



# Success as a Knowledge Economy:

Teaching Excellence, Social Mobility  
and Student Choice

May 2016



Department  
for Business  
Innovation & Skills



# **Success as a Knowledge Economy: Teaching Excellence, Social Mobility & Student Choice**

Presented to Parliament  
by the Secretary of State for Business, Innovation and Skills  
by Command of Her Majesty

May 2016



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## Foreword from the Minister of State for Universities and Science

Our universities rank among our most valuable national assets, underpinning both a strong economy and a flourishing society. Powerhouses of intellectual and social capital, they create the knowledge, capability and expertise that drive competitiveness and nurture the values that sustain our open democracy.

Access to higher education can be life changing for individuals and, by ending student number controls, we have made the possibility of participation in it a reality for more people than ever before. The skills that great higher education provides – the ability to think critically and to assess and present evidence – last a lifetime and will be increasingly in demand as the number and proportion of high-skilled jobs rises.

If we are to continue to succeed as a knowledge economy, however, we cannot stand still, nor take for granted our universities' enviable global reputation and position at the top of league tables. We must ensure that the system is also fulfilling its potential and delivering good value for students, for employers and for the taxpayers who underwrite it.

- We need action to address the lack of clear information available to university applicants and the variation in quality and outcomes experienced by some students.
- We must have an open and diverse higher education sector which embraces innovation and in which the excellence of the teaching matches the excellence of the research.
- And, as well as investing in world-class science, we must strengthen our capacity for strategic thinking in research and innovation funding and enhance our capability to undertake cutting-edge, multi-disciplinary research.

We consulted in our Green Paper on steps to boost competition and choice in higher education, and strengthen the ways in which the sector is regulated and research is funded. We are grateful for the more than six hundred responses we received, and have listened carefully. This White Paper sets out our decisions and proposals for legislation.

We will make it quicker and easier for new high quality challenger institutions to enter the market and award their own degrees. A new Office for Students will put competition and choice at the heart of sector regulation: it will operate a more risk-based approach so that we can focus attention where it is needed most to drive up quality.

Alongside this White Paper, we are publishing a technical consultation on Year Two of the Teaching Excellence Framework to ensure the sector has the opportunity to shape the detailed proposals. Through the TEF, which we promised in our manifesto, we will ensure there are clear incentives for higher education institutions to deliver value to students and taxpayers.

The TEF will, for the first time, link the funding of teaching in higher education to quality and not simply quantity – a principle that has long been established for research.

We will also create a stronger voice for the UK's research and innovation funding system. The creation of UK Research and Innovation will make possible the strategic approach to future challenges and maximise value from Government's investment of over £6bn in research and innovation. Fulfilling our manifesto commitment to implement Sir Paul Nurse's review of the research council system, it will deliver a greater focus on cross-cutting issues that are outside the core remits of the current funding bodies, such as multi- and inter-disciplinary research, enabling us to respond rapidly and effectively to current and future challenges.

These proposals will help ensure that everyone with the potential to succeed in higher education, irrespective of their background, can choose from a wide range of high-quality universities, access relevant information to make the right choices, and benefit from excellent teaching that helps prepare them for the future.

Taken together, they promise to make a great higher education sector even greater still.

A handwritten signature in black ink, appearing to read 'Jo Johnson', written in a cursive style.

Jo Johnson MP, Minister of State for Universities and Science

# Executive summary

1. Our universities have a paramount place in an economy driven by knowledge and ideas. They generate the know-how and skills that fuel our growth and provide the basis for our nation's intellectual and cultural success. Higher education in the UK enjoys a world-class reputation, with globally renowned teaching and cutting-edge research and innovation. We have maintained our position as a world leader, with continuing success in education exports in the face of increasing international competition. But we must be ready for the challenges of the future.
2. The higher education landscape has changed fundamentally since the last major legislative reforms of 1992, leaving us with a university system that needs important reform to fulfil its potential and to sustain our global standing.
3. Higher education is no longer limited to the academic elite within a small and primarily Government-funded set of institutions. Thanks to the changes 25 years ago that brought former polytechnics into the university system, and to the more recent increase in the diversity of higher education provision, there is more choice in where and how students can pursue higher learning. Whereas only 19% of young people went to university in 1990<sup>1</sup>, in 2013 this had increased to almost 40%<sup>2</sup> – and this includes more people from disadvantaged backgrounds than ever before. We have gone from a higher education system that serves only a narrow band of people, to a broader, more diverse and more open system that is closer than ever before to fulfilling Lord Robbins' guiding principle that higher education "should be available to all who are qualified by ability and attainment to pursue it"<sup>3</sup>.
4. In recognition of this shift, in 2010, we took steps to enable England's higher education system to adjust to these new demands. In 2012, 13 years after tuition fees were first introduced, we took the decision to put higher education funding onto a more sustainable footing by moving away from reliance on grants from the state while maintaining funding levels for universities themselves. The majority of funding for tuition now comes from those who benefit the most from it, through income-contingent loans repaid by graduates and backed by the taxpayer. In 2015, we removed the artificial cap on student numbers to allow greater choice and to help competition to flourish.
5. Higher education continues to be a sound financial and personal investment with a wide range of societal benefits. But there is more to be done for our university system to fulfil its potential as an engine of social mobility, a driver of economic growth and cornerstone of our cultural landscape. Access remains uneven, with young people from the most disadvantaged backgrounds 2.4 times less likely to go into higher education than the most

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<sup>1</sup> The number of UK domiciled young (aged under 21 years) initial entrants to full-time and sandwich undergraduate courses of higher education in Great Britain, <http://letr.org.uk/references/storage/CDXEEMIW/RR676.pdf>

<sup>2</sup> Initial Participation Rate for 17-20 year olds (HEIPR20) for English domiciled first time participants in Higher Education Courses <https://www.gov.uk/government/statistics/participation-rates-in-higher-education-2006-to-2014>

<sup>3</sup> Committee on Higher Education report, 1963



advantaged<sup>4</sup>. Courses are inflexible, based on the traditional three-year undergraduate model, with insufficient innovation and provision of two-year degrees and degree apprenticeships. Many students are dissatisfied with the provision they receive, with over 60% of students feeling that all or some elements of their course are worse than expected and a third of these attributing this to concerns with teaching quality<sup>5</sup>. Employers are suffering skills shortages, especially in high skilled STEM areas<sup>6</sup>; at the same time around 20% of employed graduates are in non-professional roles three and a half years after graduating<sup>7</sup>. While the graduate premium has remained substantial, even as student numbers have expanded rapidly in recent decades, recent research suggests there is large variation in graduate outcomes across both providers and subjects, and even for those that studied the same subject within the same provider<sup>8</sup>.

6. At the heart of this lies insufficient competition and a lack of informed choice. In November we consulted on proposals to address this through our Green Paper, *Fulfilling our Potential: Teaching Excellence, Social Mobility and Student Choice*. This White Paper sets out our response. The measures outlined here will help ensure that everyone with the potential to benefit from higher study can access relevant information to help them make the right choices from a wide range of high quality universities and benefit from excellent teaching that supports their future productivity. By introducing more competition and informed choice into higher education, we will deliver better outcomes and value for students, employers and the taxpayers who underwrite the system.

## Creating a competitive market

7. Competition between providers in any market incentivises them to raise their game, offering consumers a greater choice of more innovative and better quality products and services at lower cost. Higher education is no exception.
8. There is no compelling reason for incumbents to be protected from high quality competition. We want a globally competitive market that supports diversity, where anyone who demonstrates they have the potential to offer excellent teaching and clears our high quality bar can compete on a level playing field. If we place too much emphasis on whether a provider has a long established track record, this by definition will favour incumbents, and risks shutting out high quality and credible new institutions.
9. There are strong arguments to encourage greater competition between high quality new and existing providers in the HE sector. Graduates are central to our prosperity and success as a knowledge economy, and higher education is a key export sector. Research indicates that a 1% increase in the share of the workforce with a university degree raises

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<sup>4</sup> UCAS End of Cycle report 2015 <https://www.ucas.com/sites/default/files/eoc-report-2015-v2.pdf>

<sup>5</sup> [http://www.hepi.ac.uk/wp-content/uploads/2015/06/AS-PRINTED-HEA\\_Student-Academic-Experience-Survey-Report\\_PRINT3.pdf](http://www.hepi.ac.uk/wp-content/uploads/2015/06/AS-PRINTED-HEA_Student-Academic-Experience-Survey-Report_PRINT3.pdf)

<sup>6</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/444048/High\\_level\\_STEM\\_skills\\_requirements\\_in\\_the\\_UK\\_labour\\_market\\_FINAL.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/444048/High_level_STEM_skills_requirements_in_the_UK_labour_market_FINAL.pdf)

<sup>7</sup> HESA Longitudinal Destinations Survey of 2010/11 graduates <https://hesa.ac.uk/pr221>

<sup>8</sup> *How English domiciled graduate earnings vary with gender, institution attended, subject and socioeconomic background* Britton, Dearden, Shephard and Vignoles (April 2016)

long-run productivity by between 0.2% and 0.5%; and around 20% of UK economic growth between 1982 and 2005 came as a direct result of increased graduate skills accumulation<sup>9</sup>. Recent research at the London School of Economics demonstrates the strong correlation between opening universities and significantly increased economic growth. Doubling the number of universities per capita is associated with over 4% higher future GDP per capita<sup>10</sup>.

10. But we have not yet made a decisive enough move to open the higher education market. The UK Competition and Markets Authority (CMA)'s report on competition in the HE sector concluded that aspects of the current HE system could be holding back greater competition and needed to be addressed<sup>11</sup>.
11. New and innovative providers offering high quality higher education continue to face significant and disproportionate challenges to establishing themselves in the sector. Making it easier for these providers to enter and expand will help drive up teaching standards overall; enhance the life chances of students; drive economic growth; and be a catalyst for social mobility. They will allow us to improve the capacity and agility of the higher education sector, transforming its ability to respond to economic demands and the rapidly changing graduate employment landscape, offering flexible provision to different types of students. High quality new providers will enable us to meet the continued demand for more highly skilled employees, with over half of job vacancies between now and 2022 in occupations most likely to employ graduates<sup>12</sup>. High quality new providers will also serve the national economy by enabling us to continue to meet the needs of international students who increasingly demand access to top quality higher education, and help contribute towards boosting education exports.
12. In order to enable greater competition, we will simplify the regulatory landscape. We will create a level playing field with a single route to entry and risk-based approach to regulation. We will seek to reduce unnecessary barriers to entry, but, recognising the public interest in ensuring the quality and sustainability of the system, we will ensure quality is built into our reforms at every stage, from the way we regulate new entrants to the incentives on incumbents. For the first time, to provide assurance for students and establish a level playing field, we will create a fully comprehensive register of higher education providers. The register will include all providers that want their students to receive student support or have a Tier 4 licence. Other providers offering accredited higher education courses can join the register on a voluntary basis in return for compliance with the Office of the Independent Adjudicator for Higher Education (OIA), but will not receive access to public funding.
13. Entry to the funded system will continue to be subject to meeting the Expectations of the UK Quality Code; and, by establishing the new register, we will bring currently unknown providers into the purview of the regulator. The Teaching Excellence Framework (TEF) will build on that baseline, incentivising excellent teaching and giving all students better

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<sup>9</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/229492/bis-13-858-relationship-between-graduates-and-economic-growth-across-countries.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/229492/bis-13-858-relationship-between-graduates-and-economic-growth-across-countries.pdf)

<sup>10</sup> [http://cep.lse.ac.uk/textonly/\\_new/staff/ValeroMimeo2016.pdf](http://cep.lse.ac.uk/textonly/_new/staff/ValeroMimeo2016.pdf)

<sup>11</sup> <https://www.gov.uk/cma-cases/competition-and-regulation-in-higher-education-in-england>

<sup>12</sup> UKCES's Working Futures 2012-2022 report

information on where the best provision is found. And for the first time the regulator will cover all types of providers and have the powers to protect students and the reputation of our higher education system.

14. We will introduce a range of reforms to the way in which providers can award their own degrees - degree awarding powers (DAPs) - or call themselves a University. DAPs in the current system are all or nothing - designed around traditional large, established, multi-faculty providers. This system is both outdated and insufficiently flexible, so we will create a suite of options for those wishing to award their own degrees in the future. This will enable more specialist higher education providers to enter the market. We will allow providers who meet our demanding quality standards to secure full degree awarding powers more quickly, after three years of operation. High quality providers will also be able to award foundation or taught degrees on a probationary basis when they first start operating, subject to some restrictions on scope. Smaller and niche providers can provide high quality higher education and so should be able to benefit from the prestige that comes from being a university. We will therefore also remove the artificial minimum student numbers criterion for awarding full university status, and enable access to university title for those able to award bachelor level degrees, provided that (as now), more than 55% of their full time equivalent students are studying HE.
15. More flexible use of degree awarding powers will offer a credible and accessible alternative to validation by an incumbent, putting an end to the current approach, which the Competition and Markets Authority identified as a potential barrier to new entrants. Where validation remains the best option for a new entrant, we will encourage providers to follow best practice in such arrangements. Taken together, these measures will stimulate institutional competition within the market, and expand the choices available to students.
16. This Government is focused on strengthening the education system to enable everybody to achieve their potential and to ensure that once and for all we address the gap in skills at technical and higher technical levels that affects the nation's productivity. Lord Sainsbury has been leading an independent panel to review technical education, and the final report will be published shortly. Government will respond in the form of a Skills Plan, and we will ensure that the whole education and training system is focused on implementing its proposals. Our ambitious plans for reforms across the tertiary education system will adhere to a set of common principles including empowering student choice and improving the quality and value of learning. We want to ensure that all learners can make well informed decisions about the value of their learning options and are able to move flexibly between academic and technical education, while ensuring each option is designed for a clear purpose.
17. With greater diversity in the sector, more high quality entrants, and increased choice for students, our primary goal is to raise the overall level of quality. But we must accept that there may be some providers who do not rise to the challenge, and who therefore need or choose to close some or all of their courses, or to exit the market completely. The possibility of exit is a natural part of a healthy, competitive, well-functioning market and the Government will not, as a matter of policy, seek to prevent this from happening. The Government should not be in the business of rescuing failing institutions – decisions about restructuring, sustainability, and possible closure are for those institutions' leaders and governing bodies. We want, however, to ensure that students are protected - so for the

first time we will be able to require providers to set out and publish plans to protect their students in the event of exit or course closure.

## Choice for students

18. For competition in the HE sector to deliver the best possible outcomes, students must be able to make informed choices. Universities provide an environment for deeper and wider learning, allowing for the development of analytical and creative thinking, objective inquiry and primary research. But evidence suggests that for most students, the most important outcome of higher education is finding employment<sup>13</sup>. The teaching students receive can transform their life chances, as demonstrated by the strong graduate premium, and low graduate unemployment rates.
19. Information, particularly on price and quality, is critical if the higher education market is to perform properly. Without it, providers cannot fully and accurately advertise their offerings, and students cannot make informed decisions. But there is currently little pressure on providers to differentiate themselves in this way. This is a cause for concern as poor decisions by the student as to which course and institution to attend can prove costly not just for them but for the broader economy and the taxpayer. The market needs to be re-oriented and regulated proportionately - with an explicit primary focus on the needs of students, to give them choices about where they want to study, as well as what and how. This Government has therefore chosen to put choice for students at the heart of its higher education reform strategy.
20. The lack of information is particularly acute for teaching quality, which should be among the most important factors in students' choices. Good teaching – broadly defined to include learning environments, student support, course design, career preparation and 'soft skills', as well as what happens in the lecture theatre or lab – pays dividends in terms of outcomes for students. But applicants are currently poorly-informed about the content and teaching structure of courses, as well as the job prospects they can expect. This can lead to regret: the recent Higher Education Academy (HEA)–Higher Education Policy Institute (HEPI) Student Academic Experience Survey found that over one third of undergraduates in England believe their course represents very poor or poor value for money<sup>14</sup>. The consumer organisation Which? has similarly found that three in ten students think that the academic experience of higher education is poor value<sup>15</sup>.
21. We observe the consequences in variation in outcomes. There is some evidence of skill-shortage vacancies<sup>16</sup> in the labour market, and some graduates find themselves overqualified for the actual jobs they hold<sup>17</sup>. Alongside this White Paper the outcomes of two independent reviews will be published, led by Sir Nigel Shadbolt and Sir William Wakeham, looking respectively at how graduate employment outcomes for graduates from

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<sup>13</sup> <http://www.kcl.ac.uk/study/learningteaching/kli/People/Research/DL/QAARreport.pdf>

<sup>14</sup> HEPI/HEA 2014 academic experience survey <http://www.hepi.ac.uk/2014/05/21/hepi-hea-2014-student-academic-experience-survey/>

<sup>15</sup> <http://press.which.co.uk/wp-content/uploads/2014/11/Which-A-degree-of-value-Nov-2014.pdf>

<sup>16</sup> <https://www.gov.uk/government/publications/ukces-employer-skills-survey-2013>

<sup>17</sup> *Overqualification, job dissatisfaction, and increasing dispersion in the returns to graduate education* Green and Zhu (2010)

Computer Sciences and STEM degrees more broadly could be strengthened. Both reviews highlight a range of issues which impact on graduate employment outcomes and stress the need for an increased focus on, for example, work experience, 'soft skills' and advice and support on career planning.

22. In addition, while the graduate premium is still significant and was sustained over the recession<sup>18</sup>, there is evidence of significant variation in outcomes for graduates. A recent IFS study found huge variance in graduate earnings depending on choice of subject and institution, as well as background<sup>19</sup>, and there is evidence that suggests that some graduates are not in jobs most suitable to their skills. The Destinations of Leavers from Higher Education longitudinal survey found that one in five employed graduates were not working in a professional or managerial role three and a half years after graduation<sup>20</sup>. Furthermore, the OECD has found that around 7% of graduates are leaving higher education with a low level of basic skills<sup>21</sup>. We need to ensure the full benefits of higher education are available to all those who make this investment. With better information, students will be able to make informed choices about their higher education options and their future careers.
23. Central to this is driving up the standards and status of teaching. For too long, teaching has been the poor cousin of research. Skewed incentives have led to a progressive decline in the relative status of teaching as an activity. And there is significant variability: students at one institution can be provided with more than double the amount of taught contact time or be expected to do more than twice as much independent study, as their peers at other institutions – even when they are studying the same subject<sup>22</sup>. And yet, as HEPI have noted<sup>23</sup>, almost all students obtain degrees, the vast majority receiving a first or upper second, despite the likely difference in outcomes generated by widely differing levels of input and effort.
24. There is a risk, as highlighted by David Palfreyman and Ted Tapper, that the combination of financial and cultural factors in the HE teaching system result in our higher education provision becoming less demanding. They cite the example of the “crafty mutually convenient disengagement contract among distracted academics and instrumentalist students” that has emerged in part in the American higher education system<sup>24</sup>. We must act pre-emptively to ensure that this risk of disengagement, which undoubtedly already exists in part, is not allowed to take hold systemically. It is demonstrably not in the best interests of students, their teachers, their employers, or the taxpayers who underwrite funding of the student loan book.

