
Gateways: HEFCE activity in connection with the entry by new providers into the higher education sector, which is regulated by the Department for Education, and exits from that sector

Department for Education – Higher Education Funding Council for England (HEFCE)

RPC rating: validated

The IA is now fit for purpose as a result of the department's response to the RPC's initial review. As first submitted, the IA was not fit for purpose.

Description of proposal

The gateways to the Higher Education (HE) system in England are regulated by the Department of Education (DfE). HE is provided by universities, further education colleges (FECs), and a wide variety of other institutions, charities and companies. These providers can be for-profit and not-for-profit organisations. The gateways are:

- Whether students are to receive loans for tuition fees and maintenance support from the Student Loans Company (SLC)
- Whether an organisation wishes to award degrees, use university or university college title or receive public funding for its HE provision.

Early in 2015 the Government asked HEFCE to assume responsibility for administering four processes associated with these gateways:

- grant of degree awarding powers
- grant of university or university college title
- designation as eligible to receive HEFCE funding
- transfer from the further education sector to the HE sector.

This was meant to reduce the burden for HE providers by having a single point of contact, which would implement the guidance issued by DfE. The requirement to apply during application 'windows' was removed and some streamlining of the change of circumstance processes was introduced. The requirement to seek approval from DfE for new courses was removed for providers that already hold Specific Course Designation (SCD) and was replaced by a requirement to register new courses. The process of adding new courses to the provider's portfolio is thus

quicker and the provider can advertise the new courses sooner. However, providers will incur a greater staff cost to be compliant with the measures.

Impacts of proposal

All of the calculations are based on an assumption that all providers are medium sized providers (300 full-time equivalent (FTE) students). In reality there will be a mixture of providers including some small providers with less than 100 FTE and some large providers (with more than 1000 FTE). However, the bulk of providers fall towards the middle of this range, so it is appropriate to base the calculations on costs experienced by a medium sized provider. There were 113 providers in 2015/16 that would be affected by the changes.

Some changes are assumed to be cost neutral as similar processes were already in place - such as the process of annual re-designation for providers with SCD (rather than the former system of annual monitoring) and the English language requirements for students. The impacts that have been costed are:

- Changes to the process of quality review
- Completion of the HESA statistical return

Benefits

The Review for SCD has been replaced by a QAA Higher Education Review for Alternative providers (HER AP). The regulator estimates that there will be a total annual saving of £1.22 million as a result of removing the requirements of the SCD review.

Costs

The annual costs imposed by the QAA Higher Education Review for Alternative providers (HER AP) are estimated at £1.47 million.

There are additional and significant staff costs for alternative providers associated with the preparation and completion of the HESA student return. In addition to this it is expected that 12 providers will have their data audited by HEFCE each year and some of these providers may be required to make data amendments. These costs can be separated into three parts; the HESA AP subscription charge, £0.32 million, induction fee to HESA, £0.08 million and costs of completing of the AP student record, £1.04 million.

Indirect impacts

The extension of student number controls (SNC) limited new providers' access to the HE market and effectively placed a cap on current providers' ability to recruit students, which might have been a commercial opportunity. The whole recruitment of full time students by alternative providers in 2016/17 was expected to be about 78% of the aggregate allowance under SNCs. This suggests that the newer providers are working with small numbers initially while they build their expertise and the number controls are not a serious restriction of commercial opportunity.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of £1.8 million. This will be a qualifying regulatory provision that will score under the business impact target.

Quality of submission

The proposal is clearly written and HEFCE have given a detailed breakdown of the impact to business. In particular, it has set out how many businesses will be affected by each of the changes and included an explanatory note setting out its assumptions and calculations. The IA included the cost to business for registering with the OIA. This cost was already accounted for in the IA submitted by BIS (RPC14-FT-2014-12-02 BIS-2228(2) - Requirement for higher education providers to subscribe to the Office of the Independent Adjudicator for Higher). HEFCE have now removed this cost from the calculations for the final figure.

Issues addressed following RPC's initial review

As initially submitted, the IA included 4 issues that meant that the RPC did not consider it fit for purpose. Following the RPC's initial review, the Department submitted a revised IA that responds to the points below.

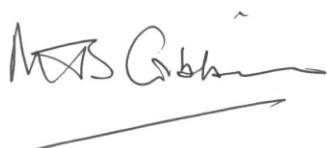
- Annual process of re-designation - HEFCE has provided an estimate of this cost to business
- English language requirements – HEFCE has provided sufficient evidence to support the statement that the change is cost neutral
- Completion of the HESA statistical return – HEFCE has monetised this impact
- Extension of student number contracts – HEFCE has attempted to estimate the impact on business of the lost commercial opportunity.

Departmental assessment

Classification	Qualifying regulatory provision (IN)
Equivalent annual net cost to business (EANDCB)	£0.7 million (initial estimate) £1.8 million (final estimate)
Business net present value	‑£5.86 million (initial estimate) ‑£15.95 million (final estimate)

RPC assessment

Classification	Qualifying regulatory provision (IN)
EANDCB – RPC validated ¹	£1.8 million
Business Impact Target (BIT) Score ¹	£9.0 million
Small and micro business assessment	Not required
RPC rating (of initial submission)	Not fit for purpose



Michael Gibbons CBE, Chairman

¹ For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.