



HE News

Winter 2009

HE news is an occasional review of press articles and other documents. Its purpose is to advise MH staff of current issues of importance or interest which may affect their work. It is also circulated to MH clients for their interest.

1. The Financial Health of the Sector

Universities UK have recently produced a report which reviews changes in the financial position of the HE sector. Key findings are:

- Approximately half of the income received by the sector derives from Government teaching and research grants, together with tuition fees from home and EU students
- Universities have sought to reduce their dependence on these grants by developing new income streams
- Over the past five years the income received by the sector increased by more than 50%, the largest increase deriving from overseas students (but see later)
- Eleven institutions depend upon overseas student fees for 15% of their total income

- If overseas income fell by 10% seven of these Higher Education Institutions (HEIs) would show an overall deficit
- Despite the overall increase in income the median surplus was only 2.3% - significantly less than the 3-5% considered appropriate for sustainability and investment
- Investment of only 1.3% of GDP on Higher Education (HE) is less than that committed by most major competitors
- The report calls for a sustained commitment to **increase investment.**

In the present and immediately foreseeable economic climate this might be optimistic.

Almost coincidentally the Higher Education Funding Council for England (HEFCE) circular letter 27/2008 reported that in 2007/08 the sector achieved efficiency savings of £202.39m against an efficiency target of £198.65m. But in congratulating HEIs on this achievement HEFCE reminded them that the 2009 grant letter requires **annual efficiency savings of £500m by 2010/11.**

2. Future Funding

2.1 Modifications to the Funding Methodology

Previous editions of HE news have referred to the establishment of a number of reviews which would inform a 10-15 year plan for the sector. One of these reviews was to consider new success criteria by which HEIs could be judged. As part of its response HEFCE has raised the possibility of including **graduate employment data as an element of the funding mechanism.**

This suggestion might be seen as an extension of the decision that NHS funding for courses such as nursing will now be based on student completions, not enrolments.

A change to funding based, in part, on employment obviously requires reliable data regarding the destination of students leaving an institution. This is obtained through the Destination of Leavers from Higher Education (DLHE) survey. HEFCE Circular Letter 25/2008 advises **Further Education Colleges (FECs) which receive direct funding from HEFCE** that they are now to be included in this survey. In FECs the DLHE is to be operated by a survey agency, IFF Research, rather than the institutions themselves. Students studying in FECs on **courses franchised from**

a **university** are already included in the DLHE survey.

2.2 Changes to Widening Participation Funding

HEFCE has been consulting the sector regarding changes which would increase funding for Widening Participation and create and allocation for teaching enhancement. These would require a reduction of £30m in the funding available to improve retention and increasing the weighting used for funding associated with students from the most disadvantaged backgrounds.

Although the total amount of funding to widen participation would remain at £350m per annum it is understood that some institutions could lose hundreds of thousands of pounds if these arrangements were adopted.

2.3 Research Funding

It has emerged that 63% of the funding for research made available through research councils for 2007/08 went to only 20 of the higher education institutions. The post 1992 universities have called for a "fairer" distribution of research funding in the future. We shall see.

3. Fee Income

3.1 Raising of the Cap

The level of tuition fee which HEIs may charge is currently capped at £3,145 per annum, a value which is to be reviewed in 2009. Many HEIs have been hoping, if not actually expecting, that this review will lead to the cap on these fees being raised and, hence, the fee which may be charged allowed to increase. Many university Vice Chancellors have been pressing for such an increase so that British Universities can remain competitive internationally. These hopes have been dampened in recent weeks.

The previous edition of HE News noted the arrangements under which loans are available to students, loans which would need to increase if fees were allowed to increase. The Government subsidises these loans. The present economic difficulties seem likely to make the availability of increased loans problematic, no matter which of the options to make them available, and summarised in the previous edition of HE New, is adopted. Indeed, David Eastwood, Chief Executive of HEFCE, has been quoted recently as saying that **it is inconceivable that the cap will rise significantly before 2013.**

3.2 Fee Income and Student Bursaries

Universities and other HEIs are required to devote £310 of the £3,145 tuition fee which they may

charge to the provision of student bursaries. Many allocate more. The average value of bursaries provided by the Russell Group of Universities in 2006/07 was £1,764; those made available by the Million + (post 1992) universities averaged £716.