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<sup>18</sup> *Impact of university degrees on the lifecycle of earnings: some further analysis*

BIS research: Walker & Zhu (2013)

<sup>19</sup> *How English domiciled graduate earnings vary with gender, institution attended, subject and socioeconomic background*  
Britton, Dearden, Shephard and Vignoles (April 2016)

<sup>20</sup> LDLHE: Table 8, [https://www.hesa.ac.uk/dlhelong1011\\_contents](https://www.hesa.ac.uk/dlhelong1011_contents)

<sup>21</sup> <https://www.oecd.org/unitedkingdom/building-skills-for-all-review-of-england.pdf>, page 10

<sup>22</sup> Which? Higher Education (2013) ‘The student Academic Experience Survey’  
[http://www.hepi.ac.uk/wp-content/uploads/2014/02/1.Higher\\_Educational\\_Report.pdf](http://www.hepi.ac.uk/wp-content/uploads/2014/02/1.Higher_Educational_Report.pdf)

<sup>23</sup> Which? Higher Education (2013) ‘The student Academic Experience Survey’  
[http://www.hepi.ac.uk/wp-content/uploads/2014/02/1.Higher\\_Educational\\_Report.pdf](http://www.hepi.ac.uk/wp-content/uploads/2014/02/1.Higher_Educational_Report.pdf)

<sup>24</sup> Palfreyman & Tapper, *Reshaping the University: The Rise of the Regulated Market in Higher Education*, p.140

25. Teaching excellence matters, not only for students and taxpayers, but also for those who care about social mobility, since we will not truly begin to reduce inequality unless more students fulfil their aspirations and progress on into their chosen careers. Excellent teaching needs to flourish across the sector; lacklustre teaching and unacceptable variability in quality need to be addressed.
26. We must establish a robust framework for gathering the information to measure teaching in its broadest sense, just as we did for research with the introduction of the Research Assessment Exercise in the 1980s, predecessor to the current Research Excellence Framework (REF). We have long accepted the principle of funding research on the basis of quality. We will now extend this to teaching. So, as promised in our manifesto, this Government will introduce a Teaching Excellence Framework (TEF), to provide clear information to students about where the best provision can be found and to drive up the standard of teaching in all universities. The TEF will provide clear, understandable information to students about where teaching quality is outstanding. It will send powerful signals to prospective students and their future employers, and inform the competitive market.
27. By introducing the TEF, we will tackle the challenge of measuring teaching quality head on so that students can be served better in the future. This is a significant step and we have listened to the consultation feedback which stressed that such an important change must not be rushed. We will therefore run a trial year of the TEF in 2017/18. We are publishing a technical consultation alongside this White Paper, setting out how it will operate. We will also carry out disciplinary pilots before looking to roll out the TEF fully at disciplinary level.
28. As well as informing where and what students choose to study, better information will help them make choices about how they choose to study. For some this will be a traditional three- or four-year full time undergraduate degree. For others, it will be through flexible options: a two year accelerated degree; studying part time; in modules; from a distance; or in a Degree Apprenticeship, embedded with an employer. Degree Apprenticeships were launched in March 2015, and there are already 40 higher education providers delivering Degree Apprenticeships and enabling apprentices to reach the highest level of technical and professional skills.
29. We have made significant changes to the student support system to make it easier to study flexibly – in the November 2015 Spending Review we announced that maintenance loans will be available, for the first time, to part-time students; and, in the March 2016 Budget, we confirmed that Government support will be available to adults wishing to study at any qualification level, from basic skills right the way up to PhD. The Budget also set out Government's intention to continue to review the gaps in support for lifetime learning, including for flexible and part-time study, as part of promoting, retraining and preparing people for the future labour market. Alongside this White Paper, we are launching a call for evidence on credit transfer and accumulation, to gather evidence on how credit transfer in particular can help enable flexible and lifetime learning, and drive up quality by giving students more choice.
30. As a One Nation Government, we want to ensure that all young people with the potential to benefit have an opportunity to go to university. Although applicants from disadvantaged backgrounds are at record levels, a disproportionate number of entrants to Russell Group

universities come from a tiny minority of the country's state-funded secondary schools<sup>25</sup>. English 18 year olds from the most advantaged backgrounds were 6.3 times more likely to go to higher tariff institutions in 2015 than those from the least advantaged backgrounds<sup>26</sup>. Higher Education Funding Council for England (HEFCE) research finds that the non-continuation rates for black students in university are much higher than for white students<sup>27</sup>, even when taking into account facts such as prior educational attainment – and success within higher education is uneven too. Disparities like these cannot be explained by prior educational attainment alone.

31. The Prime Minister has set two specific, clear goals on widening participation in higher education: to double the proportion of people from disadvantaged backgrounds entering university in 2020 compared to 2009, and to increase the number of black and minority ethnic (BME) students going to university by 20% by 2020. Our recent guidance to the Director of Fair Access to Higher Education (DFA) is clear that we expect significant progress on these two goals. In addition, we have asked the DFA to focus access agreements on some other key challenges including increasing participation among young white males from lower socio-economic groups, who are five times less likely to go into higher education than the most advantaged white males, and supporting participation by students with disabilities. We will work with the DFA to ensure universities collaborate more on outreach, as we refocus funding. Our approach to widening participation will continue to cover the whole lifecycle for disadvantaged students, not just access, to ensure that providers properly support students from disadvantaged backgrounds to achieve their full potential.
32. All students deserve excellent teaching. We will ensure that TEF supports our widening participation aims; the TEF core metrics will be broken down to include those from disadvantaged backgrounds.
33. We will also introduce a transparency duty, as recently announced by the Prime Minister, requiring regulated higher education providers to publish data on the backgrounds of their applicants to shine a light on their admissions processes. This will help make transparent individual institutions' admissions records and spur action by institutions in areas where it is needed.
34. For the first time we will link higher education and tax data together to chart the transition of graduates from higher education into the workplace better. This rich new data source will give students the information about the rewards that could be available at the end of their learning, alongside the costs. This innovation is at the heart of delivering our reform agenda ambitions: improving choice, competition and outcomes for students, the taxpayer and the economy.

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<sup>25</sup> <https://www.gov.uk/government/statistics/destinations-of-ks4-and-ks5-pupils-2013-to-2014>

<sup>26</sup> UCAS 2015 data

<sup>27</sup> <http://www.hefce.ac.uk/analysis/ncr/nhe/>

## Updating the regulatory architecture

35. The regulatory architecture for higher education was designed in the early 1990s for an era of limited university competition, student number controls and majority public grant funding that has now passed. HEFCE was intended primarily as a funding body, not a regulator. But in 2014/15, 90 out of 130 HEFCE-funded providers received 15% or less of their income as grant funding<sup>28</sup>. Higher education is now funded primarily via tuition fees, which share costs of provision between students and taxpayers through progressive, income-contingent student loans. The growth in FE colleges and alternative providers offering higher education has significantly changed the marketplace and how students study. The regulatory environment needs to reflect these fundamental changes. HEFCE's purpose, role and powers have become outdated, and have led to the anomalous situation whereby alternative providers are part of a separate regulatory system operated directly by BIS. The need for a new regulator and updated regulatory system has been recognised by Universities UK in their February 2015 report<sup>29</sup>, and the Higher Education Commission, an independent policy commentator, in their 2013 publication<sup>30</sup>. As recognised by the Competition and Markets Authority, the particular characteristics of the higher education sector mean that proportionate regulation is needed to protect the interests of students, employers, and taxpayers. We need a single regulatory system appropriate for all providers, and to stop treating institutions differently based on incumbency and corporate form. The system needs to have choice and competition at its heart.
36. There are currently ten arms'-length Government bodies operating in the higher education and research space<sup>31</sup>. We will reduce this to two. We will establish a single market regulator, the Office for Students (OfS) and a single research and innovation funding body, UK Research and Innovation (UKRI). We will act to ensure teaching and research remain coherent and coordinated at the national as well as the institutional level, including recognising the value of research led teaching through TEF and consideration of the interaction between teaching and research in Lord Stern's review of the REF. We intend to ensure, through future legislation, that the OfS and UKRI work together on areas of mutual interest, such as the financial sustainability and efficiency of the HE sector, and that they share relevant information, data and expertise.
37. The OfS will be explicitly pro-competition and pro-student choice, and will make sure that a high quality higher education experience is available for students from all backgrounds. For the first time, we will put the interests of the student at the heart of our regulatory landscape. By enabling better student outcomes, we will also protect the interests of taxpayers and the economy.
38. We will bring together the expertise and shared agenda of HEFCE and the Office for Fair Access (OFFA) to streamline their widening participation functions and give the OfS the responsibility for all spending on access. Recognising the special need to protect accountability for fair access and widening participation, we will require the OfS to promote

<sup>28</sup> BIS analysis of the HESA Finance Record 2014/15, includes all grant funding, both for teaching and research.

<sup>29</sup> <http://www.universitiesuk.ac.uk/highereducation/Pages/QualityEquitySustainabilityRegulation.aspx#.VhUikkZRY6Q>

<sup>30</sup> <http://www.policyconnect.org.uk/hecr/research/report-regulating-higher-education>

<sup>31</sup> HEFCE, OFFA, IUK, the seven research councils. Excludes the Student Loans Company.



fair access for students from disadvantaged backgrounds alongside choice and competition. There will be an OfS executive board member with responsibility for fair access, the Director for Fair Access and Participation, whose role will be enshrined in law.

39. The OfS will be a consumer focused market regulator with new statutory powers and an extended remit to regulate all registered HE providers; a Non-Departmental Public Body at arms' length from Government. Recognising the important role of the higher education sector in teaching, research and knowledge exchange it will take a holistic view of the sector and institutions and will be responsible for monitoring institutions' financial sustainability and efficiency. It will also be responsible for distributing teaching grant funding to eligible institutions. The OfS will work closely with the new Institute for Apprenticeships and other regulatory bodies to ensure we maintain a joined up approach on quality across academic and technical education.
40. The OfS will introduce a risk-based approach to monitoring those institutions which pass the regulatory entry requirements, ensuring that we maintain high standards while minimising the regulatory burden. In return for a more flexible process, we will expect a clear demonstration of quality, and the OfS will have the powers to intervene rapidly if it has reason to believe that quality in any institution is failing.
41. Scientific and technological advancements have revolutionised the way we lead our lives and driven prosperity and well-being. The UK's research sector justifiably enjoys a world-leading reputation. Our share of highly cited articles is second only to the US, and the UK has overtaken the US to rank first by field-weighted citation impact - an index that controls for the tendency of certain subject areas or forms of publication to be more likely to attract citations than others. For every £1 spent by the Government on research and development, private sector productivity rises by 20p annually, in perpetuity.
42. We will continue to invest in excellent and impactful research wherever it is found. But we believe the research and innovation funding system has the potential to become even more effective. The challenges facing the world are complex, and increasingly require multi- or inter-disciplinary approaches. Our ambition is to ensure that our research and innovation system is sufficiently strategic and agile to meet these challenges, and to deliver national capability for the future that drives discovery and growth.
43. The current research funding and innovation landscape consists of nine different NDPBs, each with an individual remit, and only able to provide funding in the precise way set out by legislation. This prevents an existing body holding, managing and distributing inter-and multi-disciplinary grants such as those, for example, from the £1.5bn Global Challenges Research Fund which focusses on the issues facing developing countries, because it is not within the remit of any single body. This means that the current research funding framework presents an increasing risk to the UK's world leading position.
44. Sir Paul Nurse considered how the Research Councils could evolve to secure future excellence, promote collaboration, harness agility and contribute to sustainable growth. He recommended that the Research Councils should be brought together into a "formal organisation with a single Accounting Officer, which can support the system to collectively

become more than the sum of its parts”<sup>32</sup>. We will take forward Sir Paul’s recommendation, and bring together the 7 Research Councils within a single body – UK Research and Innovation (UKRI). We will integrate Innovate UK within this body, but in recognition of its specific mission will keep its distinctive business focus and separate funding stream. The research funding functions of HEFCE will also transfer to this new body, so that a single body can take an holistic view of the public funding that supports research and innovation. UKRI will be an NDPB at arm’s length from Government in order to ensure autonomy and independence. As the body will have responsibility for the distribution of over £6bn per annum of public funding we will establish UKRI in a way which we consider offers the best balance between scientific and academic independence and accountability to Parliament.

45. Alongside our plans to create a streamlined governance and accountability system for research and innovation, we recognise the importance of dual support and the primacy of scientific and academic decision-making. So we will commit to the dual support system within England, and for the first time set it in law to strengthen the existing protections. We will also preserve the Haldane principle, which means that decisions on individual research proposals are best taken by researchers themselves through peer review. The seven research discipline areas will continue to have strong and autonomous leadership to enable them to make the best decisions in relation to individual allocations.
46. These reforms will strengthen the strategic approach to future research, ensure public investment is used most effectively; maximise innovation and benefit to the UK economy; and simplify structures to eliminate costly duplication and administration. They will enable improved collaboration between the research base and the commercialisation of discoveries in the business community, ensuring that research outcomes can be fully exploited for the benefit of the UK. But we will protect and strengthen our commitment to those aspects of the research and innovation landscape that have proved so successful. Funding recipients will see little change except for a simplification of processes. The peer review assessment and decision making will, as now, be undertaken by discipline experts.
47. The plans we set out in this White Paper – much of which we intend to implement through future primary legislation – will secure a bright future for England’s higher education and research system. They will allow us to make further progress on the renewal of the sector that we started in 2010, and put our dynamic higher education and research systems on a firm footing to contribute to our success as a knowledge economy for years to come.

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<sup>32</sup> <https://www.gov.uk/government/publications/nurse-review-of-research-councils-recommendations>

# Summary of decisions

This White Paper sets out a range of reforms to the higher education and research system. Subject to Parliament, it is the Government's intention that many of these will be implemented through future primary legislation. A summary of key decisions is included here.

## Market entry, quality and risk-based regulation

- We will replace multiple overlapping HE systems with a single regulator and route into the sector.
- We will move to risk-based regulation which will reduce the regulatory burden across the sector, except for those providers where additional monitoring is needed.
- New high quality institutions will be able to compete on equal terms with quicker entry to the sector.
- We will continue to set a high bar on quality to ensure that providers are delivering value for money for students and taxpayers.
- Student number controls will continue to be lifted for all providers that can meet our high quality bar, including rigorous outcome measures, but will otherwise remain an important tool to ensure students and taxpayers are protected.
- We will open up access for providers to be able to award their own degrees by introducing greater flexibility to degree awarding powers (DAPs): new probationary foundation and taught DAPs (FDAPs / TDAPs); time-limited granting of DAPs for all new holders in the first instance with scope for indefinite DAPs for all following successful renewal; options for bachelors only and subject-specific DAPs; reduced and more flexible track record requirement for full DAPs.
- We will remove the minimum student numbers criterion for university title (UT), whilst retaining the requirement that when taking account of ownership structures more than 55% of full time equivalent students are studying higher education. This will enable wider access to UT for indefinite holders of bachelor level DAPs, and bring together DAPs and UT processes. We will retain university college title for those who prefer it.
- We will simplify the granting of DAPs and UT for English institutions by transferring responsibility for the process from the Privy Council to the Office for Students (OfS).
- We will encourage providers to improve validation arrangements, and take a power enabling the OfS to designate a validation service if validation services remain restrictive.
- Following a recommendation from the OfS, the Secretary of State will have a power to designate sector-owned organisations to carry out specific quality assurance and data publication functions, enabling the principle of co-regulation to continue.
- We will remove the requirement for higher education providers to submit any changes to their governing documents to the Privy Council for approval, and remove the unnecessary statutory requirements on Higher Education Corporations.
- We will extend the remit of the Office of the Independent Adjudicator for Higher Education (OIA) to cover all higher education providers on the register.
- We will for the first time require providers to have a student protection plan in place, in the event that the provider is unable to deliver their course of study.

## Choice, teaching excellence, social mobility and transparency

- We will enhance teaching in our universities by implementing the Teaching Excellence Framework (TEF), using a phased approach.
- TEF judgements will be made against agreed criteria by an expert peer review panel including employers and students, and based on a combination of core metrics and short institutional submissions.
- We will ensure that the TEF assessment framework explicitly takes into account outcomes for disadvantaged groups.
- As announced in the July 2015 Budget, successful TEF performance will allow providers to maintain their fees and access to loans within the rate of inflation and up to the maximum fee cap, which will continue to be set under the same Parliamentary procedure as now.
- Alongside this White Paper, we will publish a Technical Consultation to help design the second year of TEF.
- We will hold a call for evidence on credit transfer to encourage more students to transfer between institutions, which can significantly improve their life chances.
- We will promote transparency by opening up data held by the sector, informing choice and promoting social mobility, by putting a duty on institutions to publish application, offer, acceptance and progression rates broken down by gender, ethnicity and disadvantage.
- We intend to legislate to require those organisations that provide shared central admissions services (such as UCAS) to share relevant data they hold with Government and researchers in order to help improve policies designed to increase social mobility, while also ensuring all appropriate data protection safeguards are in place.
- We will increase choice and flexibility in the sector by putting a duty on the OfS to have regard to promoting choice in the interests of students, employers and taxpayers.
- We will merge the functions of the Director of Fair Access (DFA) into the OfS.
- We will include a requirement for a specific OfS Board member, the Director for Fair Access and Participation, appointed by the Secretary of State, with responsibility for these functions within the OfS.
- We will give OfS a statutory duty to cover equality of opportunity across the whole lifecycle for disadvantaged students, not just access.
- We will introduce an alternative finance system to support the participation of students who, for religious reasons, might feel unable to take on interest-bearing loans.

## Higher education, research and innovation architecture

- We will create the Office for Students (OfS), a new market regulator, in place of HEFCE. For the first time, competition, choice and the student interest will be at the regulator's heart.
- The OfS will be a non-departmental public body. Ministers will be responsible for appointing the Chair, Chief Executive and non-executive Board members of the OfS.
- The OfS will primarily be funded by registration fees from HE providers, varied in part on the size of the provider and the type of Government support they are eligible to access. We will come forward with a consultation on how the registration fee will be developed ahead of it being introduced.

