

Office for Students: registration fees (stage 2)

Universities UK response

December 21 2017

Introduction

Universities UK intends to support the proposed, transitional subscription model on the basis that it will be revised to more accurately reflect the costs of regulating providers once the Office for Students (OfS) is operational. The costs of regulating high-risk providers should not be subsidised by low-risk higher education providers. The suggestion that the registration fees for new providers are subsidised by the government is inappropriate in a risk-based regulatory framework.

It is important that the OfS meets its statutory duty under section 2 of the Higher Education and Research Act (HERA) 2017 to use its resources in an 'efficient, effective and economic way', as well as to ensure it is 'transparent, accountable, proportionate and consistent'. The OfS should provide a breakdown of its cost base so that providers can be assured that they are receiving value for money. Without appropriate scrutiny, there is a risk that registration fees will impose an undue cost burden on providers.

The designated quality and data bodies have a separate statutory power to charge fees for the activities that they are designated by the OfS. The total cost of regulation will not be known until these activities are designated and clarified. At this stage, there is limited detail about what the OfS registration fees will cover. Greater clarity will be needed about the overall costs of subscriptions in the new system.

Universities UK welcomes confirmation that the government will continue to fund OfS activities that have a wider social benefit, including Prevent.

The voice of universities

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Responses to questions

- 1 *Do you support the proposal to charge Registered Basic providers a flat rate annual registration fee?*

Yes.

- 2 *Do you support the proposal to charge Approved and Approved (fee cap) providers an annual registration fee varied by their size?*

Not sure.

The annual registration fee should be based on an assessment of the risk posed by the higher education provider. We recognise the difficulty of calculating a risk-based approach to registration fees at this stage. However, it is essential that low-risk providers that have low levels of engagement with the OfS, as proposed by the regulatory framework, do not subsidise the costs of regulating high-risk providers.

The OfS has indicated that it will risk assess every provider who applies for the register. The risk assessment could be used to inform the annual registration fee, alongside institution size if necessary. Universities UK's expectation is that, over time, the OfS will adopt an approach to subscription fees that better reflects the cost of regulating providers.

- 3 *Do you support the proposal to measure the size of Approved and Approved (fee cap) providers for the purposes of calculating their annual registration fee on the basis of their full-time equivalent (FTE) higher education student numbers?*

Not sure.

If the size of the provider is going to be used for the purposes of calculating the annual registration fee, it should be on the basis of full-time equivalent higher education student numbers. However, the size of the provider should be used as part of a wider set of measures which consider risk to determine the annual registration fee.

Students on overseas campuses or with overseas collaborative partnerships should not be counted in the FTE calculation as having the same weight as students studying in England because the income received per student is far lower after local costs are accounted for, and these costs include compliance

with local regulators. The cost of quality assuring transnational education should be reflected in provider subscriptions with the designated quality body as appropriate.

- 4 *Do you support the proposed banding model to group Approved and Approved (fee cap) providers by their size?*

Yes.

The proposed banding model to group Approved and Approved (fee cap) providers by their size is a more efficient way of grouping providers than an approach that relies upon estimates of exact student numbers.

- 5 *Do you support the proposed percentage distribution of costs between size bands?*

Yes.

The main priority should be working towards a risk-based approach to registration.

- 6 *Do you support the idea of setting registration fees in the future to reflect the regulatory effort associated with the provider? What do you see as the advantages and disadvantages of this model compared with the proposed fee model?*

Yes.

Universities UK has consistently argued that with greater and growing diversity in the sector, there is a danger that the regulator tries to regulate providers indiscriminately, without regard to circumstance or history. Therefore, it is extremely important to ensure that regulation is risk-aware, proportionate and equitable.

The setting of registration fees should, in the future, reflect the regulatory effort associated with the provider. Increasing the cost to all institutions as regulation is applied in a disproportionate way is not only inequitable, but takes resource from institutions that could be used to advance the mission of the institution.

Fees should also take into account the aggregate costs of subscription with the designated bodies to ensure an efficient and cost-effective system.

The Impact Assessment suggests that the policy will not be reviewed until 2021/22. If there is an opportunity to reasonably review this policy earlier, then the OfS should do so. While there is not yet enough data to establish a model whereby providers pay registration fees based on regulatory effort, this is Universities UK's preferred option. This review should also consider whether a flat fee covers the cost of regulating Registered Basic providers is sufficient to cover the full cost of regulation.

- 7 *Do you support the principle of a proposed discount for new providers in their first three years of fees?*

No.

There is no justification for a proposed discount for new providers. The additional costs identified by the consultation, such as fees to the designated data and quality bodies are costs that all other providers in the system must meet.

As the consultation notes, the registration fee is unlikely to act as a financial barrier to entry on its own, because the financial incentive to enter the sector would always outweigh the cost of the fee. New providers should also be able to demonstrate sustainable business models.

- 8 *Please provide any further views you may have on the government's proposals on registration fee subsidies and exemptions.*

The updated Impact Assessment assumes that the OfS will not achieve a 10% efficiency saving until 2019/20, a year after the OfS is fully functional, rather than 2018/19 (as stated in the 2016 Impact Assessment). The OfS should make clear commitments to controlling costs before this date.

In the interests of transparency, the OfS should provide a breakdown of its cost base so that providers can be assured that they are receiving value for money.