason we recommend that the Key Information Set contain details of the extent of employer or industry involvement in the design and content of each course to enable students to distinguish between academically or vocationally focussed courses. Information about "professional bodies which recognise this course" should also be

interpreted widely to include accreditation by sector skills councils or other industry bodies. (Paragraph 237)

65. The Key Information Set will include information on the accreditation of individual HE courses by professional and statutory and regulatory bodies (including professional bodies, regulators and those with statutory authority over a profession or group of professionals. Any such bodies including Sector Skills Councils that wish to have their accreditation for a course shown within the Key Information Set and who can meet the criteria, can seek acceptance from HEFCE to the list of accrediting bodies. Universities are also free to show employer support or endorsement of courses on their individual websites, and we would encourage them to do so

Recommendation 37. We recommend that Local Economic Partnerships should have a specific mandate to encourage entrepreneurialism in schools, and to support and foster links between higher education institutions, further education colleges, schools and businesses in their area. (Paragraph 240)

66. Government does not mandate LEPs with specific objectives. However LEPs do recognise the importance of enterprise and close links between business, education and skills institutions and take this into account in determining their priorities and securing effective partnerships for their areas. We expect LEPs will work closely with their HE/FE partners to ensure that skills development supports wider economic policies and priorities. All LEPs currently have a representative of the Higher Education sector on their board - except the London LEP where they have an HE representative on the Skills and Employment board which reports to main LEP board.

Recommendation 38. We expect the Government and HECFE to give us early sight of its proposals for changes to HEFCE so that we have the opportunity to feed into any pre-legislative scrutiny of those changes. (Paragraph 243)

67. We look forward to discussing these matters with the Committee.

Recommendation 39. HEFCE's involvement in proposed criteria and triggers will need to include appropriate authority to monitor risk between reviews, and the ability for it to act swiftly if concerns are identified. We will expect the Government to set out in more detail how this will be achieved in its response to our Report. (Paragraph 246)

68. The Government agrees that, within the more risk-based approach to quality assurance proposed, there will need to be mechanisms to monitor the quality of educational provision—especially where these are at risk—between reviews, and to respond swiftly if concerns are identified. HEFCE published a consultation document on 8 May, inviting comments on proposals for the development of a risk-based approach to quality assurance. The proposals include a more rigorous and flexible process for instigating QAA intervention outside planned external review visits.

Recommendation 40. It is common ground that any expansion of university status or changes to degree awarding powers should in no way undermine academic standards. We will expect to receive an early update from the Department on its proposals so that we can judge for ourselves how this will be achieved. (Paragraph 254)

69. In putting forward proposals on Degree Awarding Powers (DAPs) and University Title (UT) we are mindful of the importance of maintaining the highest quality of higher education and of safeguarding the strong international reputation of English universities. We believe that these proposals will support those objectives. Our response to the White Paper and Technical Consultation contains further details in this area.

Recommendation 41. We also note the concern expressed by the Higher Education Funding Council for England in their report “Diverse Provision in Higher Education” of the possible reputational risk to UK higher education from the expansion of the for-profit sector. We therefore believe that the Government should give a primary duty to HEFCE to maintain the quality of higher education, give degree-awarding powers to institutions which have a proven track record and have been audited by the QAA. In that respect any change of ownership of a higher education provider with a university title or degree-awarding powers should trigger a QAA review to ensure that the institution continues to meet the standards expected of it. (Paragraph 255)

70. HEFCE currently has a duty in primary legislation (section 70 of the Further and Higher Education Act 1992) to provide for assessing the quality of the education provided by institutions to which it provides grant funding. HEFCE’s vital role as the principal overseer and funder of the English higher education system will continue.

71. During the development of the consultation on proposals for a risk-based approach to quality assurance, HEFCE has discussed, with the QAA, the circumstances that might trigger differing degrees of intervention, and whether, as currently, change of ownership of a higher education provider with a university title or degree-awarding powers could trigger QAA intervention. HEFCE’s consultation, launched on 8 May, suggests that changes of ownership, either actual or proposed, are likely to be considered as a possible trigger for an ‘out of cycle’ QAA investigation.

Conclusion

Recommendation 42. The Government’s reform of Higher Education represents a radical overhaul of the sector and will have a lasting impact not only on students but also on universities. In a number of areas—the provision of better and more extensive information, advice and guidance for all prospective students, the extension of tuition fee loans to part time students, and a clearer requirement on universities to widen participation—the proposals have received widespread support. Certain reforms, for example the trebling of tuition fees, proved controversial. The Government’s reforms also have to be considered in the context of the current economic reality and we do not dispute that savings needed to be made in the higher education budget. We also recognise the need for graduates to contribute to the cost of their education. (Paragraph 256).

Recommendation 43. Our inquiry into the Government’s reforms has highlighted a number of areas of concern. Decisions were taken early on regarding the raising of tuition fees. While it may have been necessary to resolve the issue of tuition fees early,

the need for a clear communications strategy could have been more effectively realised. (Paragraph 257)

72. Following the publication of Lord Browne's review on 12 October 2010, the votes in December delivered most of the new student finance package. There was sensational and often misleading media coverage during this time. We convened a stakeholder forum and developed a campaign rapidly. University applications for 2012 have not suffered significantly.

Recommendation 44. When the Government published the White Paper, it announced a number of consultation exercises which would flesh out reforms in a number of key areas: early repayment penalties for loans, the future of student number controls, loans for students studying at alternative providers, "off quota" students and a new regulatory framework for new and alternative providers. The detail to be required in the Key Information Sets has yet to be finalised. There will also need to be changes to both OFFA and HEFCE to reflect their changing responsibilities in the Higher Education sector. (Paragraph 258)

Recommendation 45. Consultation is to be welcomed although the Government has set itself a challenging timetable. The new fee regime is to start at the beginning of the next academic year and we are concerned to ensure that these consultations will deliver the necessary coherent package of reforms to that timetable. It is vital that a new fee regime does not start without key aspects of the wider reform package in place. (Paragraph 259)

73. The Committee has recognised the challenging timetable, but the Government recognises the need to provide certainty and a steady funding stream for institutions and we will be working hard to deliver the full package of reforms.

Recommendation 46. Successful delivery of these reforms is a key component of providing a prosperous Higher Education sector. Therefore, we strongly believe that they should be implemented as a package and not in a piecemeal way as both students and universities need certainty in the new system if they are to make informed decisions.

We therefore urge the Government to ensure that its delivery programme has sufficient flexibility to accommodate a later implementation to deliver its reforms. To do so would be seen as a strength both for Government and for the sector it seeks to reform. (Paragraph 260)

74. The Review of Higher Education Funding and Student finance was launched in Autumn 2009 and the year long review took account of a wide range of views. We agree with the Committee that this is an ambitious programme of higher education reform. Nevertheless, we are cautiously optimistic about progress to date, and we do not believe it would have been in the national interest to delay the changes to the higher education funding system. It is Government's duty to seek the right balance between pressing forward with necessary changes and taking time for full consideration. From the first announcement of our funding changes, in autumn 2010, the first students will be entering university nearly two years later, and it will be 2014/15 before our reforms will reach anything close to full formal student number control system, alongside other providers.

75. Overall, we believe that our reforms will sustain our world class universities, improve higher education opportunities and increase social mobility. We welcome the Committee's interest in this area, and look forward to further discussion with members.

DEPARTMENT FOR BUSINESS INNOVATION AND SKILLS

JUNE 2012