- The OfS will be responsible for allocating teaching grant funding and for monitoring the financial sustainability, efficiency and overall health of the sector.
- The OfS will be given a statutory duty to assess the quality and standards of the HE sector.
- The OfS will have a wider range of powers to ensure compliance with the conditions of regulation.
- The OfS and BIS will have the power to enter and inspect providers (with a court warrant) if there is suspicion of serious breaches, such as fraud or malpractice, to safeguard the interests of students and the taxpayer and protect the reputation of the sector.
- We will also create UK Research and Innovation (UKRI), a new research and innovation funding body that will allocate funding for research and innovation and act as a champion for the UK's world class system. The creation of UKRI will ensure that our research and innovation system is sufficiently strategic and agile to deliver national capability for the future that drives discovery and growth.
- UKRI will incorporate the functions of the seven Research Councils, Innovate UK, and HEFCE's research funding functions. The names and brands of the Research Councils and Innovate UK will be retained.
- UKRI will have a strong board with responsibility for leading on overall strategic direction, cross-cutting decision making and advising the Secretary of State on the balance of funding between research disciplines. The board will manage funds with cross-disciplinary impact and a 'common research fund' as proposed by Paul Nurse.
- There would be a legislative requirement for the Secretary of State to consider the need for both academic and business representation and expertise on the Board.
- We will retain and strengthen leadership in specific research discipline areas, innovation and England only research funding by establishing nine Councils within UKRI with delegated autonomy and authority.
- The Councils will be responsible for the strategic leadership of their disciplines and on scientific, research and innovation matters. The Secretary of State will set budgets for each of the nine Councils through an annual grant letter.
- There would be a new legislative protection for the dual support system in England and we are formally restating the Government's commitment to the Haldane principle.

# Chapter 1: Competition

## Chapter summary

This chapter describes how we will create the conditions to improve the overall quality and diversity of the higher education sector, through a risk-based approach to regulation. We will enable the creation of more new universities so students can choose from a wider range of institutions. We will remove barriers for new high quality providers to enter, achieve degree awarding powers and secure university status, in a manner which will enhance the world class reputation of the sector. We will end the anti-competitive situation where new high quality providers must secure ‘validation’ agreements from established providers in order to operate. We will move to a new robust and risk-based quality system. And for the first time we will be able to require providers to put in place student protection plans to ensure students are protected if providers exit the market or close their course.

We will level the playing field to allow new high quality providers to enter by:

- Replacing the multiple separate HE systems with a single route into the sector for all providers operated by a new market regulator, the Office for Students (OfS);
- Moving to risk-based regulation which reduces regulatory burden across the sector except for those providers where additional monitoring is needed;
- Allowing all new high quality institutions to compete on equal terms by allowing them quicker entry and ability to award their own degrees on a monitored, probationary basis; and
- Encouraging providers to follow best practice in validation, and taking a power to allow the OfS to designate a validation service if incumbents do not do more to promote competition through their own validation arrangements.

We will enable providers to choose how they participate in the higher education sector. Instead of the current legacy arrangements where HEFCE-funded providers and alternative providers have arbitrarily different rules, we will create a single coherent system with clear options for all. All providers will be able to choose their operating model and what type of Government support they want to access.

We will open up access for high quality providers to be able to offer their own degrees and call themselves a university, by:

- Introducing a new approach to Degree Awarding Powers (DAPs) whereby high quality providers can offer their own degrees on a probationary basis, subject to strong quality checks and close monitoring, without having to first demonstrate a lengthy track record requirement or meet specific and separate DAPs criteria;

- Making DAPs time-limited in the first instance when they are initially secured by any provider, with a view to indefinite DAPs after successful renewal, thereby creating a more level playing field;
- Introducing more flexible DAPs– including for single subjects and a new bachelors-only level;
- Removing the Privy Council’s role in granting DAPs and university title (UT) for English institutions and introducing express powers to vary or remove DAPs or UT;
- Removing the student numbers criterion for UT, whilst retaining the requirement that when taking account of ownership structures more than 55% of full time equivalent students are studying HE. This will enable wider access to university title for holders of full bachelor level DAPs, and bringing together DAPs and UT processes; and
- Continuing to set a high bar on quality to ensure that all providers are delivering value for money for students and taxpayers.

We will move to a risk-based quality system, treating all providers with parity, and focusing intervention where risks arise. Student number controls will continue to be lifted for all providers that can meet our high quality bar, including rigorous outcome measures, but will otherwise remain an important tool to ensure students and taxpayers are protected. The OfS will have a statutory duty to monitor and assure quality and standards across the sector, extending the duty that HEFCE has solely for HEFCE-funded providers to all registered HE institutions. We will preserve the principle of co-regulation by enabling the Secretary of State, following a recommendation from the OfS, to designate a sector-owned organisation to design and operate the quality assessment framework.

We will extend the remit of the current complaints handling scheme to cover all registered providers entering higher education, to ensure that all students in the higher education system have access to the Office of the Independent Adjudicator for Higher Education (OIA).

We will ensure students are protected if a provider is unable to fully deliver their course of study, in situations such as closure of a course, a campus, partial/full provider exit or regulatory actions (Tier 4 Licence revocation, de-registration). For the first time, providers will have to have and publicise a student protection plan, approved by the OfS. Registered providers will have to notify the OfS of any campus, discipline or institutional closure (whether full or partial).

1. The higher education sector in England has undergone a rapid and significant transformation over the last thirty years. Since the 1992 Further and Higher Education Act, there has been a significant rise in the number of providers as the definition of university has been extended to include firstly former polytechnics and then many smaller, more specialist, providers of higher education.

2. Thanks to a series of reforms in the last Parliament, our higher education system is now more open than ever to different types of provider. Providers including University Campus Suffolk and the Guildhall School of Music and Drama have secured DAPs since 2010. The reforms have also enabled several providers to become universities, such as University of Law and the Royal Agricultural University in 2012, and Regents University London in 2013.
3. The CMA has recently commented on the progress that has been made<sup>33</sup>, noting the increase in competition which has taken place in the sector following the recent reforms. However, at the same time, it has identified certain aspects of the current HE sector system which could be holding back greater competition between providers.
4. We believe that the current system tends to protect incumbent providers from competition, with new providers facing significant barriers to entry and expansion. The routes into the sector are complex to navigate, restrictive and time consuming, and can involve significant cost. High quality new providers are often left dependent on incumbents to validate their degrees, a situation which at best is inflexible and presents an additional barrier to entry, and at worst is anti-competitive. New providers also have to wait too long before they are able to achieve degree awarding powers; and have to meet arbitrary numbers criterion to gain university title. This places them at a disadvantage compared to incumbent providers in terms of their ability to attract students, distorting competition in the sector even further.
5. The reforms set out in this White Paper, implemented through future legislation, will introduce more competition into the system. This will be underpinned by proportionate oversight by a single regulator to ensure choice, quality, fair access and value for money, recognising the many economic and social benefits that higher education brings to the country. Properly regulated, a competitive higher education market will create stronger, higher quality providers, that will further enhance the global reputation of the sector, and will serve students, employers and taxpayers better.

## A new risk-based approach to regulation

6. At present, we have different ways in which a provider is able to enter the higher education sector, and different regulations in place once it is operating. The primary routes of entry are Specific Course Designation for alternative providers and designation for HEFCE funding for HEFCE-funded providers. These test different things, on different legislative bases, issue judgements for different time periods, and secure different outcomes for the providers. They also – without a clear rationale - exclude many providers operating in the higher education system but not in receipt of any public funding, leaving them outside the formally recognised HE system. We need to replace this inefficient system with a simpler application process for all providers.
7. We will allow all providers to choose how they participate in the higher education sector, and what types of Government support they want to access. This forms the basis of a new approach to regulation in higher education - one that doesn't suppose that all providers of a particular type are the same. Instead all providers will now be regulated in

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<sup>33</sup> <https://www.gov.uk/cma-cases/competition-and-regulation-in-higher-education-in-england>



the same way and on the basis of the risk that they pose, by a single market regulator, the OfS, which will be discussed in more detail in Chapter 3. Box 1.1 sets out how we envisage that the system will work.

	Registered	Approved	Approved (Fee Cap)
Part of English HE			
Eligible for student support			
Eligible for grant funding			

### Box 1.1: A level playing field for all providers

We will replace the current burdensome and fragmented system with a single route to entry, providing a single simpler, clearer way to become a higher education provider.

**Registered** “Basic” status will be available to providers who want to be officially recognised as HE providers but do not want to access Government funding or student support, or obtain a tier 4 licence. Their courses must match the academic standards as they are described in the Framework for Higher Education Qualifications (FHEQ) at Level 4 or higher, and they must subscribe to the independent student complaints body, the Office of the Independent Adjudicator (OIA). This will provide a degree of consumer confidence in these providers that is not present in the current system.

Providers wishing to access public funding for their courses and / or students, or wishing to be able to make an application to the Home Office for a Tier 4 licence, or have DAPs or university title, will first need to be **approved**. They will be able to choose between two models, based on what best fits their operation:

**Approved** provider status will allow an institution’s students to access up to £6,000<sup>34</sup> tuition fee loans per year or, if the institution does well in TEF, the inflation-adjusted annual cap. Approved providers will be able to set their fees at any level. Becoming an approved provider will require: successful quality assurance (QA), through the Quality Assurance Agency (QAA) until 2017/18 and through the new QA framework from 2018/19; financial sustainability, management and governance (FSMG) checks; meeting the Competition and Markets Authority’s requirements regarding students’ rights as consumers; and adherence to the OIAs good practice framework.<sup>35</sup>

<sup>34</sup> Or part time equivalent

<sup>35</sup> Approved providers will also need to have a student protection plan in place, and will be required to publish a statement on their actions to promote widening participation

**Approved (fee cap)** provider status will cap an institution's fees. There will continue to be a basic cap of up to £6,000 per year and a higher cap of up to £9,000<sup>36</sup>. In each case, if the institution does well in TEF, the inflation-adjusted annual cap would apply. As is currently the case, these providers will be required to agree an Access and Participation Agreement with the OfS if they want to charge fees above the basic cap. Eligible students at these institutions will be able to access loans to cover all of their fees. These providers will be eligible to receive grant funding from the Government, including the research funding for English providers currently provided by HEFCE, which will in future be allocated by UK Research and Innovation. In addition to the requirements for approved status, approved (fee cap) providers will need to comply with more stringent FSMG requirements, comparable to those currently required of HEFCE-funded providers in line with the HE Code of Governance. If they receive Government grant funding, they will also have to be able to demonstrate their compliance with the relevant terms and conditions of that funding, so that OfS can give assurance to Parliament of appropriate use of public funds.

Approved and approved fee cap providers will also need to meet the same conditions as registered "basic" providers.

### **Changes to Specific Course Designation, 2011-2016**

BIS has taken a number of steps to tighten up regulation of alternative providers in response to concerns about unsustainable growth in low quality provision, which arose when the market was opened up to these providers in 2011. For example: annual re-designation of all alternative providers was introduced, enabling annual scrutiny of FSMG and quality; student number controls are used to ensure that any provider growth is sustainable; a joint BIS / HEFCE intelligence unit coordinates cross-agency intelligence on all providers; and all providers are being subjected to a full Higher Education Review from the QAA. We will in the future maintain the controls provided by these and other measures, where the evidence requires it. But we will ease the regulatory burden and reduce controls for those providers where there are few or no concerns.

8. For the first time, all HE providers potentially eligible for Tier 4 licences from the Home Office will be brought into a robust HE regulatory framework. Both kinds of approved providers that have fully satisfied conditions will be able to apply to the Home Office for a Tier 4 licence. The Home Office remains responsible for setting the eligibility and suitability criteria for a Tier 4 licence, and decisions over Tier 4 licences will remain with the Home Secretary. The proposals in this White Paper do not constrain the ability of the Home Office to determine the functions it requires in relation to its education oversight function for Tier 4 licences.

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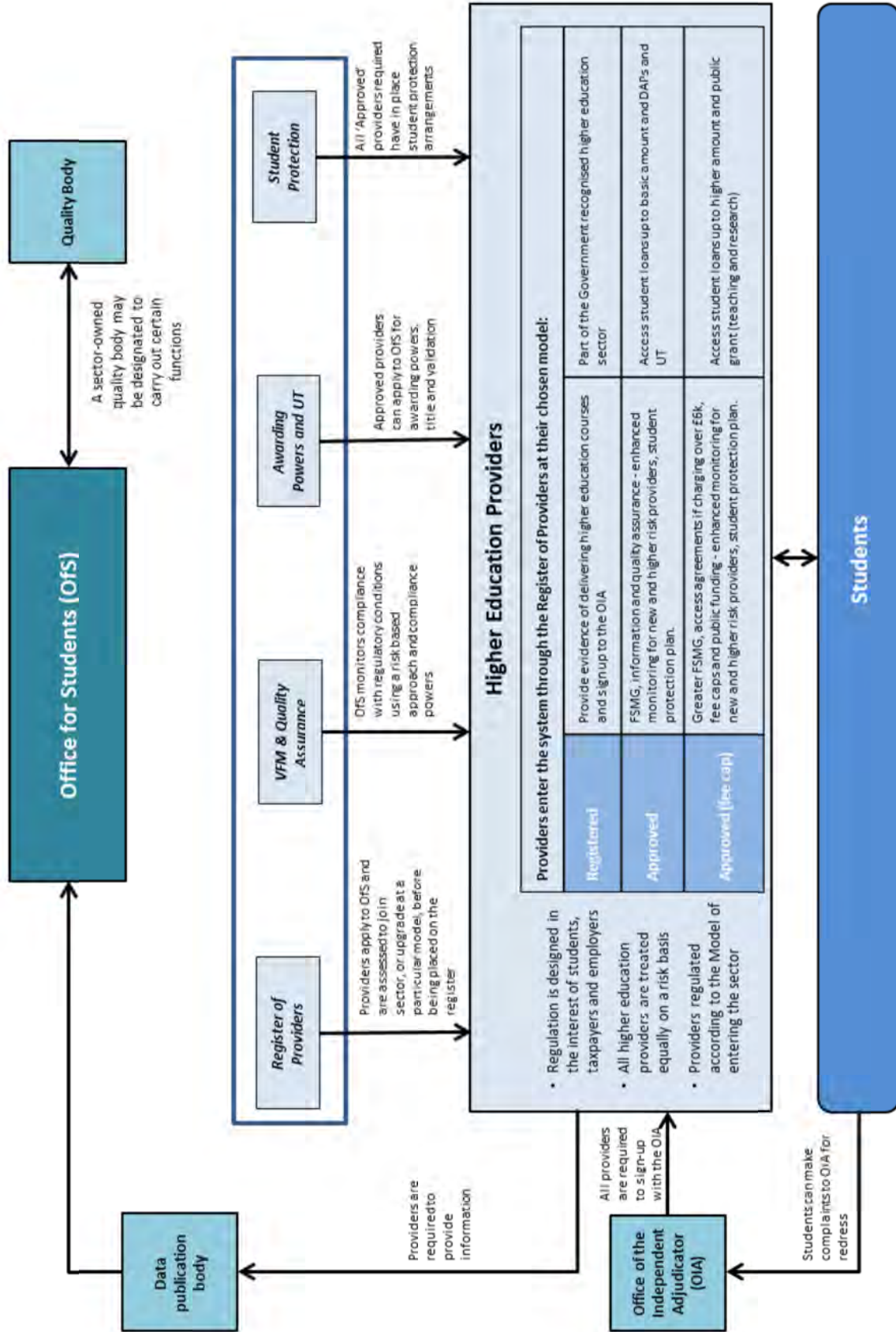
<sup>36</sup> Or part time equivalents

9. Initial Teacher Training providers that are approved by the Department for Education will continue to be an important part of the HE sector, and will transfer to the new HE regulatory framework – as now their students will continue to access grants and loans. BIS and the Department for Education will work together as the new HE regulatory framework is developed to ensure that the regulatory burden on initial teacher training providers, in particular small School Centred ITT providers (SCITTs), is proportionate and appropriate to those providers.
10. We believe that the focus of our reforms to the HE system should be to promote quality, competition, choice and diversity primarily across degree level qualifications or higher (level 6+). Nonetheless, academic qualifications at levels 4 and 5 can and should play an important part in HE, as a bridge towards level 6 qualifications. Separately to this, we need to consider the future of technical qualifications at higher levels, and we look forward to the conclusion of Lord Sainsbury’s review into Technical Education, which will underpin future reforms and is expected to be published later this summer. This report will consider the reform of the provision, regulation and funding of level 4 and 5 qualifications, focusing on technical skills and routes into key occupations. Government will respond in the form of a Skills Plan, and we will ensure that the whole education and training system is focused on implementing its proposals.
11. Pending these changes, the moratorium on new Higher National (HN) courses at Alternative Providers will continue, but with a “one in one out” rule, so that providers can replace old courses with new ones in line with student demand. This will, for example, enable providers to switch into Pearson’s new HN courses which are currently being rolled out. When the new OfS regulatory regime is in place, the moratorium will end, and the new risk-based approach will apply across all eligible courses, at all different types of provider.
12. We would expect the OfS to apply its risk-based approach to assessing wider, systemic risks, as well as those associated with individual institutions. For example, it may find that there are differentiated risks associated with different awarding bodies, and/or whether or not the OfS is the lead regulator. This will build on the current approach to alternative provider designation, which has, for example, resulted in the moratorium on applications for new HND and HNC courses, and tight controls on student numbers. Where the OfS is not the lead regulator, for example for initial teacher training providers, we would expect the OfS to take account of the regulatory framework that is already in place and use this to inform their own judgements.
13. This risk-based approach will not only be at the heart of how the OfS regulates entry to the higher education sector, but in the way it: allows providers access to financial support; assesses and assures ongoing quality; makes judgements on granting degree awarding powers and university title to providers; and ensures that providers have appropriate plans in place to protect students when a provider exits the market. The OfS will need to consult students, providers, and other regulatory bodies before it publishes the detail of how it will take forward this new approach to regulation in detail. However, the practical effect is that OfS will assess the compliance of all higher education providers with the appropriate conditions, and will adjust its regulatory approach accordingly, depending on whether they have provisionally, or fully, satisfied conditions. Among its range of compliance controls, student number controls will remain an important tool. There will no longer be a blanket application of student number controls across all alternative providers. At the same time,

there will be no blanket lifting of student number controls. Instead, they will be deployed in line with risk, and the highest quality providers will no longer be subject to controls. We will draw on the range of outcome measures listed in Box 1.5 in determining this.

14. Alongside the new risk-based approach, we will extend the remit of the Office of the Independent Adjudicator for Higher Education (OIA) to cover all regulated higher education providers. This will mean that in future all HE students in the system will be able to ask the OIA, which was set up as an alternative to the courts and is free of charge to students, to consider their unresolved student complaints.
15. We consulted in the Green Paper on a number of non-legislative changes that could be made to increase the flexibility available to high quality alternative providers in the current system, prior to the introduction of the new approach set out in this chapter. We will be setting out how these changes will work in new specific course designation guidance to be published in the summer. The greater flexibility offered to high quality providers will reduce bureaucracy, allow longer term planning and hence increase student choice.