The purpose of these bursaries was presumed to be the provision of financial support for poorer students but, as noted in the May edition of HE News, many are being awarded on the basis of academic merit.

A recent report by the Higher Education Policy Institute (HEPI) has concluded that the variation in the value of these bursaries is dependent on the means of the university, its strategy and ambitions rather than student need. However, another factor must surely be the possibility (likelihood?) that the Russell Group Universities have fewer needy students and that a similar quantum would provide fewer, higher value, bursaries.

The HEPI Report calls for the top-slicing of tuition fees to provide a national bursary scheme. The possibility of such an arrangement supplementing, or becoming subsumed in, the re-established grant arrangements for students of lower income families seems obvious.

As might be expected responses to this suggestion on behalf of the Russell Group and the million+ universities differ!

4. Student Admissions Procedures

4.1 Admissions Policy

In the wake of concerns over pressure to admit more pupils from state schools and disadvantaged backgrounds to elite universities, and comments such as those by Professor Richard, Vice Chancellor of Cambridge University, that universities are not engines for promoting social justice, John Denham, Secretary of State for the Department of Innovation Universities and Skills (DIUS), has been at pains to emphasise that **the admissions policy of a university is a matter for the university.** He insists only that admission policies should be:

- Published
- Transparent
- Implemented consistently within the institution.

John Denham has also made clear the distinction between Fair Access, ensuring that the most selective universities are genuinely open to talent from all parts of society, and Widening participation – opening up universities to a wider range of students. He also recognises the importance of schools offering the GCSE and A Level subjects required by selective universities.

HEFCE and the Office of Fair Access (only) require universities to demonstrate that they are making a serious effort to ensure that the most selective universities are open to talent

from all parts of society – and that progress in this respect has, and is being, made.

However, the targets which have been set by Government Agencies for the proportion of undergraduates of different backgrounds in each university are still causing problems. In this respect the Director of Admissions at Oxford University has emphasised the finite pool of deprived 18 year olds with top A Level grades is limiting what could be achieved to widen access and the Head of Admissions at Cambridge has stated that to increase the proportion of students from state schools above 60% would be difficult. Interestingly, though, the number of **applications**, to both Oxford and Cambridge this year, has increased to 15,000, from approximately 13,500 in each of the previous four years. Presumably many of these extra applications emanate from “new” sources. However, the key indicator will be the **number of final acceptances**, of course.

4.2 Compact Schemes

One of the ways in which HEIs attempt to reach out to parts of the community which might not naturally expect to participate in HE, to Widen Participation, is through compact schemes between HEIs and schools and colleges. Approximately 50 HEIs are involved in some form of compact scheme, involving 60,000 learners and 17,000 schools and colleges.

Recently it has been announced that nine selective universities are to participate in co-operative arrangements to widen participation. The form of the operation is not yet clear but it has been likened to a national compact scheme to encourage application from the most deprived schools. Again, **admission policies** would not be imposed.

4.3 Admissions Qualifications

4.3.1 Alternatives to A Level

Many schools and colleges have started to question the nature of A Level courses and their assessment as the most suitable preparation for Higher Education. Many have also become concerned about the possible demise of A Levels following a review in 2013 – a review connected to the development of the 14-19 Diploma programmes referred to in previous editions of HE News.

Alternative courses and qualifications being considered by schools and colleges are:

- The Cambridge Pre-U
- The International Baccalaureate (IB) Examination.

4.3.2 The A* Grade at A Level

The A* Grade has been introduced at A Level to improve the discrimination of A Level examinations and to help universities to identify the ablest of applicants. It will be awarded for the first time in 2010.

