Briefing Note on University Fee Setting Discussions

Introduction

It is now very clear that most universities regard the end of March as a deadline for setting their fees for the 2012-13 academic year. Whilst not a surprise, this puts students' unions in a very difficult situation- operating (at least until now) in a situation where the regulation surrounding the setting of fees (at least those above £6,000) has been unknown. The added complication is that students' union Presidents (and many Education sabbaticals) are members of Governing bodies; and discussion involving another university could easily be regarded as anti-competitive, and thus illegal. This briefing seeks to inform students' union officers on the key issues and areas to consider when taking part in university fees negotiations and discussions.

Questions to consider include:

- Is it best to fight for one standard price?
- Should there be different prices for different courses?
- Would it be legitimate to discount during clearing?
- What is the relationship between the fee system and the bursary/scholarship offer?
- Should fees be set "to the level the market will bear" or be based on a formula or assessment of costs?
- Could fees change in different years?
- Are you tactically better to assume their fee will be set high and secure the most for that fee, or to argue for a lower fee?
- Should the union ethically engage in any conversations at all about its own funding as part of this context?

Recognising that simply campaigning for a low fee might not generate the results you require (especially inside the Russell and 1994 Group), NUS would recommend that you engage in detailed discussions with councils and execs to discuss the issues at stake a principle/policy level before engaging in detailed discussions.

What is clear is that fees are being worked out now- and that whilst many of you are being heavily included in the process, many of you are not. Given the centrality of the fee (and what it represents) to so many of the key issues facing students, we cannot think of a reason to exclude you from these discussions- so if you're not involved, you should demand involvement **now**.

The system

- Full-time UK (and EU) undergraduate students can access a system of loans and grants designed to assist with the cost of tuition and maintenance.
- All can access a non means tested loan to cover the cost of their tuition fees.
- They can also access mean-tested loans and grants for help with the costs of living.
- The amount of and eligibility for student grants has increased; however minimum bursaries payable by universities have disappeared by almost the same amount, creating a virtually net zero sum effect.
- All of the loans get repaid on a post graduation, income contingent basis; payments do not begin until a graduate is earning £21,000 (currently £15,000).
- Repayments are at 9%; interest charged is income contingent, charged during study and whilst not at a commercial rate is more "real" than present (currently it is charged just at inflation).
- The loan gets written off after 30 years (currently 25)- the vastly increased numbers of graduates that will never pay the loan off are in fact what makes the system relatively progressive (though the richest will never take out a loan and higher earners will pay off early, avoiding interest).
- Large numbers of part time students will be brought into the system for the first time- a credit based proportion of a full time course test will be used to determine eligibility.

Much has been made of the Government's 80% cuts to teaching budgets; of course, whilst thats true, there has not been an 80% cut to the overall Universities budget- in fact the subsidy has been moved into this state backed, loan based voucher scheme. Overall the Government will put in about 40% less, with the rest assumed to be being made up by larger contributions from richer graduates. Lord

Browne's assumption was that a control on student numbers would not be necessary- principally because he had designed a tapering contribution back to the centre from fees above £7k, but the Government instead opted to cap fees at £9k; meaning that the government will have to control total student numbers given the cost of the public subsidy to grants and loans (both through the milder interest rate subsidy and the increased rate of write offs).

Fee levels and the landscape
The decision taken by Parliament before Christmas was to raise two "thresholds" for fees. The "basic" threshold (increased to £6,000) is the maximum that a university can change if it fails to produce (or get approved) an access agreement through OFFA (the office of fair access). The "higher" threshold (£9,000) is the maximum that a university can charge if it successfully participates in the access agreement process. Ministers signalled that the regulation of access agreements would get tougher- but detail was in short supply.

Before the fees the Government vote repeatedly claimed that the charging of more than the basic threshold would be "exceptional". In fact, both Vince Cable and David Willetts used it on the floor of the House of Commons to describe the circumstances in which universities will be allowed to charge over £6,000 a year in tuition fees.

There are two reasons why this was described as such. First, because the Government- particularly the Lib Dem end of the coalition- wanted to be seen to be "talking tough" on access. Of course, such tough talk masked a real row between those who favour quotas and "social engineering" and those who oppose it across the coalition. It also masks other rows- whether the problem is with all universities, or just the elite; and whether universities should be measured against effort (outreach activity, level of bursary on offer) or achievement (the number of applications, admissions and retentions).

But the second reason was about maths. The package explained by Government in its response to the Browne review was predicated on the (mean) average fee level being £7,000. A flurry of news stories (and intel from universities) suggests a "race to the top"- or at least a race to over £7,000- as universities seek to avoid the "Ratners" problem of a low fee having reputational impacts. Ironically, most Vice Chancellors see the relatively benign repayment arrangements and the obsession of Government in promoting the package as being one that shouldn't put students off as license to raise their fee to higher than what is needed- especially given that they can use income from higher fees to tempt students in with "cashback" deals masquerading as bursaries in the access agreement. This "sticker price high = maintain prestige, discounts/bursaries = maintain the volume" is in wide use in the US and has been recognised as a key feature of the existing system by respected student finance expert Clare Callendar.

The problem is that if the sector's average fee does come in at over £7,500, the finely balanced set of calculations underpinning the system will quickly go into freefall. Already two concessions announced in the run up the vote in Parliament- the annual uprating of the interest rate threshold and the inclusion of more part time students in the finance system- have obvious costs that have not been publically estimated. The result has been frantic work behind the scenes to try to persuade the sector to charge less than £7,500.