Figure 1



## Powers and titles based on competence, not incumbency

16. Many institutions want to gain their own degree awarding powers, and the right to describe themselves as universities. These high quality institutions will help to enhance the world class reputation of the sector. However the current process for obtaining either DAPs or university title is long, convoluted, and unnecessarily burdensome for high quality providers.
17. The OfS will take over responsibility for granting degree awarding powers and university title for English institutions from the Privy Council. This is an important part of moving to a single regulator with a simpler system which reduces the burden on all providers. While OfS will be responsible for the granting of DAPs and UT, the criteria and guidance will continue to be owned by BIS and we intend to consult on how the new DAPs and UT process will work before it comes into force.
18. In future, any high quality predominantly degree-level provider with approved status and meeting the FSMG requirements will be able to obtain foundation or taught DAPs on a probationary 3 year time limited basis without first having to first demonstrate a lengthy track record or meet specific and separate DAPs criteria. The experience acquired in this probationary period will count as track record for full DAPs and a provider who can demonstrate they have met the criteria by the end of that period will be able to progress immediately to full DAPs (the 3 year period will incorporate the scrutiny process).

### Box 1.2: A simpler path to degree awarding powers and university title

It will be possible for high quality providers to enter the sector on the basis of their potential (subject to rigorous quality controls) and gain probationary foundation or taught DAPs as soon as the OfS is satisfied that the conditions of being an Approved provider have been provisionally met. They can then offer their own degrees while building up a 3 year track record for full DAPs. This is a significant improvement on the current system in which DAPs take at least 6 years to gain.

Applicants will be able to opt for either probationary or full foundation or taught DAPs depending on the evidence base they can offer. Probationary DAPs will be for 3 years in the first instance. For full DAPs the track record requirement will be reduced from 4 to 3 years and the concept of “experience” will be more widely interpreted than now to take more account of, for example, overseas experience.

Holders of full DAPs - either TDAPs or the new bachelor level DAPs - will be able to obtain their DAPs indefinitely, and secure university title, after successfully completing a three year review period after they are first awarded full DAPs. Specified and rigorous outcome measures will inform this review. There will no longer be a minimum student numbers requirement for university title. This is building on previous measures to open up access to university title, and is in recognition that smaller and niche providers can provide high quality higher education and so should be able to benefit from the prestige that comes from being a university. The student number criterion was at odds with the historic concept of universities as small, academic communities, and prevents small, high quality providers from accessing the benefits of a university title. We will, however, retain the requirement that when taking into account ownership structures more than 55% of full time equivalent students should be studying HE.

This means that high quality providers could complete the journey from starting as new providers with probationary DAPs to university title after 6 years. Aligning the DAPs and UT processes will simplify the process and reduce costs, whilst retaining vital criteria to ensure high quality provision.

In order to protect the interests of students and HE reputation, holders of probationary DAPs will not be able to validate degrees at other institutions or be eligible for UT. However, holders of full foundation DAPs (FDAPs) will for the first time be able to validate foundation degrees of other providers. The Home Office may also put in place differentiated visa arrangements for probationary DAPs holders, until they establish their track record on quality and immigration compliance. We will underpin these measures with express powers to vary or remove DAPs and UT regardless of how and when they were obtained.

19. Where the current system is 'all or nothing', in future there will be greater flexibility to suit a wider range of provider operating models. We will retain university college title for those who prefer it. And we will allow providers to obtain foundation or taught DAPs in one or a limited range of subjects that fit with their specialism, rather than having to become accredited for the provision of all degrees – reducing unnecessary bureaucracy and introducing a proportionate approach.

20. In future, all providers delivering courses at the new bachelors level and above, in any subject, will be able to obtain their DAPs indefinitely, and secure university title, after successfully completing a three year review period after they are first awarded full DAPs. Specified and rigorous outcome measures will inform this review. The DAPs criteria are designed to ensure that the provider is a well-founded, cohesive academic community, and the strength of an academic community is not determined by size. The main benefit will be for providers with DAPs who are currently too small to meet the student numbers criteria for UT, as long as when taking into account ownership structures it has more than 55% of full time equivalent students studying HE.

### **Box 1.3: Research Degree Awarding Powers (RDAPs)**

As TDAPs are a prerequisite for making an application for Research Degree Awarding Powers (RDAPs), new applicants for RDAPs will benefit from a streamlined TDAPs application and award process, shortening the overall process should a new provider wish to also apply for RDAPs. Providers applying for full TDAPs who meet the track record requirements will, as now, be able to apply for TDAPs and RDAPs in parallel.

The extent to which reforms to DAPs apply to RDAPs are set out below.

- Probationary TDAPs holders will not be eligible to apply for RDAPs, and RDAPs will not be available on a probationary basis, as we consider that the track record requirement is necessary for demonstrating that the organisation has a robust, thriving and vibrant research capacity, or the infrastructure and facilities to sustain this capability.
- As is the case for FDAPs and TDAPs, newly awarded RDAPs will be renewable in the first instance, with a view to indefinite RDAPs following one successful renewal. Express powers to vary or remove DAPs will also apply to RDAPs.
- A robust and thriving multidisciplinary research community and facilities are not normally expected in single discipline areas. However, applications for single subject RDAPs will be considered in exceptional circumstances where providers are able to demonstrate that they meet the criteria.
- The new research and innovation funding body, UKRI, will provide advice to the Secretary of State in setting criteria and guidance for RDAPs and work with the OfS on the RDAPs assessment process. This will include providing support to identify suitable members for the RDAPs assessment panels. This collaboration will safeguard standards, and ensure that assessors with the appropriate skills are core to the assessment process and decision making.



21. We will also refresh our approach to validation, which can act as a significant barrier to entry. By introducing greater flexibility around DAPs we will ensure that new entrants have an alternative to validation. But some providers will still prefer the validation route. From the consultation responses we know that not all providers will want to gain their own DAPs immediately. So we also need to make it easy for high quality providers to get their provision validated by another provider if they wish, and in so doing introduce more flexibility, competition, and choice into the system.

#### **Box 1.4: Validation**

The OfS, as part of its duty to promote choice, will actively encourage providers to develop validation services, and will support exemplar validation arrangements to help good negotiation between validators and providers who seek validation. The OfS will work with the sector to revise and simplify the Quality Code, being clear on what 'good' and 'excellent' validation looks like. They will hold validators to this code, and only designate those institutions as exemplars if they meet the highest requirements. To ensure that barriers to validation are removed wherever possible we intend to give the OfS a power in future legislation to designate a 'validator of last resort', if the Secretary of State considered this to be necessary or expedient, for example in the event of intractable and sustained failures in the validation sector.

## **A robust and risk-based quality system**

22. Our higher education system is internationally renowned, something that is reflected by the high number of students who wish to come here to study. Underpinning this reputation is our system of quality assurance, both within providers and externally. The QAA has been at the heart of this, in developing many of the methods, approaches and techniques which have since been adopted across the world.
23. We are planning to retain many of the most positive aspects of this. Entry to the funded system will continue to be subject to meeting the Expectations of the UK Quality Code and the Frameworks for Higher Education Qualifications of UK Degree-Awarding Bodies; and by establishing the new Register we bring currently unknown providers into the purview of the OfS. The Teaching Excellence Framework (TEF) will build on that baseline, incentivising excellent teaching and giving all students better information on where the best provision is found. For the first time we will be linking the funding of teaching in higher education to quality, not simply quantity.
24. However, as the sector has diversified, the quality assurance system must evolve with it if it is to remain fit for purpose. It is clear from the responses to our consultation that the previous system, though robust, placed a disproportionate bureaucratic burden on providers for which there was no cause for concern. And equally, it treated different providers differently purely on the basis of their status or incumbency, instead of a genuine assessment of their risk or quality. Equally, whilst we welcome many of the principles adopted by HEFCE's recent reforms, the current legal situation is clearly one that

demands reform, as the requirement to procure creates unhelpful uncertainty, and could lead to the operation of the quality system being split up between as many as six different bodies.

25. We are committed to monitoring the market using a risk-based approach, treating all providers with parity, and focusing intervention where risks arise. The OfS, as the single regulator for the whole sector, will therefore be given the statutory duty to monitor and assess quality across the sector, similar to the duty that HEFCE has for publicly funded providers. This will ensure that we maintain a high and rigorous bar for entry into the system and for providers where there is cause of concern, whilst significantly reducing the burden of inspection on those providers, whatever their historical status, where we are confident that they are performing well.

### **Box 1.5: A Risk-Based Quality System**

The OfS will ensure the ongoing quality of provision. It will be given the necessary powers to set out and operate a risk-based regulatory framework for monitoring and compliance. The risk-based framework will cover all conditions of registration – FSMG as well as quality, for example.

We will explicitly give the OfS the duty to secure that provision is made for assessing standards, as well as giving the OfS the existing duty that HEFCE has to secure that provision is made for assessing quality. This will ensure that the high standards of higher education are maintained, whilst respecting the institutional autonomy of providers to determine how this is carried out.

Building on the light-touch annual monitoring currently carried out by HEFCE – in future to be done by the OfS – all providers will be subject to annual data monitoring by the OfS to assess a range of indicators that give assurances and raise red flags about shifts in provider activity or behaviour, or failure to meet a range of input and output benchmarks. The key indicators will include:

- Graduate employment;
- Progression to professional jobs and postgraduate study;
- Student retention levels;
- Student completion levels;
- Student recruitment levels;
- Degree outcomes;

- Student entry requirements/UCAS tariff data;
- National Student Survey results;
- Number of complaints to the OIA; and
- TEF scores.

In all cases, both the absolute value and changes in the indicators will be monitored. Any significant shifts in any of these areas will prompt a more detailed and targeted investigation. These will not necessarily in themselves indicate a cause for concern – a provider could significantly expand student numbers whilst maintaining quality – but would trigger a more in-depth review.

We will be abolishing the previous process of cyclic quality review where every provider, regardless of risk, was reviewed after the same number of years. Instead, detailed quality reviews will be triggered in a number of ways, including:

- For any provider seeking to gain Approved status, Approved (Fee Cap) status or to gain DAPs;
- As a result of a previous provisionally satisfied assessment, which may set out that the provider should be reviewed again after a certain time period; or
- If annual monitoring activity gives cause for concern.

The frequency and focus of these intensive reviews will therefore vary according to the risk profile of the provider, with most providers seeing less of a burden than now but a few seeing significantly more. The results of annual monitoring and risk-based reviews will link directly to a provider's status on the register, as well as to its eligibility for TEF, ensuring that these function as a single system.

Quality reviews will be carried out by academic experts in teaching and learning, thereby maintaining the principle of peer review. A review visit may include, amongst other things, a rigorous assessment that: curriculum and standards expected in UK qualifications and across subjects are rigorous and meet expected standards; suitable academic staff are involved in teaching; students are having the right amount and sort of contact time with teaching staff; facilities are appropriate and fit for purpose; providers have robust assessment processes in place to pick up and manage problems quickly; the external examining system is functioning properly; and students wider learning needs are being met to equip them to progress and succeed beyond university. It will also include detailed conversations with the governing body, staff and students, as well as a more extensive examination of the key indicators.

Equivalent reviews may be triggered in the areas of financial sustainability, management and governance, each triggered in a similar way to a quality review. Where a review visit has been triggered by a specific concern, the review will focus on the areas highlighted by the concern.

If, following a review visit, the provider is found to be no longer fully satisfying conditions, appropriate controls will be put in place. These will include those used for new providers, as well as the ability to vary DAPs conditions and hence move providers back into probationary DAPs, or remove DAPs / UT altogether, such as:

- Enhanced and more regular monitoring;
- Imposing an action plan;
- Blind marking of a selection of degree scripts;
- Student number controls;
- Charging fines;
- Re-classifying as provisionally satisfying conditions;
- Varying DAPs conditions to constrain activity;
- Removing DAPs; or
- Ultimately, removing the provider from the register.

For the first time, we would also establish a power in future legislation to “enter and inspect” a provider (with a court warrant) where there are suspicions of serious misuse of public funds.

## A co-regulatory approach

26. We have listened very carefully to those respondents, including the BIS Select Committee, who have called for co-regulation to be at the heart of a future quality system, as well as the many voices who have spoken positively about the role of the QAA.
27. Accordingly, we intend to take new legislative powers to allow the OfS to consult the sector as to whether there is an appropriate sector-owned body capable of designing and operating the quality assessment system. The body would be required to meet certain stringent criteria set out in future primary legislation, including capability, co-ownership or governance by the HE sector, commanding the confidence of the sector and independence from Government or any Government body. Should a suitable body be found, the Secretary of State will be able to designate the body, which will gain a statutory duty to design and operate the quality assessment system, reporting to and within

parameters set by the OfS. The primary quality duty will remain with the OfS, whose powers will be unchanged by the designation. The OfS will have a duty to monitor how well that body is performing its functions and to report regularly to the Secretary of State.

### **Box 1.6: Designation of a Quality Body**

The OfS will be given a power to carry out a consultation, to consider, whether there is a sector-owned body that is best placed to design and operate the quality assessment, reporting to and within parameters set by the OfS, and to then make a recommendation to the Secretary of State who would designate that body.

The consultation may be carried out either at the direction of the Secretary of State or on the Office for Student's own initiative.

In order to be designated, a body must meet a number of criteria set out in future primary legislation, including:

- Being capable of carrying out the function;
- Having a governing structure that is representative of the broad range of higher education providers;
- Being able to command the confidence of the sector;
- Being independent of any individual higher education provider;
- Not being part of the Crown or servant or agent of the Crown; and
- Giving its consent to be designated.

Following consultation, the OfS would be required to publish a letter to the Secretary of State recommending that, on the basis of the criteria set out in future primary legislation:

- a. the Secretary of State designate a particular body which the OfS consider meet specific criteria such as suitability and capability; or
- b. there is no suitable body which it considers capable of carrying out the functions.

The OfS could not refuse to recommend a body provided that there was a suitable and capable one, even if it would prefer to carry out the work in house.

The Secretary of State would then have the choice of either:

- a. Designating the recommended body; or
- b. Declining to designate a body, in which case the duty would remain with the OfS.

The Secretary of State is only permitted to make a designation where the OfS has made a recommendation that a particular body be designated. He would not be obliged to designate a body which the OfS has recommended, but would have to publish his reasons for not doing so. The Secretary of State cannot designate a body that the OfS has not recommended.

Once a body has been designated, it will gain a statutory duty to design and operate the quality assessment system, reporting to the OfS. This would enable a co-regulatory approach to the detailed quality reviews, carried out by academic experts in teaching and learning. The primary quality duty will remain with the OfS, which will have a duty to ensure that the designated body is carrying out the duty effectively, to report on its operation to the Secretary of State and to inform the Secretary of State immediately if it becomes aware of any significant problems as to how the designated body is performing. The designated body will be obliged to provide the OfS with any information it requires to inform its use of sanctions and interventions to address quality concerns, as well as to carry out its monitoring function.

The Secretary of State will be able to remove the designation at any point, following consultation, provided he is satisfied that doing so would be appropriate for securing the effective assessment of the quality of higher education. The Secretary of State must have regard to the advice of the OfS in this matter. If this occurs, the quality duty would revert to the OfS.

28. The Government intends to direct the OfS to consult on this matter as soon as it has been set up. Whilst we recognise and endorse the importance of co-regulation, it is important to recognise that, as the sector diversifies, such co-regulation will need to be truly reflective of the sector as a whole, in terms of its governance and the interests it serves. We would therefore encourage the QAA, or any other body which might hope to be the designated body, to undertake appropriate reform to ensure they remain truly representative of the changing landscape.

29. In order to be designated, in addition to the future legislative requirements concerning governance and ownership by the broad range of higher education providers, we anticipate that a body would need to demonstrate that it could carry out the quality functions in a cost effective and internationally respected manner. Whilst the precise details of the quality assessment method are not for Government to define, the body would need to demonstrate that it had embraced the risk-based principles set out above, as well as a willingness to work seamlessly with the Office for Student's work on financial assurance, validation and DAP/RDAP assessment, to minimise bureaucracy.

## Levelling the playing field through deregulation

30. We will simplify the approval process for the governing documents of most publicly funded higher education providers, removing the requirement to submit any changes to their governing documents to the Privy Council for approval. This will reduce both cost and complexity. Responsibility for protection of the public interest in governing documents will transfer from the Privy Council to the OfS, which will be responsible for monitoring the governance of all publicly funded HEPs.
31. We will deregulate the constitutional arrangements that govern Higher Education Corporations (HECs) by removing unnecessary statutory requirements that are specified within existing legislation. HECs currently face more stringent regulation than other publicly funded institutions, and this deregulation will place HECs on a more equitable footing with other institutions and allow them greater flexibility to innovate and respond to changes in the HE sector.
32. In the last year's Green Paper we considered the application of the Freedom of Information (FOI) Act to higher education providers, and whether there was scope to level the playing field between different types of providers. On 1st March this year, an Independent Commission appointed by the Cabinet Office reported on the Act and the burden of FOI on public authorities. The Commission did not recommend making any significant changes to how the FOI Act applies to higher education providers. In light of this and the responses to our consultation, we will retain the current approach: approved (fee cap) providers (who are eligible for direct grant funding) will come within the scope of the FOI Act, while registered and approved providers (who are not eligible for direct grant funding) will not.

## Market exit

33. As well as ensuring the high quality of the sector, which is in the best interests of all students, we need to confront the possibility of some institutions choosing – or needing – to exit the market. This is a crucial part of a healthy, competitive and well-functioning market, and such exits happen already – although not frequently – in the higher education sector. The Government should not prevent exit as a matter of policy. Providers themselves are responsible for ensuring their sustainability, and it will remain the provider's decision whether to exit and their responsibility to implement and action any exit plans. The Government's interest is in ensuring that affected students are protected if their provider is not able to deliver their course.
34. All approved and approved (fee cap) providers will need to have a student protection plan in place, whose objective will be to ensure that students are able to continue to achieve their academic outcomes in the event of the provider not being able to fully deliver their course. These plans will need to be fair, accessible and made explicitly known to students. The OfS will issue guidance on how providers can create such plans. Providers who are only Registered (basic) will not be required to have a plan, but can choose to have one, given the reputational benefits.
35. The OfS will take on responsibility for ensuring that the plan is satisfactory and credible, taking a risk-based and proportionate approach to the assessment. Providers will also be

required to inform the OfS if they need to close a discipline, department, campus or part/whole institution to allow the OfS to maintain visibility across the sector, help build an intelligence base and act as an early warning mechanism to understand whether and how students are being protected. The OfS will work together with any providers who are closing provision, to ensure the exit is orderly and students are supported appropriately.