However, the National Council for Educational Excellence report referred to earlier recommends that **it is ignored by universities for at least two years** until data are available on the reliability of **predicted A level grades**. Whether this will deter universities from offering places on the basis of **actual A level grades** is surely another matter.

4.3.3 Uptake of the Diploma

The first group of school pupils embarked upon the new 14-19 Diploma programmes in September 2008. The original Government target was for 40,000 participants but it appears that only 12,000 have materialised. In approximately 20 local authorities fewer than 30 pupils are actually pursuing this course of study.

HEIs, of course, are particularly interested in the suitability of these diplomas as a preparation for degree-level study. The House of Commons Public Accounts Committee has cautioned that the acceptance of Diplomas as an entry qualification to HE is still some way off and that there is much to be done to convince parents, employers and universities that they constitute a credible alternative to existing qualifications.

5. Student Numbers: Now and in the Future

5.1 Enrolments for Vulnerable Subjects

HEFCE has reported that there are signs that the £350m programme, operating between 2005/06 and 2010/11, to reduce the decline in strategically important and vulnerable subjects (SIVS) was succeeding. The number of students studying chemistry, physics and mathematics is growing: Acceptances for mathematics in 2008/09 increased by 8.1% compared with 2007/08, whilst those for chemistry and physics rose by 4.4% and 3.3% respectively. Among other subject areas receiving substantial support from this funding are engineering, technology and languages.

Disappointingly, a recent survey for the Science Council of 1,000 16-18 year olds found that only one-third believed that science qualifications would help them obtain access to desirable careers.

5.2 Additional Student Numbers (ASNs)

John Denham has advised HEFCE that no more than 10,000 ASNs should be allocated for 2009/10 so that in 2009/10 there will be 30,000 more fully funded full-time equivalent students compared with 2007/08. The HEFCE Circular Letter 32/2008 explains that, in accordance with the grant letter of January 2008, **almost 10,000 ASNs have already been allocated** and, therefore, no further allocations will be made

for 2009/10 (above those already approved or under consideration), nor for 2010/11, at this stage.

In this way HEFCE hope to secure managed growth of 10,000 ASNs above the 2008/09 level. It also asks institutions to review planned recruitment for 2009/10 in order to **avoid the risk of over recruitment beyond growth already planned and in the system**.

The target for co-funded ASNs is unaffected.

5.3 Impact of Student Maintenance Grants

The reason for the limits on ASNs appears to be an over-expenditure of £200m on student maintenance grants. Prior to 2007/08 students could receive a maintenance grant if their parental income was less than £39,305 per annum. An early decision of the Gordon Brown premiership was to increase this income level to £60,000 – an initiative to **increase the number of working class students**.

The number of students eligible for the full maintenance allowance has been under-estimated and appears to have led to an over-expenditure of £200m. To address this problem the maximum parental income level has been reduced to £50,020. It is estimated that this will exclude 40,000 claimants for maintenance grants this year.

This action, together with the constraint in ASNs, should address the £200m funding gap.

5.4 Student Employment Prospects

The previous edition of HE News questioned the extent to which the “financial premium” earned by graduates during their working lifetime could or would be sustained now that the proportion of graduates in the employment market has increased. (32% of “school” leavers entered university in 1997; the current figure is approximately 43%).

Recent evidence supports this concern:

- 33.2% of male graduates are in non-graduate jobs five years after leaving university. This figure was 21.7% in 1992. The proportions for women graduates are similar
- Those in non-graduate jobs now earn 40% less than those in graduate jobs; in 2001 the differential was 32%
- In many institutions 40% of graduates fail to find graduate level jobs.

Despite this, the Sodexo-Times-Higher Education Survey has shown that, despite spiralling debt, 64% of students (56% in arts and humanities subjects) believe they will receive a financial return on their investment.

One wonders for how long – and what the impact on student numbers and HEIs will be.