Usually bland press comments from BIS have been particularly pointed in warning universities not to set a high fee; Willetts has suggested that universities think again and Simon Hughes seems strangely confident in repeating the "more than £6k will be an exception" line. The problem is that the regulatory regime- designed to test effort on access in exchange for charging higher fees- is not suitable as a mechanism for achieving price regulation in a market where demand is still very high and the availability of finance is particularly easy. It is not clear at all where this will end- other than in rationed places (perhaps in bands), hastily designed price controls (which will abandon the rhetoric of the market in their execution) or a bankrupt BIS.

There is a final crucial element in this mix. At present universities are heavily encouraged by OFFA to offer bursaries as part of the access agreement; but the thrust going forward is to reduce this activity and offer fee waivers instead. The more fee waivers offered, the greater the reduction of the public subsidy and so preferable to Government; but fee waivers fly in the face of a policy narrative from government that says that fees ought not to be a deterrent given benign repayment terms.

Financial Background
A key element to understand for you and your university will be its overall financial background. Some useful lines of enquiry include:

- The university's current reliance on undergraduate fee income
- The university's overall financial position
- The university's overall subject mix (and the amount of provision in STEM or contract areas like nursing)

If you are not clear on these areas, many of these indicators can be found in NUS' pilot key statistics reports; http://www.nusconnect.org.uk/campaigns/highereducation/keystatistics/; more data is also available on request from NUS HQ.

A critical issue is that the transition year of 2011-12 will be one where cuts begin to bite, and yet additional fee income will not be available. The ability of your university to withstand that transition year will be crucial in understanding the wider proposals on fees and/or cuts that may be proposed.

Another key issue to consider is what you might call the "break even" figure. Many Vice Chancellors have argued that a single figure (of anything between £5,500 and £8,000) represents their "break even", or "standstill" figure in their HEI- but a more complex set of calculations (especially where there is a broad subject mix) is likely to have been researched in your HEI. On the basis that it is highly likely that it has been done, you should certainly seek to see and understand that exercise in your institution.

What Universities will take into account
No guidance can describe the full range of factors at play- however all universities will consider the following in the mix:

- The "**standstill cost**" of its existing provision (an average of all provision or different averages across subject types)- what it actually costs to put on the range of provision
- The "**standstill raise**" of existing fees- this is not necessarily the same as the standstill costs- this is about what the university will need to raise from the new system to make up the shortfall in teaching funding
- The "**access agreement**" cost- what in practical terms it will have to do to get its access agreement approved and meet the Government's new tests
- The "**demand**" rate for it as an institution and by subject area; whilst demand overall across the sector remains impressively high, this does vary by subject type and institutional standing (although bear in mind that a lower cost may actually depress demand given the signal of quality it sends)
- The "**increased expectations**" cost of students demanding more; this applies both generally to the new system and specifically to any requirements that (in particular you) may place on the "offer" in the future

These four areas are crucially important and will factor in all of the discussions. But the single most important determinant in price setting will be the signal it sends on reputation and quality. Institutions are as likely to use their position in the league tables when determining price as they are any of the factors above. A thorough understanding of your institution's wider reputation (particularly with poorer students) will be critical in either securing a lower price, better commitments on access or enhanced commitments on facilities or rights.

On the four areas, students' unions should clear consider the following:

- "**Standstill**" cost/raise: What is this? Does it differ from course to course? Does teaching currently subsidise research, or the other way around?

- "**Access Agreement**" cost: What more can and should be done by the University on access? Should it seek to go beyond the OFFA guidance? Is there a role for the union in WP? What will Aim Higher's demise do to access? Will the university continue to offer bursaries and scholarships, or fee waivers?
- "**Increased expectations**" cost: Students' unions have a clear role to play in arguing that students shouldn't or won't pay more for less; what should the university be offering or guaranteeing in the new regime?

This last factor is critical. Universities know that the question on students (an your) lips will be "what do students get for the (increased) fee?"

As part of the white paper discussions NUS is, for example, pushing for:

- More to be placed into the "Key Information Set" each university must publish
- For hidden course costs (of participation in a given programme) to be regulated and eradicated
- For hard commitments on teaching and facilities to be made in (compulsory) student charters

It is probably also worth noting that if universities experience a reduction in student numbers, many would not necessarily cut their fees to maintain their size. Many are much more likely to consider a reduction in size of its undergraduate population as preferable to maintaining size given the need to reduce the entry standard (either literally or through price signalling) that maintaining numbers would require.

Additional "Detailed" considerations

As well as the above issues, there are likely to be many issues in the detail for you to think about ahead of meetings:

- The extent to which the bursary or scholarship scheme will be genuinely used for ***access*** (as opposed to discounts for certain courses to massage ***demand***)
- How you handle students on joint awards provision or those that switch courses
- How part time students might be dealt with
- Foundation degrees
- Franchised provision

White Paper Demands

It is probably also worth you noting some of the things that we are demanding as a result of the current White Paper on Higher Education.

- Enhanced rights for students
- Greater provision of student support, outreach & bursaries
- Speedier resolution of student complaints (maximum of 6 months)
- Campus ombudsman to help speed up student complaints & informal resolution
- Ability for students to transfer within and between course/institutions, if institutions fail to deliver on what is promised
- Enhanced information in relation to institutions and SUs to improve student choice
- Overhaul of prospective information to focus more on the academic content/environment of institutions
- A careers advisor in every school/college to support with advice & guidance in relation to post-compulsory education options
- Statutory protection for SUs and ring-fenced funding
- Protection of academic freedom
- UCAS to facilitate admissions for PT students and Postgraduates (as they currently do for FT)
- Better information on employability and graduate earnings
- SUs to have the power to trigger institutional reviews
- Every institution with their SU to devise a student engagement strategy, aimed at improving student representation within the institution

Further Advice and Support
As soon as there is more information about BIS instructions to OFFA about the regulatory measures in place to set fee levels and the conditions in which institutions can charge above £6,000 we will be back in touch.

If you want more information please contact:

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