# Chapter 2: Choice

## Chapter summary

This chapter describes how we will improve quality and enable choice for all students, enabling many more people to benefit from higher education.

We will implement the Teaching Excellence Framework (TEF), using a staged approach. In Year One, all providers with satisfactory quality assessments will automatically achieve a rating of 'Meets Expectations'. Successful TEF performance will allow providers to maintain their fees in line with inflation – increased fee caps at or below the rate of inflation will apply. As now, any changes to fee caps will need to be approved by Parliament.

In future years, judgements will be made against agreed criteria by a peer review panel including employers and student, and based on a combination of core metrics (the National Student Survey; retention; proportion in employment or further study; and a high skilled employment metric), as well as additional evidence submitted by the provider. The assessment process will explicitly take into account outcomes for disadvantaged groups.

Year Two of TEF will be a trial year in order to test the framework before it is linked to differential financial incentives. Alongside this White Paper, we are publishing a Technical Consultation to help design the second year of TEF. We will also carry out disciplinary pilots before looking to roll out the TEF fully at disciplinary level.

We will build learning flexibility into the HE system, increasing choice for students and promoting social mobility, by:

- Putting a duty on the OfS to have regard to promoting choice in the interests of students, employers and taxpayers, which will ensure that the OfS considers the overarching aim of enhancing student choice as it carries out its role as a regulator
- Launching a call for evidence on flexible learning, covering credit transfer and modular learning.

We will make real progress on widening access and success for students from disadvantaged backgrounds to support social mobility and ensure that the Prime Minister's goals are met – including doubling the proportion of disadvantaged students entering higher education by 2020 compared 2009, and increasing the number of BME students by 20% by 2020. Accountability for widening participation will be brought into a streamlined governance structure. We will:

- Merge the functions of the Director of Fair Access (DFA) into the Office for Students (OfS);
- Include a requirement for a specific OfS Board member, the Director for Fair Access and Participation, appointed by the Secretary of State, with responsibility for these functions within the OfS; and
- Give OfS a statutory duty to cover equality of opportunity across the whole lifecycle for disadvantaged students, not just access.

We will enhance transparency, opening up data held by the sector, informing choice and promoting social mobility.

- We will place a duty on institutions to publish application, offer, acceptance and progression rates, broken down by gender, ethnicity and disadvantage.
- We intend to legislate to require those organisations who provide shared central admissions services (such as UCAS) to share relevant data they hold with Government and researchers in order to help improve policies designed to increase social mobility, while also ensuring all appropriate data protection safeguards are in place.
- We asked UCAS to consult the higher education sector on the feasibility of introducing name-blind applications for prospective students. The introduction of name-blind applications will potentially help reduce unfairness and inequality. Having completed its evidence-gathering UCAS will make recommendations to the sector in support of this policy objective.

We will introduce an alternative student finance offer to support the participation of students who feel unable to take on interest-bearing loans for religious reasons, particularly some Muslim students.

1. Higher education leads to a better chance of being employed<sup>37</sup>, and an average net lifetime earnings premium comfortably over £100,000 compared to holding 2 or more A-Levels<sup>38</sup>. UKCES research suggests that demand for graduates will continue to rise, with over half of job vacancies between now and 2022 in occupations most likely to employ graduates<sup>39</sup>. Employers in some of our most internationally competitive industries rely on graduates to power their continued growth<sup>40</sup>, and higher average earnings mean that graduates make an important contribution to society through their tax revenues.
2. However the outcomes that we observe from English higher education are not consistently strong. This starts when students cannot make informed choices. The 2015 HEPI survey found that “a substantial minority of students continue to find the information they were given before they started their course vague (21%) or even misleading (10%). One in three (34%) say that with hindsight they would have chosen a different course<sup>41</sup>. But once enrolled, most students stay locked into their course even if it is not right for them. This leads to dissatisfaction and poor outcomes: the consumer organisation Which? has found that three in ten students think that the academic experience of higher education is poor value<sup>42</sup>, and the issues raised by students in that research included the amount, and quality, of teaching they received, and the extent to which they are academically challenged. A recent IFS study also found huge variance in graduate earnings depending on choice of subject and institution, as well as background<sup>43</sup>.
3. Employers report a growing mismatch between the skills they need and the skills that graduates offer. Alongside this White Paper, two independent reviews will be published, led by Sir William Wakeham and Sir Nigel Shadbolt, and looking at graduate employment outcomes for STEM subjects and computer sciences respectively. These reviews found considerable variation in employment outcomes and employability amongst subjects and across institutions and both point to a range of factors that need to be considered in strengthening outcomes. The reports in particular highlighted the importance of students having access to a wide array of work experience opportunities, employers and HE providers working together on curriculum design, and graduates having the ‘soft skills’ they need to thrive in the work environment. The Government recognises these findings as valuable evidence and insight as to why more must be done to address the variability in employment outcomes for some graduates and to ensure all students and employers get the best returns on their investment. The findings of the reports will form an important part of the evidence base for the Government’s HE reforms going forward.

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<sup>37</sup> The employment rate for graduates is 87.1%, and postgraduates is 87.5%, compared to 69.8% for non-graduates across the working age population (Graduate Labour Market Statistics 2015), <https://www.gov.uk/government/statistics/graduate-labour-market-statistics-2015/>

<sup>38</sup> The most recent BIS commissioned research (Walker & Zhu (2013)) shows that, on average, a male graduate will earn £170,000 more and a female graduate will earn £250,000 more over their lifetimes, than someone without a degree but with 2 or more A-levels, net of tax and other costs (2012 prices). <https://www.gov.uk/government/publications/university-degrees-impact-on-lifecycle-of-earnings/>

<sup>39</sup> UKCES’s Working Futures 2012-2022 report (August 2014)

<sup>40</sup> 64% of manufacturers have recruited a graduate in the last 3 years (EEF Green Paper response)

<sup>41</sup> <http://www.hepi.ac.uk/2015/06/04/2015-academic-experience-survey/>

<sup>42</sup> <http://press.which.co.uk/wp-content/uploads/2014/11/Which-A-degree-of-value-Nov-2014.pdf>

<sup>43</sup> “How English domiciled graduate earnings vary with gender, institution attended, subject and socioeconomic background” Britton, Dearden, Shephard and Vignoles (April 2016)

4. We need to ensure that our higher education system continues to provide the best possible outcomes. These come from informed choice and competition. We must provide incentives for all institutions to improve and to focus on what matters to students, society and the economy. By removing student number controls and making it easier for new providers to enter, we will create the conditions that will allow choice and competition to flourish. But what is also needed is the information to allow students to determine where the best teaching can be found.

## Improving information on teaching excellence

5. The two most important decisions for a prospective higher education student are what course of study they choose, and at which institution. These decisions are significant factors in determining a student's future life and career success, so it is crucial that they represent sound investments. We need to make sure that students have access to the best possible information to make choices about what they study, and the benefits that they can expect to gain from those choices.
6. We take a broad view of teaching excellence, including the teaching itself, the learning environments in which it takes place, and the outcomes it delivers. We expect higher education to deliver well designed courses, robust standards, support for students, career readiness and an environment that develops the 'soft skills' that employers consistently say they need. These include capacity for critical thinking, analysis and teamwork, along with the vital development of a student's ability to learn.
7. We can be proud of a diverse higher education sector. The Government believes that excellent teaching can occur in many different forms, in a wide variety of institutions, and it is not the intention of the TEF to constrain or prescribe the form that excellence must take. What we expect though, is that excellent teaching, whatever its form, delivers excellent outcomes. There is of course more to university than financial gain, but the idea that excellent teaching occurs in a vacuum, independent of its impact on students' future life chances, is not one we can or should accept.
8. The quality of teaching should be among the key drivers of a prospective student's investment. Great teaching increases the likelihood of good outcomes. There are providers where employment outcomes are significantly above the sector-accepted benchmark<sup>44</sup> and others that are significantly below the benchmark<sup>45</sup>. Clearly, good quality teaching makes a difference. But for too long, we have funded teaching on the basis of quantity, not quality. This is in sharp contrast to research, with its quality-driven funding stream allocated through the Research Excellence Framework. This has led to teaching being the poor cousin of research in significant parts of English higher education.
9. Robust, comparable information about the quality of teaching – and the components that contribute to it – is not currently available. The information that students need can be hard to find, inconsistent and inadequate, making it hard to form a coherent picture of where

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<sup>44</sup> Benchmarks take the sector average for a particular indicator and adjust it to account for the differing proportions of students with certain characteristics (including subject studied) at each provider.

<sup>45</sup> HESA Performance Indicators <https://www.hesa.ac.uk/pis/emp>

excellence can be found within and between different higher education providers. Evidence in the Higher Education Funding Council for England (HEFCE)'s 2015 consultation "Review of information about learning and teaching, and the student experience"<sup>46</sup> showed that across a sample of HE provider websites, there were variations in terms of accessibility and how well the type of information matched students' needs and priorities. Clear priorities of students while at university included: "having more hours of teaching", "reducing the size of teaching groups" and "better training for lecturers", but there is little information for prospective students on this in advance.<sup>47</sup>

10. That is why this Government will introduce the TEF, and for the first time bring sector-wide rigour to the assessment of teaching excellence. While participation in TEF will be voluntary, we expect and will encourage a significant majority of providers to take part.

## Designing and implementing the Teaching Excellence Framework

11. The TEF will operate for the first time from academic year 2016/17. In our Green Paper, we proposed a quick timetable towards implementation, with four different TEF ratings and differential fee caps introduced from Year 2. We welcome the feedback from the consultation and the recent report by the Business, Innovation and Skills Select Committee<sup>48</sup>, suggesting that we need to take more time to introduce the TEF. We agree on the need for a robust assessment process for the use of financial incentives. We are therefore taking a measured approach for implementation that is slower overall, and will trial and pilot each change with the sector as set out in Box 2.1.

### Box 2.1: TEF – timing and phasing

In Year One (2016/17), as we proposed in the Green Paper, all providers with any form of successful QA award will receive a rating of Meets Expectations. We will also expand the eligibility to include all higher education providers, as long as they meet the same quality requirements.

Year Two (2017/18) will be a trial year:

- We will trial the full assessment process at provider level on a voluntary basis; any provider who opts to apply for TEF will – provided they meet the baseline quality threshold – be guaranteed to receive a rating of Meets Expectations.
- There will only be three different TEF ratings – Meets Expectations, Excellent and Outstanding - rather than the four we had proposed in the Green Paper.

<sup>46</sup> HEFCE review of information about learning and teaching, and the student experience: Consultation on changes to the National Student Survey, Unistats and information provided by institutions <http://www.hefce.ac.uk/pubs/year/2015/201524/>

<sup>47</sup> 2015The 2015 HEPI-HEA Student Academic

Experience Survey [http://www.hepi.ac.uk/wp-content/uploads/2015/06/AS-PRINTED-HEA\\_HEPI\\_report\\_print4.pdf](http://www.hepi.ac.uk/wp-content/uploads/2015/06/AS-PRINTED-HEA_HEPI_report_print4.pdf)

<sup>48</sup> <http://www.publications.parliament.uk/pa/cm201516/cmselect/cmbis/572/57202.htm>

- The financial incentive will not be differentiated according to the level of the award, with all providers who achieve at least a Meets Expectations rating receiving the full inflationary uplift.
- We will conduct a lessons-learned exercise following Year Two.

Year Three (2018/19) will, subject to the results of the lessons-learned exercise, be the first full year of assessment at provider level. We will also introduce other metrics once these become available. Our latest Grant Letter to HEFCE asks them to look into developing methodology to measure contact hours and teaching intensity. Our Technical Consultation seeks sector input on measuring graduate employment. During Year Three we will also carry out a number of pilot assessments at disciplinary level, working with the sector. These will have no financial consequences and will be purely for development purposes. Year Four (2019/20) will, subject to the results of the disciplinary pilots, be the first year in which disciplinary level assessments take place. This year is the earliest we intend to also include taught postgraduate courses.

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12. In our Green Paper, we proposed that only providers with 50% of their students on HE courses would be eligible for TEF. Many stakeholders made a compelling case against what they saw as an arbitrary ban on other providers operating in the HE sector. FE colleges, for example, may individually only have a minority of their learners on HE courses, but collectively deliver a significant amount of higher education provision. Stakeholders pointed to the importance of a level playing field across the sector, and to the potential for TEF to drive innovation in teaching excellence if it is applied more widely. Having considered the responses to the consultation, and in keeping with our ambitions to introduce high quality choices for students in a competitive market, we have decided to expand eligibility for TEF Year One to all providers that deliver undergraduate provision, including at levels 4 and (see Annex A for detailed eligibility requirements). Part-time courses will also be incorporated from Year One as a result of the responses to the consultation.
13. Our intention is to incorporate taught postgraduate level courses from year 4 at the earliest and for this to be informed by the experience of previous TEF years. This will cover postgraduate courses up to level 7, i.e. postgraduate diplomas, certificates and masters. We also recognise the important role that the quality of supervision has in doctoral study, but have no plans at the present time to extend the TEF framework to level 8. We expect institutions to ensure that doctoral students continue to benefit from the highest standard of supervision.

**Box 2.2: TEF and the Devolved Administrations**

Recognising the inter-connectivity of higher education across the UK and the concerns expressed by some higher education institutions about the potential implications of not being able to participate in the first year of TEF (during which providers will be able to secure a level 1 award), devolved administrations have given their consent for institutions from Scotland, Wales and Northern Ireland to participate in this first year should they wish.

It will be for the devolved administrations to determine participation by institutions (including colleges) in Wales, Scotland and Northern Ireland in future years of the TEF. We will continue to work with the Scottish and Welsh Governments and the Northern Ireland Executive as the full scope of TEF is developed, including in relation to the metrics for assessing teaching quality in subsequent years, with a view to exploring whether TEF can be designed in such a way as to be compatible with participation by higher education institutions in Scotland, Wales and Northern Ireland; to ensure learning from current systems and approaches (for example the enhancement-led ethos underpinning the Quality Enhancement Framework in Scotland); and in order to preserve the comparability of teaching quality across the UK.

14. Measuring teaching quality is difficult. But it is not impossible. We define teaching broadly - including the teaching itself, the learning environments in which it takes place, and the outcomes it delivers. Such things can be measured: students assess their satisfaction with their courses, retention rates are a good proxy for student engagement, contact hours can be measured, employers choose to sponsor some courses, or work with some institutions, because of the industry-relevance of their offerings, and employment rates can be measured. Some of these metrics are of course proxies – but they directly measure some of the most important outcomes that students and taxpayers expect excellent teaching to deliver. And we recognise that metrics alone cannot tell the whole story; they must be benchmarked and contextualised, and considered alongside the additional narrative that can establish a provider's case for excellence. Taken together, we can build a rounded picture of the teaching experience that we expect higher education to deliver to its stakeholders.
15. To take just one metric: retention. For too long we have been overly tolerant of the fact that some providers have significantly and materially higher drop-out rates than others with very similar intakes in terms of demographics and prior attainment. This applies equally at both the high tariff and low tariff ends of the sector. Such variability is not simply a statistic, nor even simply a squandering of taxpayers' money. It is worse: it represents thousands of life opportunities wasted, of young dreams unfulfilled, all because of teaching that was not as good as it should have been, or because students were recruited who were not capable of benefitting from higher education. We recognise that in a small minority of cases there may be good reasons why an institution may perform worse than one would expect on a particular metric, particularly where it makes use of highly distinctive modes of delivery or student intake. But in most cases if an institution is performing poorly on a benchmarked metric, there will be scope for improvement.

**Box 2.3: TEF – assessment for Year Two**

We proposed in the Green Paper that TEF assessments need both quantitative and qualitative information, which the majority of respondents warmly welcomed. We stand by this commitment. In addition, we recognise that information needs to be contextualised and benchmarked where appropriate – most respondents to the Green Paper agreed with this approach. From Year Two onwards the TEF assessment process will consist of both benchmarked core metrics and additional evidence may be provided by the institution.

The core metrics for Year Two will be:

- student satisfaction using the teaching on course, assessment and feedback and academic support scales from the National Student Survey;
- retention using HESA UK Performance Indicators;
- proportion in employment in further study using 6 month DLHE;

And we are consulting on a high skilled employment metric in the Technical Consultation.

The lowest rating, that of Meets Expectations, will continue to be aligned with successfully achieving the baseline quality threshold. All providers entering TEF in Year Two must have all the necessary core metrics in order to achieve a higher rating than Meets Expectations.

Providers will be given the opportunity to submit additional contextual evidence. This may contain both qualitative and quantitative evidence, and will be an opportunity for the provider to contextualise the metrics and supply additional information to evidence excellent teaching. We expect that providers may wish to provide evidence that highlights their approach to teaching, as well as information that cannot yet be captured in the core metrics, including data on teaching intensity, status and recognition of teaching staff, engagement with employers, how providers are tackling grade inflation and whether they are using approaches such as Grade Point Average to provide a more granular account of student performance. We have proposed a page limit of 15 pages in the Technical Consultation.

TEF assessments and judgements will be made collectively by an expert panel, chaired by a respected expert, and involving students, employer representatives and a widening participation expert. Government ministers and officials will have no role or influence in determining the ratings achieved by individual providers. The TEF Panel Chair will be a joint appointment between BIS and HEFCE. Once the OfS is established, the TEF Panel Chair will be appointed by the OfS. BIS will shortly start recruitment for the first TEF Panel Chair.

More detail on the assessment process is given in the Technical Consultation.



16. Moving beyond Year Two, we will ensure the TEF assessment process benefits from new developments in the evidence available to us on teaching quality and student outcomes. One of the most important of these will be the creation of the Longitudinal Education Outcomes dataset (discussed further below). This will provide a more granular and informative assessment of graduate outcomes. We will also look to see how this can be matched with other data sources, for example the DHLE, to provide additional insight into the quality of these outcomes.
17. Other important aspects include weighted contact hours and teaching intensity. There is strong evidence that such factors make a difference to students: the HEPI/ HEA 2015 Survey showed that contact hours correlated with both student satisfaction and perceptions of value for money. However, we recognise that these are difficult to measure, if we are to capture the complexities of digital delivery, peer assisted learning and the difference made by both varying class sizes and the status of those carrying out teaching. Rather than implementing crude metrics that could be easily gamed, we have instead asked HEFCE in this year's grant letter to look into these matters, and to develop a methodology to measure them with a view to initially trialling them in the disciplinary pilots in Year Three.
18. We are committed to ensuring that the TEF supports the Government's aims in widening participation. In keeping with the range of views provided in response to the consultation, providers will be required to demonstrate their commitment to widening participation in order to take part in the TEF. Furthermore, whilst the assessment process will not consider access, as that is not a measure of teaching quality, it will explicitly look at the extent to which the provider achieves positive outcomes for disadvantaged students. At the same time, we are putting measures in place to prevent the TEF being gamed and to ensure no institution is penalised for having a large cohort of disadvantaged students. In this way, the TEF will actively drive better outcomes and improved social mobility.