6. Pay and Pensions

6.1 Implementation of the 2006 Agreement

Previous editions of HE News have described the unexpected salary costs facing universities due to the inflationary increases, which were built into this three-year pay deal, being higher than anticipated. A further 5% increase became payable in October 2008.

The three-year deal is said to have given all staff an increase of at least 15%. Some have received considerably more, due to incremental increases up the pay scale, but these would have been foreseeable and planned for.

Nevertheless, the impact of the inflationary element of the pay deal has caused some universities to consider deferring, or phasing-in, its implementation over 11 months, as they are entitled to do if they are in financial difficulties. At least two HEIs have done so. However, **approximately 75% were expected to pay the award in full and on time.**

6.2 Pay Claim for 2009/10

The difficulties caused to universities by the 2006/09 pay deal has led some Vice Chancellors’ to suggest that the pay award for 2009/10 should be zero, or not much more, **if redundancies were to be avoided.** However, the university and college union (UCU) is set to press for a pay increase of either **8%, or an amount equal to the RPI plus 5%, whichever is the greater.**

6.3 Pension Contributions and Benefits

Anxieties are being expressed over the level of contributions being made to the Universities Superannuation Scheme (USS) if present levels of benefit are to be maintained. These anxieties are based upon:

- Increased life expectancy
- A higher proportion (78%) of USS assets being in equities, the value of which has fallen sharply in recent months.

The funding position of the university scheme is due to be reviewed in January 2009.

7. Staffing Matters

7.1 Staff Profile

The HEFCE Paper 2008/26 provides information on staffing in English HEIs in 2006/07. The following points might be noted:

- The total number of staff rose by 9% between 2003/04 (275,000) and 2006/07 (300,000)
- The proportion of academic staff on permanent contracts increased from 63% to 70% between 2003/04 and 2006/07; the proportion of professional and support staff on permanent contracts increased from 84% to 87%
- The proportion of permanent academic staff who are female increased from 35% to 38% between 2003/04 and 2006/07
- The proportion of permanent

academic staff who are non-UK nationals had risen to 16% in 2006/07

- The median salary of permanent academic staff in 2006/07 was £41,000 – an increase of 13% between 2003/04 and 2006/07.

7.2 Reductions in Staffing Levels

Details are emerging of few a universities pursuing redundancy and early retirement arrangements either to address financial problems or to adjust the staffing profile to meet the future needs of the university. It is to be wondered whether the next HEFCE staffing survey in 2009/10 (a further three years?) will show a further increase in total staff numbers.

8. The Possibility of Mergers

David Lammy, the new Minister for Higher Education following the recent Government reshuffle, foresees a number of mergers among HEIs. This may surprise many given that, as recorded in the May 2000 edition of HE News, it is the Government’s intention to establish 20 new centres of Higher Education. These centres could be linked to existing universities or FE colleges, or be entirely new institutions. However, when it is considered that after years of expansion in the HE sector and with:

- some HEIs beginning to report financial difficulties
- restrictions on ASNs being imposed

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- reductions in the levels and number of grants available to students
- doubts over the endurance of the "graduate premium"
- students (and everyone else) becoming more conscious of debt,

some contraction in the sector, beyond the impact of demographic factors, does seem possible. And mergers, rather than closures, may be one way of responding to this.

Whether or not this happens it is probably a safe bet that the 20 new centres of HE will not be separate, new institutions.

9. The New Chief Executive of HEFCE

Sir Alan Langlands, currently Principal and Vice Chancellor of the University of Dundee, is to be the new Chief Executive of HEFCE. He takes up the post on 1 April 2009.

10. The Future of HE

The May 2008 edition referred to the intention of John Denham to establish a number of reviews which would inform Government policy and stimulate debate in relation to a 10-15 year plan for the sector.

The reports emanating from those reviews have now been published and are available on HEFCE website. John Denham also established a review by representatives of users of HE to consider both the future of HE from their point of view, and also the reports referred to above.

No doubt the substance of all of these reviews will figure prominently in subsequent editions of HE News.

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