**Box 2.4: TEF and widening participation (WP)**

We will put providers' performance in achieving positive outcomes for disadvantaged students at the heart of the TEF.

- To apply for TEF, providers will be required either to have an approved Access and Participation Agreement or to publish a short statement setting out their commitment to widening participation and fair access.
- The core metrics will be benchmarked against factors including subject, prior attainment and age.
- The data that contributes to core metrics will be split by POLAR quintiles<sup>49</sup>, allowing panels to consider a provider's performance for those from disadvantaged groups when considering what TEF rating should be awarded.
- There will be specific criteria and explicit instructions in the guidance to consider a provider's performance at achieving positive outcomes for those from disadvantaged groups.

In their additional evidence, providers will have the opportunity to provide further quantitative and / or qualitative evidence of how, taking into account their specific circumstances, they are achieving positive outcomes for disadvantaged students.

Finally, we have acted to address the concern expressed by respondents that some providers might choose to reduce their intake from disadvantaged groups in order to 'game' the TEF. Whilst the measures set out above would minimise the potential incentives from doing so, we have also asked the Director for Fair Access to make the TEF panels aware of any providers who he believes are actively gaming the TEF, so that panels can take this into account.

19. TEF is intended to generate reputational as well as financial incentives. The reputational advantage that will accrue to providers achieving the highest TEF ratings will be substantial, particularly given this Government's removal of student number controls. But we think that teaching excellence should be recognised by providing for the best providers to maintain their tuition fees in line with inflation. The higher tuition fee cap was set at £9,000 per year for full time students in 2012, which is now £8,546 in real terms. It remains at that level, which means that in real terms its value to providers - and thus their ability to fund excellent quality teaching for students – has decreased.

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<sup>49</sup> As well as by gender, ethnicity and disability.

**Box 2.5: TEF – financial incentives<sup>50</sup>****Year One (gained in 2016/17, applying to students in 2017/18)**

A provider with a satisfactory and current QA award will be awarded a rating of Meets Expectations, which will last for one year only.

The financial incentives for a rating of Meets Expectations in Year One will be:

- providers with fees capped at the basic amount of £6k will be able to maintain their fees, and corresponding loan, in line with inflation up to a maximum of £6K + inflation.
- providers with fees capped at the higher amount of £9k will be able to maintain their fees, and corresponding loan, in line with inflation up to a maximum of £9K + inflation.
- providers with uncapped fees will be able maintain their tuition fee loan cap in line with inflation up to a maximum of £6k + inflation.

**Year Two (2017/18, applying to 2018/19)**

Three TEF ratings will be awarded: Meets Expectations, Excellent and Outstanding. Any provider who opts to apply for TEF and meets the baseline quality threshold will achieve at least Meets Expectations. Higher ratings will be awarded for better performance. Providers that are successful in any level in Year Two will be able to keep their award for a maximum of three years.

There will be no differentiation in financial incentives in Year Two. So, for all ratings, the Year Two financial incentives are identical to those given in Year One. Higher ratings will carry reputational weight, not financial weight. Therefore, the financial incentives for Year Two at all TEF ratings will be:

- The basic fee cap, and corresponding loan, will be maintained in line with inflation, on top of the existing inflationary increase from Year One.
- The higher fee cap, and corresponding loan, will be maintained in line with inflation, on top of the existing inflationary increase from Year One.
- For providers with uncapped fees, the tuition fee loan cap will be maintained in line with inflation, on top of the existing inflationary increase from Year One.

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<sup>50</sup> The examples set out here relate to full time fee caps, but the same principle will apply to part time fee caps

### Year Three Onwards (2018/19 applying to 2019/20)

As in Year Two, three TEF ratings will be awarded and any provider who opts to apply for TEF and meets the baseline quality threshold will achieve at least Meets Expectations.

From Year Three onwards, we will introduce a differentiated fee cap and loan cap increases. All providers achieving a rating of Meets Expectations or higher will be eligible for an uplift, as a reward for good performance and to allow them to continue to invest in excellent teaching. Reflecting our wish to focus incentives where teaching is of higher quality, providers with a rating of Meets Expectations will be eligible for 50% of the inflationary uplift, while providers with a rating of Excellent or Outstanding will be eligible for 100% of the inflationary uplift.

We are proposing no changes to the legislative procedure governing the setting of higher and basic fee caps. This will remain, as now, under the control of Parliament, subject to the negative procedure for increases at inflation or below. Government policy is that any fee changes under TEF will not be higher than inflation and could not exceed the maximum fee agreed by Parliament. We will shortly announce the fee caps for 2017/18.

We will operate a history-blind system, meaning that a provider's fee/loan cap is solely dependent on their current TEF level. This means coasting institutions will not be able to 'bank' increases gained if they performed better on the TEF in previous years, and new or improving providers will not be disadvantaged by being unable to catch up.

There will be a single fee cap per provider, not different fee caps per cohort. This means that:

- Where a provider's TEF level drops for the academic year to which the new level applies, they will have to lower the fees they are charging existing students.
- Where a provider's TEF level increases for the academic year to which the new level applies, they will only be able to alter the fees for existing students if they have previously been explicit, in full compliance with consumer law, about the circumstances in which this might occur.

A provider which falls below the baseline quality threshold will also lose any TEF award.

We estimate that the value of these awards for teaching excellence to the sector will be worth on average around £1 billion a year during the first ten years of TEF's operation.

20. In Year One, where the TEF does not involve a separate assessment process, the Government will publish a list of all eligible providers who have had a successful QA assessment and therefore have achieved a rating of Meets Expectations. From Year Two onwards, TEF will be delivered by HEFCE working in collaboration with QAA, until such time as the OfS is established. After this point, the OfS will deliver TEF. Providers will not

have to pay a fee for applying to TEF; in all years, the public sector administrative costs of running the TEF will be met by Government.

21. Designing the detailed operation of the TEF requires close and collaborative working between Government, the higher education sector and interested stakeholders. So, alongside this White Paper, we publish a Technical Consultation on the TEF which covers the operational detail of the TEF in Year Two. It will be open until 12 July.

## Degree Apprenticeships

22. We have introduced Degree Apprenticeships to help employers get the skills they need at the highest level to increase productivity in their businesses. Employers will want to make use of the apprenticeship levy across a range of qualifications up to and including bachelor's and master's Degree level. Degree Apprenticeships combine high quality degrees with a job with training.
23. The success of Degree Apprenticeships will depend on employers and universities working together. Employers will take the lead in designing the occupational standard taking account of the innovation and excellence universities can offer. This may involve changes to the way universities design and deliver courses to meet the standard. We have made an £8m Development fund available<sup>51</sup> to help universities and partners to gather intelligence on employer demand and develop provision quickly to help meet that.
24. Degree Apprenticeships are already enabling apprentices to reach the highest level of technical and professional skills. Degree Apprenticeships were launched in March 2015; since then 40 higher education providers have signed contracts with the Skills Funding Agency to deliver higher and/or degree apprenticeships, and there are 39 degree apprenticeship standards in development or ready for delivery<sup>52</sup>.
25. We will continue to ensure that these apprenticeships are of the highest quality and meet employers' needs through the Institute for Apprenticeships, a new independent body led by employers, which will be fully operational by April 2017. The apprenticeship levy, which also applies from April 2017, will provide a powerful incentive for even more employers to develop degree apprenticeships together with universities as valued and innovative providers<sup>53</sup>.

## Flexible, innovative and lifetime learning

26. As well as choosing what course to study and at which institution, students should also be able to exercise choice over how they study. This Government is committed to increasing choice for all students, particularly those who would benefit from more flexibility in higher education. We are committed to support part-time study. We have extended the number of part-time STEM subjects that students can study with student finance support and announced our intention in the Spending Review to extend our maintenance loan package

<sup>51</sup> <http://www.hefce.ac.uk/pubs/year/2016/CL,062016/>

<sup>52</sup> <https://www.gov.uk/government/collections/apprenticeship-standards>

<sup>53</sup> <https://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work>

to part-time students for the first time. We have also looked to support more people to take up postgraduate study through the introduction of loan funding for masters and doctoral study.<sup>54</sup>

27. In the 2016 Budget, we announced that we will review the gaps in support for lifetime learning, including flexible and part time study<sup>55</sup>. We are also continuing to explore how we can encourage greater take up of two-year degrees, for those who want a higher education qualification but prefer to spend less time out of the labour market.
28. Students should be able to make the best choices to fit their own individual circumstances. Sometimes those circumstances change, and we want a higher education system which is flexible enough to cope with change. Since our 2011 White Paper *Students at the Heart of the System*, we have fashioned a system where the funding follows the student. But despite this, most students remain locked into the institutions they first choose, regardless of changes in circumstances. A competitive and dynamic higher education sector needs students who actively and regularly challenge universities to provide teaching excellence and value for money. It needs institutions with the right incentives to deliver for students, to innovate, and to grow.
29. An increase in course and institution transfer would also bolster the role that higher education plays as a leading vehicle for social mobility. If the option of transferring were more available, then it would be to the benefit of students who might otherwise have dropped out, perhaps because they needed to be in a different part of the country, as well as reduce the typically three-year commitment that deters potential students with less secure backgrounds. In addition, research by the Sutton Trust indicates that many students from under-represented groups attend institutions that they are over-qualified for – often, especially if they are the first in their family to attend university, because they didn't have the self-belief to aim higher<sup>56</sup>. Transferring institutions at the end of the first or second year could in many cases significantly improve the life chances of these individuals. Finally, transfer could play a central role in protecting students in the case of the closure of their course or institution, as discussed in the previous chapter.
30. The ability of students to accumulate credits which are transferable to other courses and institutions is central to this vision. We want to gather evidence on how credit transfer in particular can help enable flexible and lifetime learning, and drive up quality by giving students more choice. Switching between institutions is possible in theory, but rare in practice: if students are unhappy with the quality of provision, they are unlikely to take their funding to an alternative institution. Some barriers to transfer are easy to fix – universities should, for example, present their policy on credit transfer clearly on their websites – but some will require significant and sustained attention. The evidence of students transferring on the basis of HE credit transfers earned at their previous institution is both limited and anecdotal. We want to better understand the number of students transferring, the reasons why they transfer and the barriers under the current framework that might prevent them from switching. We are publishing a Call for Evidence alongside this White

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<sup>54</sup> The Autumn Statement Document, P126

<sup>55</sup> <https://www.gov.uk/government/publications/budget-2016-documents>

<sup>56</sup> <http://www.suttontrust.com/wp-content/uploads/2004/08/Missing-3000-Report-2.pdf>

Paper. We will engage with both institutions and students to gauge demand and identify how we can work together to overcome barriers.

### **Box 2.6: Extending financial support for students**

More students are now being admitted to higher education than ever before. The Government is committed to build on this success by enhancing its support for lifelong learning including postgraduate and part time study. This is why we are introducing a range of new financial products over the next few years, including:

- A new loan for master's students: from academic year 2016/17 postgraduate master's loans of up to £10,000 will be available to eligible students. This loan will be a contribution to the cost of study helping to remove the financial barrier commonly faced by those looking to pursue postgraduate study and widening participation in postgraduate education by providing students with the means to invest in their futures.
- A loan for doctoral study: at Budget 2016 we confirmed that we will introduce doctoral loans of up to £25,000 from academic year 2018/19. Our intention is offer doctoral loans in addition to grant funding by research councils not as a replacement for it. We will be consulting on the terms of the loan later this year.
- A maintenance loan for part-time undergraduate students: the Government already supports part-time students with fee loans and will now provide a new maintenance loan for part-time students from academic year 2018/19. This will make an important contribution to tackling the long-term decline in part-time student numbers, and help individuals from all backgrounds to fulfil their potential.

## **Giving all students the same choices**

31. This Government has made it a part of everything we do to drive fairness of opportunity and to stamp out discrimination. As a One Nation Government, we believe that anyone with the talent and potential should be able to benefit from higher education. For entry in 2015 we removed student number controls, so universities can choose to recruit as many students as have the ability and wish to apply.
32. The Prime Minister has set two specific, clear goals for this area of higher education: to double the proportion of people from disadvantaged backgrounds entering university in 2020 compared to 2009, and to increase the number of BME students going to university by 20% by 2020.
33. For entry in 2015 there were more applicants from disadvantaged backgrounds than ever before. A record number of students were placed in higher education in 2015 - 532,300, up by 4% from the previous cycle. The entry rate for the most disadvantaged 18 year olds also rose to 18.5%, the highest ever recorded, making disadvantaged young people in

England almost a third more likely to enter university in 2015 than five years ago in 2010.<sup>57</sup>

34. However we have more work to do. For example, only 10% of white British males from the most disadvantaged backgrounds enter higher education; they are five times less likely to go into higher education than the most advantaged white men and significantly less likely than disadvantaged men from BME groups<sup>58</sup>. And while some progress has been made on fair access, we have much further to go: only 3% of disadvantaged 18 year olds enter highly selective institutions compared to 21% from the most advantaged backgrounds<sup>59</sup>. There are also pronounced differences in retention, degree attainment and progression to employment and further study, between students from some black and ethnic minority groups and white students, which cannot be explained by other factors such as prior educational attainment. We need to take a whole lifecycle approach to all of these challenges, looking across access, retention, attainment and progression from HE.

### **Box 2.7: UUK and UCAS work on widening participation, fair access and social mobility**

At our request, UUK (Universities UK) have already set up an expert group, the Social Mobility Advisory Group, to provide advice to the Universities Minister on social mobility, including on meeting the goals set by the Prime Minister and will report in the summer.

Last year the Prime Minister announced that a range of organisations would recruit on a “name blind” basis to help address discrimination. As part of this initiative, UCAS issued a call for evidence on the feasibility of our proposal for name blind applications to higher education. This will help to ensure that everyone - from any background - is treated equally when they apply to higher education through UCAS. This will build on the progress that Universities have already made on the progression of students from BME backgrounds to higher education. UCAS has now completed their evidence gathering and is due to make recommendations to the sector by the summer.

35. The Government recently issued new guidance to the Director of Fair Access – the first new guidance since 2011. It places a strong emphasis on making progress on the Prime Minister’s ambitions for higher education and other goals set out in the Green Paper. In particular, we want to address disparities in outcomes (retention, degree attainment and progression to employment/further study) for students from Black and Minority Ethnic backgrounds, and access for young White males from lower socio-economic groups. We also want to see more help for students with disabilities, especially those with Specific Learning Difficulties, Autistic Spectrum Disorder and mental health issues. And we will work with the DFA to ensure universities collaborate more on outreach, as we refocus funding.

<sup>57</sup> UCAS end of cycle report 2015 <https://www.ucas.com/sites/default/files/eoc-report-2015-v2.pdf>

<sup>58</sup> IFS Socio-economic, ethnic and gender differences in HE participation 2015

<sup>59</sup> UCAS end of cycle report 2015 <https://www.ucas.com/sites/default/files/eoc-report-2015-v2.pdf>



36. Currently, responsibility for widening access and success for disadvantaged students sits in two different places – the independent Director of Fair Access, is responsible for agreeing the Access Agreements that allow universities to charge £9,000 fees and contains institutions agreed expenditure on measures to improve access and student success<sup>60</sup>. Responsibility for the Student Opportunities Fund, which provides a funding allocation to institutions on the basis of the numbers of students they recruit from disadvantaged groups, is managed by HEFCE.
37. We will bring these functions together in one organisation, with widening participation and fair access a key part of the remit of the OfS. We intend to legislate to create a nominated executive member of the OfS's board, the Director for Fair Access and Participation, appointed by the Secretary of State, taking into consideration the views of the OfS, to take on responsibility for widening access for students from disadvantaged backgrounds. We expect the Director for Fair Access and Participation to oversee expenditure on all funding allocated to widening access. With all widening participation and fair access responsibilities sitting in one organisation, we expect to see the fruits of better focussed expertise and a co-ordinated approach to making the most of the expenditure in this area. The Director for Fair Access and Participation will continue to have a role in agreeing Access and Participation Agreements with providers but will not themselves set targets. This would be a continuation of the current approach and in keeping with the views expressed by the majority of respondents to the Green Paper.

### **Box 2.8: Accountability for widening participation and fair access in the OfS**

The new OfS will have a statutory duty to cover equality of opportunity across the whole lifecycle for disadvantaged students, not just access, alongside its duty to promote choice. The OfS's Board will be collectively accountable for fulfilling this duty, and the Secretary of State will appoint a specific, named Board member, the Director for Fair Access and Participation, as the responsible lead individual.

The OfS will not set targets for widening access. Instead, in a continuation of the successful way that the DFA has operated, it will work with institutions to ensure they are doing as much as they can to make real progress on these issues.

The OfS will have the same duties to protect academic freedom and institutional autonomy over admissions as the current DFA function, in the performance of its duties around widening access for students from disadvantaged backgrounds.

38. All 'approved' providers without Access and Participation Agreements in England's higher education system will have to publish a statement on their actions to promote widening participation. This will ensure for the first time that, wherever a provider or its students are

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<sup>60</sup> Without an Access Agreement, HEFCE-funded institutions can charge fees of up to £6,000 per year

in receipt of public funding, that provider can be held to account by the public on what they are doing to help disadvantaged students enter and progress within their institution.

### **Box 2.9: Access requirements for approved higher education providers**

For the first time, all approved higher education providers will be required to demonstrate their commitment to widening participation and fair access.

Approved (fee cap) providers will continue to be required to agree an Access and Participation Agreement to be eligible to charge fees in excess of the basic fee cap. Such providers will need Access and Participation Agreements in order to be eligible for TEF. Those charging fees at or under the basic cap will have the same requirement as Approved providers, set out below.

Approved providers will need to submit annual data, along with a short accompanying statement, to illustrate their commitment to widening participation and fair access. This information will be published, but will not require approval by the OfS.

## **Transparency and better data**

39. The Prime Minister recently announced that the Government will legislate for a ‘Transparency Duty’, requiring individual institutions to publish comprehensive information on the number of students who apply for places, receive offers and drop out from higher education broken down by gender, ethnicity and social background of students at key subject level. This will apply to all approved and approved (fee cap) providers, and will help make transparent individual institutions’ admissions records and spur action by institutions in areas where it is needed.
40. In order to devise more effective policies and deliver better value for money in support of social mobility, we would require bodies who provide a shared and centralised admissions service (such as UCAS) to share relevant data they hold with policymakers and accredited researchers only. This will include data on students’ decision-making and institutional offers, which is currently not publically available. Organisations such as UCAS (and other bodies who may fall into scope) will only have an obligation to share this data in appropriate circumstances. Taking into account concerns about data security raised in the consultation, we will also ensure that effective data safeguards are in place and this data is only shared with accredited researchers through specialist and secure organisations such as the Administrative Data Research Network (ADRN). Future legislation would also set out sanctions for misuse of this data.
41. When faced with the choice about whether to go to university, or which course to take, young people are making a decision that will have a big impact on their future. Higher education is a life-enriching experience which can positively enhance many different aspects of a person’s future – including their future earnings. Faced with such decisions, it

is vital that young people and their parents have access to the best possible information to help them make the right choices.

42. The Small Business and Enterprise Act 2015 enables the Government, for the first time, to link higher education and tax data together to chart the transition of graduates from higher education into the workplace better. For the first time, this rich new data source will give students the information about the rewards that could be available at the end of their learning, alongside the costs. This innovation is at the heart of delivering our reform agenda ambitions: improving choice, competition and outcomes for students, the taxpayer and the economy. By increasing transparency and making better use of public data than ever before, we will shine a light on the employability outcomes of courses and institutions for students to evaluate alongside other considerations. We hope this will also be used by providers evaluating their provision and considering how they can tailor it to better deliver relevant skills for the labour market. At an aggregate level, by enabling more authoritative data to be produced of the employment and earnings of graduates long after they have completed their education, we will be able to facilitate an improved understanding of the value added by a higher education degree.
43. The extensive coverage of this dataset – called the Longitudinal Education Outcomes (LEO) dataset – will make this data a valuable source of information for prospective students to have a better picture of the labour market returns likely to result from different institution and course choices. LEO data will support our quality assessment processes for higher education providers including TEF awards and it will enable better benchmarking of institutions against their peers.
44. The Government will be publishing data tables and improving HEFCE's existing Unistats web service so it is an authoritative information source for students and parents but we also plan to make this data available, in anonymised and aggregated form, to third party data providers to encourage them to develop engaging and easy to understand information tools. We will encourage and enable the development of a synchronised and holistic approach to the new and existing data sources. Students will therefore be able to compare various pathways through the education system, including alternative Further Education and Apprenticeship routes, to come to an informed decision about their future. Our delivery aspirations are set out in Box 2.10 below although, given this is an ambitious project, they are subject to change until LEO data has been fully developed and tested.

**Box 2.10: LEO data – Indicative timetable for data and outputs**

The first fully linked database is expected in summer 2016 with further updates through to 2017. This data will eventually inform a wide range of outputs:

Summer 2016 – We will publish initial headline results on the employment and earnings outcomes of graduates over time in the summer. The data will be published in a consultative format to stimulate conversations with the sector and an understanding of its quality.

Late autumn 2016 – The summer publication will be followed by the release of more detailed breakdowns by subject and institution. We will also begin work with HEFCE to improve the Unistats service and with third party data providers to release data in a format that is suitable for their development of information tools. We will explore options for making fuller data (including breakdowns by subject within institutions) available on a pilot basis for the forthcoming UCAS application cycle for a selection of courses, subject to the outcomes of initial data matching and consultation with the sector.

By spring 2017 – We will fully publish this more authoritative data by spring 2017. This will be applied as a metric for the assessment of teaching quality from year 3 of the TEF.

Summer 2017 – We plan to publish commissioned research into robust measures of the value added by different subjects and institutions after controlling for observable confounding characteristics.

Beyond summer 2017 – We expect to have established a regular cycle of publications and business as usual resource for the delivery of vital higher education products including data for the Unistats website.

45. We will engage with the sector and technical experts to understand the data and how to make effective use of it, provide input into its development and build confidence in the outputs. This will build on research, including ongoing work led by the Careers and Enterprise Company on the information needs of students and deficiencies in existing information sources. We will actively work with organisations that already provide information and advice to prospective students, to make sure that this data can both enrich existing products and services as well as spur innovation in this field. Further sector engagement activities will follow from the autumn when the first institution level data are published.

## **An alternative student finance offer**

46. The 2012 reforms put higher education onto a more sustainable footing, with much of the funding coming through income contingent loans repaid by graduates and backed by the taxpayer. These loans have a real positive rate of interest. This could deter some prospective students who feel unable to use interest-bearing loans for religious reasons, particularly some Muslim students, from participation in higher education. We have heard

that some students will not access higher education in these circumstances, some will access higher education and use loans but will be troubled by their situation, and others will restrict their choice of course or institution to try to minimise the sums involved. To ensure participation and choice are open to all, we plan to legislate for the creation of an alternative model of student finance. This was widely supported in a separate consultation in 2014<sup>61</sup>.

47. The 2014 consultation demonstrated the real need for a new option for students who feel unable to use interest-bearing loans. Support for the proposed model of alternative student finance came from the education sector and wider religious groups, alongside Muslim students. This support was re-affirmed in response to last year's Green Paper. Alternative student finance should allow those who might otherwise have been deterred from or restricted in their participation to benefit, alongside their peers, from higher education. It has the potential to support participation from Muslim students and therefore to help meet the Prime Minister's clear commitment to increasing the number of BME students going to university.

### Box 2.11: Alternative Student Finance

To ensure participation and choice are open to everyone, we will introduce an alternative student finance product for the first time. This will be open to everyone and will not result in any advantage or disadvantage relative to a student loan, but will avoid the payment of interest, which is inconsistent with the principles of Islamic finance. We plan to legislate for the Secretary of State to offer an alternative student finance product alongside his current powers to offer grants and loans.

## Students' unions

48. Responses to the Green Paper highlighted the role played by students' unions and guilds in higher education institutions across the country. We also asked for views on what more could be done to improve transparency and accountability to students as members.
49. Where taxpayers' money is funding activities (whether directly or indirectly), then there should be robust scrutiny and transparency about how that funding is used. At present, many but not all students' unions and guilds are regulated as charities by the Charity Commission. This makes it difficult to determine how effectively the current oversight of the sector is working.
50. There are some areas where further work can be undertaken. This could include establishing a central register of students' unions, strengthening the rights of redress for students, and reviewing how effectively the existing statutory provisions regarding students' unions are being upheld. We will discuss this work with interested parties, and consider what further steps should be taken as we establish the OfS.

<sup>61</sup> <https://www.gov.uk/government/consultations/sharia-compliant-student-finance>

# Chapter 3: Architecture

## Chapter summary

This chapter sets out our approach to modernising the regulatory architecture for higher education, research and innovation.

We will create the Office for Students (OfS), a new market regulator, in place of HEFCE. For the first time, competition, choice and the student interest will be at the regulator's heart.

- The OfS will be a non-departmental public body. Ministers will be responsible for appointing the Chair, Chief Executive and non-executive Board members of the OfS.
- The OfS will primarily be funded by registration fees from HE providers, varied based on the size of the provider and the type of operating model that they choose. The Government will provide a smaller funding contribution.
- The OfS will be responsible for allocating teaching grant
- The Higher Education Funding Council for England (HEFCE) and the Office for Fair Access (OFFA) will be dissolved following creation of the OfS
- On the recommendation of the OfS, and subject to the designated body meeting strict criteria set out in future legislation, the Secretary of State will be able to designate a body to carry out functions related to one or all of (a) data publication; (b) quality and standards and (c) the operation of the TEF.
- The Government will ask the OfS to carry out a consultation with regards to the designation of a body for the data publication, and quality and standards functions, in order to maintain a co-regulatory approach in these areas. We do not currently intend to ask it to carry out such a consultation with regards to TEF as this is to be carried out by the OfS.

We will also create UK Research and Innovation (UKRI), a new research and innovation body that will allocate funding for research and innovation and act as a champion for the UK's world class system. The creation of UKRI will ensure that our research and innovation system is sufficiently strategic and agile to deliver national capability for the future that drives discovery and growth.

- UKRI will incorporate the functions of the seven Research Councils, Innovate UK, and HEFCE's research funding functions. The names, brands and symbolic properties of the Research Councils and Innovate UK will be retained;

- UKRI will have a strong board with responsibility for leading on overall strategic direction, cross-cutting decision making and advising the Secretary of State on the balance of funding between research disciplines. The board will manage funds with cross-disciplinary impact and a 'common research fund' as proposed by Paul Nurse.
- There would be a legislative requirement for the Secretary of State to consider the need for both academic and business representation and expertise on the Board;
- We will retain and strengthen leadership in specific research discipline areas, innovation and England-only research funding by establishing nine Councils within UKRI with delegated autonomy and authority.
- The Councils will be responsible for the strategic leadership of their disciplines and scientific, research and innovation matters. The Secretary of State will set budgets for the nine Councils through an annual grant letter.
- There would be a new legislative protection for the dual support system in England.

Running through our reforms we are putting in place safeguards to protect joint working, cooperation and the sharing of information between the OfS and UKRI, reflecting the integration of teaching and research at the national as well as the institutional level.

1. Proportionate and effective regulation has an important role to play in the HE sector. By promoting choice and competition and ensuring minimum standards of quality, it protects the interests of students, employers and taxpayers as well as the reputation of the sector both at home and abroad.
2. The regulatory architecture we have today is out of date. It was designed in the early 1990s for an era of limited university competition, student number controls and majority public grant funding that has now passed. In 2014/15, 90 out of 130 HEFCE-funded providers received 15% or less of their income as grant funding<sup>62</sup>. Given the fundamental changes in the last twenty years, HEFCE's purpose, role and powers have become outdated. As the funding providers receive has passed from Government to the student so the basis for regulation has widened from the protection of the public purse to the protection of the student. The system needs to have informed choice and competition among high quality institutions at its heart. We need a single regulatory system appropriate for all providers, and to stop treating institutions differently based on incumbency and corporate form.

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<sup>62</sup> BIS analysis of the HESA Finance Record 2014/15, includes all grant funding, both for teaching and research.

3. The regulatory and funding landscape is complex and inefficient, with a number of bodies having similar functions that risk duplication and create a disjointed approach. There are currently ten Government bodies operating in the higher education and research and innovation space<sup>63</sup>. We will reduce this to two – the Office for Students, and UK Research and Innovation.

## The Office for Students

4. We will establish a new market regulator, the Office for Students (OfS) that operates on behalf of students and tax payers to support a competitive environment and promote choice, quality and value for money. In doing so we will put students at the heart of how higher education is regulated. The OfS will be explicitly pro-student choice, a champion of transparency, and will make sure that a high quality higher education experience is available for students from all backgrounds.
5. The OfS will combine the existing regulatory functions of HEFCE and OFFA. It will have clearer and consistent powers to regulate the sector, by attaching regulatory conditions to providers that enter the system. The conditions will be consistent between all types of providers – Higher Education Institutions, Alternative Providers, Further Education Colleges and new entrants. Unlike the current system, where both HEFCE and BIS have responsibility for regulating different types of providers, the OfS will be a single regulator for the whole sector.
6. The two core parts of the new regulatory system would be the creation of the OfS and the risk-based regulatory system that it will operate (as described in Chapter 1). This will form the basis of all the regulatory requirements on higher education providers, such as quality assurance, widening participation, data and information requirements. These requirements would be applied by the OfS as a condition of being a registered or approved provider.
7. In creating the OfS, the regulation of higher education will be restructured, shifting from an outdated, top-down model of a funding agency to a market regulator clearly focused on the student interest. We will give the OfS an explicit duty to promote choice and competition, which will increase quality and efficiency in the sector, and will expect the OfS to work closely with the Student Loans Company and Government to ensure the decisions it takes have regard to affordability and deliver value for money for the taxpayer. By creating a market regulator that has an explicit duty to promote choice, we will increase quality, efficiency and value for money through better informed choices and competition, and further enhance the globally renowned quality of our teaching. The OfS will also work closely with the new Institute for Apprenticeships and other regulatory bodies to ensure we maintain a joined up approach on quality across academic and technical education.
8. The legal form and governance arrangements for the OfS will ensure the new non-departmental public body operates at arms-length from Government. It will be required to have diverse representation on the board to champion the student interest and ensure a focus on choice and competition in the way that the sector is regulated.

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<sup>63</sup> HEFCE, OFFA, IUK, the seven research councils. Excludes the Student Loans Company.



**Box 3.1: Office for Students form and structure**

The OfS will be a non-departmental public body (NDPB), at arms' length from Government. It will be responsible for its own staffing, salaries, allowances, pensions, committees, delegation of functions and accounts, in line with public sector requirements.

The Chair, Chief Executive and non-executive Board members of the OfS will be appointed by the Secretary of State, who, as now with HEFCE, will set all terms, conditions, remuneration arrangements and performance requirements. The Board will have between 10 and 15 members. Its membership will reflect the diversity of the higher education system, and will also draw on the expertise of individuals with experience of fostering choice and competition, and of robust financial control. One Board member will be specifically responsible for widening participation and fair access; the Board will be collectively accountable for all regulatory functions.

As now, the Secretary of State will have powers to give guidance to the OfS on high level strategic matters. A representative of the Secretary of State can be appointed to attend board and committee meetings, but neither they nor the Secretary of State will have any direct involvement in board decisions.

An executive team will run the OfS on behalf of the Board. The detailed operational remit of the OfS will be set out in a framework document, which will be drawn up in conjunction with OfS in shadow form.

9. With the creation of the OfS, HEFCE and OFFA will be closed and the majority of their functions will transfer to the OfS, with the exception of HEFCE's research funding function. To ensure that the longstanding expertise of HEFCE and OFFA's staff is not lost, appropriate transitional arrangements will be put in place for staff from both organisations, and normal legal protections will apply.
10. The OfS will be in part funded by registration fees from the sector. Future legislation would give the OfS the power to charge such fees, and the level of fee will in part be determined by the size of the provider. We will come forward with a consultation on how the registration fee will be developed ahead of it being introduced.
11. Subject to Parliamentary approval, the OfS will come into operation for the 2018/19 academic year. In the meantime, Government will work with HEFCE and OFFA to ensure the continued effective regulation of the sector and a smooth transition to the new organisation.

**Box 3.2: Duties and powers of the Office for Students**

The OfS will have the following duties:

- To operate the single gateway to entry
- To have regard to promoting choice and competition
- To provide data, analysis and information required by the Secretary of State
- To develop, publish and operate a risk-based regulatory framework
- To help widen access and participation for disadvantaged students
- To secure provision for assessing quality (including a Teaching Excellence Framework)
- To monitor financial sustainability, efficiency and governance of the higher education sector
- Responsibility for Prevent
- To be the principal regulator for those higher education providers that are exempt charities.

The OfS will have the necessary powers to:

- Require a provider who wishes to become a Registered Higher Education Provider to meet minimum requirements before it can enter the sector - such as financial sustainability, management and corporate governance (FSMG), and quality thresholds.
- Attach specific conditions to this registration if it feels they are necessary to secure value for money for students or the quality of the higher education sector – such as requiring an action plan to address areas of weakness; or imposing student number controls.
- Impose monetary penalties, suspend, or de-register providers if it feels a provider is not meeting the minimum thresholds or breaching specific conditions of registration.
- Award DAPs and university title
- Require providers to meet student protection requirements
- Require providers and connected bodies to provide data and publish information
- Charge providers a registration fee
- Provide grant, loan and other funding

12. The OfS will have oversight of the sustainability, efficiency and health of the higher education sector, and as part of its role will monitor the sustainability of individual institutions. The OfS will be able to provide real-time analysis and information to the Secretary of State. The OfS will deliver this through its checks on governance and financial sustainability on entry and through its annual monitoring of institutions (in the same way that HEFCE currently provides this function). This role will sit with OfS rather than UKRI as OfS will have oversight of all HE providers, including those who are teaching only. However future legislation would ensure that OfS and UKRI work together and share information so that both organisations have sufficient visibility of the overall health of the sector.
13. The OfS will be the regulatory body for the TEF. Once the OfS is established it will run the TEF process. The Secretary of State will direct the OfS to set institutional level caps, based on the provider's TEF level, below the maximum fee cap, which will continue to be set by Parliament. Following the establishment of the OfS, baseline requirements for access and compliance with consumer law will be fully integrated into the baseline requirements for QA. Compliance with consumer law will not be tested for in Years 1 and 2 of the TEF.
14. Recognising the importance of co-regulation, following the recommendation of the OfS, the Secretary of State will be able to designate a body to carry out specific quality and data functions, subject to the designated body meeting strict criteria set out in future legislation. The exact details of how this will work for quality are set out in Box 1.6, above and similar mechanisms will apply for the data publication function and the operation of the TEF. This acknowledges the particular importance of robust and timely data, especially as data is becoming ever more fundamental to driving policy and regulation in higher education.
15. As soon as the OfS is established, the Government will ask the OfS to carry out a consultation with regards to the designation of a body for the data publication function and the quality duty, in order to maintain a co-regulatory approach in these areas. The Government does not currently intend to direct the OfS to carry out such a consultation with regards to the operation of the TEF, believing at this time that this function would be best carried out by the OfS.
16. To protect students and the taxpayer, the OfS and the Secretary of State would, through future legislation, have a power to enter and inspect higher education providers if a provider is suspected of a serious breach of conditions of OfS funding, registration, or the Student Support Regulations<sup>64</sup>. The power would be exercisable in respect of Approved and Approved (fee cap) providers only. It is envisaged that the power to enter would predominantly be exercised by the OfS, and exercised by the Secretary of State only in exceptional circumstances or where the breach relates to the payment of student support.
17. A power to enter and inspect is needed to allow serious breaches of conditions, or of the Student Support Regulations, to be tackled as swiftly and effectively as possible,

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<sup>64</sup> The Education (Student Support) Regulations 2011, made under section 22 of the Teaching and Higher Education Act 1998, which place requirements on academic authorities in connection with student support.

safeguarding the interests of students and the taxpayer, and protecting the reputation of the sector. A court warrant would be required before the power could be exercised.

18. We expect that these powers would be used rarely, and they are only ever likely to be applied to a small number of providers. However, we consider it important to have them in place to draw on when needed, and the existence of the power would in itself have a deterrent effect.

## Delivering a world class research and innovation system

19. The UK has a world leading reputation in research and innovation. Scientific and technological advancements have revolutionised the way we lead our lives and driven prosperity and societal well-being. For every £1 invested by the Government in research and development, private sector productivity rises by 20p annually, in perpetuity. Our share of highly cited articles is second only to the US, and the UK has overtaken the US to rank first by field-weighted citation impact. The Global Innovation Index 2015 placed the UK as the second most innovative nation in the world, up from fourteenth in 2009.
20. The UK's success in research and innovation is underpinned by our highly effective funding mechanisms, which are recognised as a global exemplar. The strengths of the UK's approach to funding research and innovation were highlighted in Sir Paul Nurse's recent review of the Research Councils, in responses to the HE Green Paper consultation and in responses to the stakeholder survey on integrating Innovate UK within UKRI. The Government maintains its commitment to the Haldane Principle which means that decisions on individual research proposals are best taken by researchers themselves through peer review. This involves evaluating the quality, excellence and likely impact of science and research programmes. The prioritisation of spending within an allocation for an individual research discipline is not a decision for Ministers<sup>65</sup>. Respondents to the HE Green Paper consultation emphasised that delegated decision making is a key aspect of Haldane, with discipline specific experts needing to have responsibility for funding decisions in their areas.
21. The dual support funding system, described by Sir Paul Nurse, as 'one of the bedrocks of UK research', was also identified as critical to the UK's world-leading reputation. Dual support combines project funding for excellent research proposals, which is forward-looking and assessed through peer review, with formula based quality-related research funding that rewards performance retrospectively based on peer review and proven impact from the research.
22. Respondents to the stakeholder survey on Innovate UK emphasised its vital role in supporting business-led innovation and the potential to increase the commercial exploitation of the UK's excellent research. Innovate UK's focus on driving productivity growth is set out in its five-point plan and includes nurturing high-growth potential SMEs, investing locally in areas of strength and developing the Catapult centres. It also works in

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<sup>65</sup> Science and research funding allocation: 2011 to 2015

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/422477/bis-10-1356-allocation-of-science-and-research-funding-2011-2015.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/422477/bis-10-1356-allocation-of-science-and-research-funding-2011-2015.pdf)

tandem with the research community and across Government to deliver economic impact from scientific excellence. It uses a variety of approaches to encourage business and university collaboration, including through funding collaborative R&D projects and through the network of Catapult centres.

23. The strengths of the current research and innovation system are clear and Government is committed to retaining them. But we believe the system has the potential to become even more effective. The challenges facing the world are complex, and increasingly require multi- or inter-disciplinary approaches. Our ambition is to ensure that our research and innovation system is sufficiently integrated, strategic and agile to meet these challenges, and to deliver national capability for the future that drives discovery and growth.
24. We commissioned Sir Paul Nurse to look to the future and consider how Research Councils can evolve to support research in the most effective ways - reflecting the requirements to secure excellence, promote collaboration and allow agility, and in ways that best contribute to sustainable growth. Sir Paul's report and recommendations describe a research landscape best able to respond to current and future challenges. He found that 'the research endeavour has to be permeable and fluid, allowing the ready transfer of ideas, skills and people in all directions between sectors, research disciplines, the span of the research endeavour, and its potential beneficiaries.'
25. The recommendations in Sir Paul's report underpin the structural reforms that would be taken forward through future legislation. In developing our reforms we have also been guided by responses to the HE Green Paper consultation and responses to the stakeholder survey on Innovate UK. Our approach has been based on the following key principles:
- The need to strengthen strategic thinking on overarching and cross cutting priorities and develop a more agile and responsive research and innovation funding system;
  - The need to retain the world class strengths of the current system, including the Haldane principle, the dual support system and Innovate UK's distinct business facing focus;
  - The importance of subsidiarity, with decisions needing to be taken at the lowest effective level and leaders in particular fields of activity given full responsibility for decisions in their areas; and
  - The need to reduce bureaucracy, freeing up research and innovation leaders to focus on strategic decision-making.

## **Reforming the funding landscape to meet tomorrow's challenges**

26. Government is grateful for the actions taken by the Research Councils to strengthen coordination and cross-cutting decision making, including through the work of Research Councils UK (RCUK) and the Research Councils Together programme. We also value the joint working between the Councils, HEFCE and Innovate UK. But the current regulatory and funding body landscape places limitations on the extent to which research and innovation funding bodies can work together to meet the challenges of the future.

27. We have already announced our plan to take forward Sir Paul Nurse's recommendations to create a single non-departmental public body operating at arm's length from Government. This new body, UK Research and Innovation, will bring together the 7 Research Councils and integrate Innovate UK while retaining its distinctive business focus and separate funding stream. Having considered the responses to the HE Green Paper consultation, we will also integrate the research functions currently performed by HEFCE within this new body while maintaining hypothecated funding streams and strengthening the existing protections for the dual support system in England.
28. We are conferring use of the Royal Coat of Arms on the new body reflecting its close association with Government. We are also retaining the names and brands of the Research Councils and Innovate UK within UKRI, while preserving the symbolic property associated with them such as their seals and insignia. This will ensure continuity between UKRI and its predecessor bodies, which over the past century have built a world-leading reputation in research and innovation.

### **Box 3.3: Role of UK Research and Innovation**

The creation of UKRI offers an opportunity to strengthen the strategic approach to future challenges and maximise value from Government's investment of over £6bn per annum in research and innovation. It will deliver:

- a greater focus on cross-cutting issues that are outside the core remits of the current funding bodies, such as multi- and inter-disciplinary research, enabling the system to respond rapidly and effectively to current and future challenges;
- a strengthened, unified voice for the UK's research and innovation funding system, facilitating the dialogue with Government and partners on the global stage;
- improved collaboration between the research base and the commercialisation of discoveries in the business community, ensuring that research outcomes can be fully exploited for the benefit of the UK;
- better mechanisms for the sharing of expertise and best practice – for example, around management of major projects and large capital investment – driving up the effectiveness of decision making;
- more time for research and innovation leaders to focus on strategic leadership through the centralisation of back and middle office functions and the reduction of administrative responsibilities; and
- improved quality of evidence on the UK's research and innovation landscape through the pooling of multiple datasets and information sources, underpinning effective funding decisions.

29. Delivering these benefits requires a strong and empowered leadership within UKRI and this has informed the structures and levels of autonomy within the new organisation.
30. UKRI's board will have responsibility for leading on overall strategic direction, cross-cutting decision making, and providing advice to the Secretary of State on the balance of funding between research disciplines. The board will manage funds with cross-disciplinary impact and a 'common research fund' as proposed by Nurse.
31. As with current arrangements for the Research Councils, HEFCE and Innovate UK, the Secretary of State will appoint all of UKRI's board members. The majority will be non-executives with significant expertise in research or business, ensuring a strategic focus at the head of the organisation that spans blue skies research and business-led innovation. Future legislation will ensure consideration of the balance of research and business experience in the appointment of Board members.
32. The Chief Executive and Chair of UKRI will be very important roles, with oversight of a multi-faceted organisation and an over £6bn per annum budget. We will ensure that these high profile global roles attract the highest calibre candidates.
33. In carrying out its functions, UKRI's board will be supported by a central team of staff. The central team will have responsibility for implementing the board's decisions and will take on responsibility for administrative and back office functions across the organisation, such as procurement, HR and grant administration.
34. This will remove the current duplication of back office functions across multiple bodies, driving efficiency savings and reducing the administrative burdens placed on research and innovation leaders, freeing them up to focus on strategic decision making. It will also help to deliver simplified systems and processes for funding recipients.
35. UKRI's board will be a strong and influential voice for research and innovation. It will operate at arm's length from Government but, as currently, Ministers will retain the ability to provide high level direction as to the allocation of funding for research and innovation. This will include setting hypothecated budgets for UKRI's nine autonomous Councils, which are described below.

**Box 3.4: UKRI's relationship with a reformed Council for Science and Technology**

In response to Sir Paul Nurse's recommendation for new cross-Government arrangements to enable discussion of strategic research priorities and the funding of research, we propose to reform the Prime Minister's Council for Science and Technology (CST) to strengthen its links with Government. We would invite the chair of UKRI to join the CST in an ex officio capacity, and extend observer status to HM Treasury and BIS officials to ensure join up across Whitehall; as well as refreshing the CST's terms of reference to better reflect Sir Paul's ambitions. Refreshed terms of reference would give CST responsibility for carrying out horizon scanning to identify and advise on risks and opportunities relating to science, technology and disruptive innovation, as well as periodically evaluating what Government's overarching priorities for science and technology should be.

This will provide a more effective forum for engagement between policymakers and research funders, and should ensure we are placing science more fully at the heart of Government. We will monitor how the new arrangements with the establishment of UKRI and a reformed CST take shape and will consider if further reforms are needed, including a possible Ministerial committee, informed by advice from the Cabinet Secretary.

**Protecting Haldane and enshrining autonomy for expert decision makers**

36. A central recommendation of Sir Paul's Nurse's review was the need to maintain a system of strong leadership in individual research discipline areas, and for discipline leaders to retain control over budget allocations. This recommendation was echoed by many respondents to the HE Green Paper and respondents to the stakeholder survey on Innovate UK, who emphasised the need for continued strong leadership in the area of innovation funding. Government is fully committed to the principle that funding decisions should be taken by experts in the relevant areas and we have ensured it is reflected in the design of UKRI.



**Box 3.5: Leadership and Autonomy**

We will retain and strengthen leadership in specific research discipline areas, innovation and England only research funding by establishing nine Councils within UKRI with delegated autonomy and authority.

Seven of the Councils will reflect the functions of the existing Research Councils, one will reflect the functions of Innovate UK and one, Research England, will be established to undertake the England only functions in relation to research and knowledge exchange that are currently performed by HEFCE. The distinctive focus and remit of the Councils will be enshrined in future legislation, mirroring the functions that are currently set out in the royal charters of the Research Councils and Innovate UK, as well as HEFCE's research functions under the 1992 Further and Higher Education Act.

The Councils will provide strategic oversight of activity in the relevant fields of activity and take decisions on scientific, research and innovation matters. They will be led by Executive Chairs; high profile positions appointed by Ministers on the advice of UKRI's board and reporting to UKRI's CEO. The Executive Chairs will each have significant expertise in their particular fields of activity (e.g. medical research, innovation).

In addition to the Executive Chair, each Council will be made up of 5-9 other experienced independent members drawn from the relevant community. The Council members will be appointed by the UKRI Board on the recommendation of the relevant Executive Chair, with the Secretary of State also having the facility to appoint one of the Council members if he wishes. This will reduce the number of Ministerial appointments as, at present, Ministers appoint every Board member of the 9 bodies that will form UKRI.

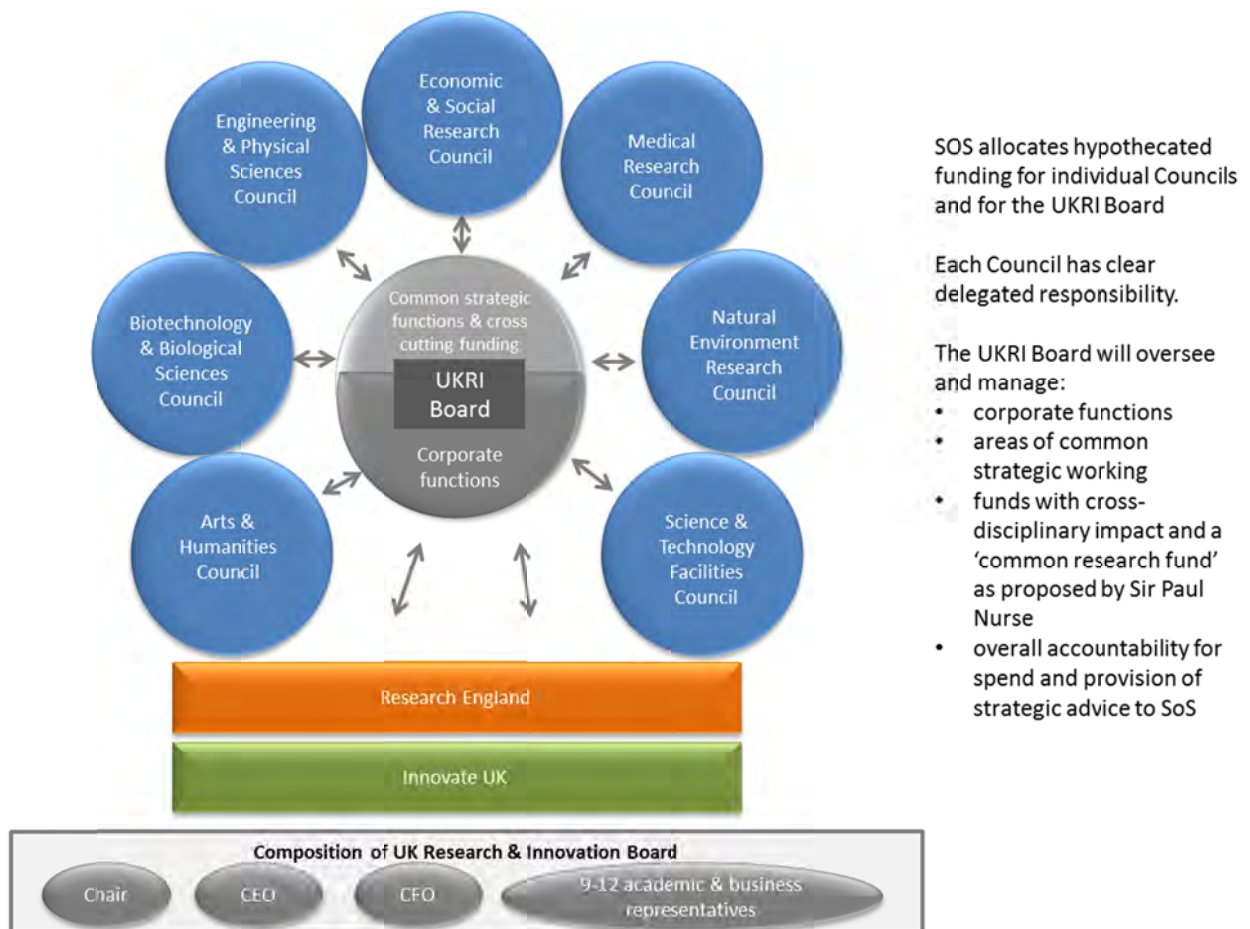
As currently, the Secretary of State will set budgets for each of the 9 Councils through an annual grant letter, taking advice from UKRI's board on strategic priorities and on the balance of funding between research disciplines. The Secretary of State will also set out any funding flexibilities he will grant to the Board in respect of the transfer of funding between Councils. The UKRI Board will not be able to transfer funding unless authorised to do so by the Secretary of State, thereby ensuring that the current system of hypothecated budgets is retained. The CEO of UKRI, as its Accounting Officer, will establish a framework within which the Councils will have delegated authority for their hypothecated budgets, consistent with the standards of financial management expected of public bodies.

Subject to Parliament, future legislation would provide for UKRI's Board to delegate responsibility for discipline level decision making to the seven UK-wide research councils. Similarly, the Board will delegate responsibility for decision making in the area of innovation to Innovate UK, and for decisions on the allocation of England only research funding to Research England.

The responsibilities of the 9 Councils will include:

- developing strategic delivery plans in the relevant areas of activity, consistent with the overarching strategic plan set by the UKRI Board, and submitting these to the Board for approval;
- taking decisions on the prioritisation of their hypothecated budgets within their delegated remit;
- liaison with their community to develop ideas and disseminate strategic outputs; and
- appointing and setting terms and conditions of academic, specialist and research staff in the relevant Council and any associated institutes, within delegated limits. This will ensure that decisions on the employment of specialist staff continue to be made by those with expertise in the relevant discipline areas, in line with the Haldane principle.

Figure 2



37. The key principle underpinning this structure is the requirement to protect the autonomy of research and innovation leaders. Funding recipients will see little change except for a simplified process, but can be reassured that decisions on funding allocations will, as now, be taken by experts in the relevant area.

## Strengthening the dual support system

38. The integration of HEFCE's England only research functions within UK Research and Innovation is critical to achieving greater strategic coordination across the research funding landscape. In particular, it offers opportunities to strengthen the quality of evidence on the UK's research base and to ensure a more joined up approach in areas such as skills and UK-wide capital investment, where both HEFCE and the Research Councils have pioneered innovative funding approaches.
39. Respondents to the HE Green Paper were supportive of Government's commitment to retaining the dual support system, emphasising the need for continued hypothecation of the two funding streams in the event of a single organisation having responsibility for both. Within UKRI, Government is committed to maintaining separate budgets for the UK wide competitive project funding and the England only research funding, which is largely allocated on a block grant basis.
40. As currently, the Secretary of State will continue to allocate the dual support budgets separately in an annual grant letter. As a further protection, future legislation would strengthen the commitment to the dual funding system by requiring the Secretary of State in allocating research funding to UKRI to consider whether there is an appropriate balance between the UK wide competitive project funding and the England only research funding, taking advice from UKRI and the OfS. The effect of this will be to enshrine the principle of dual support in legislation for the first time.
41. HEFCE has a very successful track record of collaborative working with research funders in the Devolved Administrations, for example in running the REF. We want to ensure that this collaboration continues and future legislation would give Research England the power to work jointly with its devolved counterparts, mirroring HEFCE's powers under current legislation.
42. UKRI will also work closely with the new OfS to ensure a coordinated and strategic approach to the funding of teaching and research in England. Future legislation would ensure that OfS and UKRI can and do share relevant information and data, and work together on areas of shared interest. This will include: UKRI and OfS working together to assess the financial health of the HE sector in England, ensuring that UKRI has access to information on overall financial health so its funding decisions safeguard research sustainability; UKRI and OfS working together in the area of knowledge exchange; UKRI working with OfS on the assessment process for Research Degree Awarding Powers (RDAPs); and UKRI and OfS sharing data to inform research and evaluation studies; and providing regular assurance to satisfy respective accountability responsibilities.

43. Close joint working between the OfS and UKRI will ensure that at the national level there continues to be a strategic approach to the allocation of funding to HE institutions. Funding arrangements will be streamlined with ten funding bodies being reduced to just two. This will make the landscape simpler to navigate for institutions, freeing them up to focus on teaching and research.
44. At the institutional level, our HE and research reforms are intended to balance the incentives on institutions and establish parity for academics who build a career in teaching as well as in research or a combination of both. The new arrangements will recognise and reward those institutions that already use research skills explicitly to enhance their teaching, while encouraging more institutions to ensure their teaching is informed by the latest in scholarship, research and professional practice. Overall this will enhance teaching and the undergraduate experience and through the qualitative assessment in TEF we will look to reflect the value of research led teaching alongside other relevant factors. Lord Stern's review of the REF will also consider the interaction between teaching and research.

## **Translating world class knowledge into world beating innovation**

45. The integration of Innovate UK's current functions within UKRI offers significant opportunities to strengthen the connections between the UK's innovative businesses and its world leading research base, leading to an increase in the translation of research to commercialisation. Sir Paul Nurse's review found that, by utilising their collective convening power, the Research Councils and Innovate UK have been able to promote interactions between the academic and business communities. But he identified the need for a 'smoother pathway to more applied research', observing that the integration of innovation and research funding functions could help address this.
46. Bringing together research and innovation funding functions under a single organisation, led by a strategic board comprising representatives from both communities, will drive up awareness among research leaders of the needs and interests of the business sector, as well as enabling the business community to identify opportunities arising from blue skies research. This will catalyse more informed funding decisions, maximising benefits to the UK economy from the Government's significant investment in research and innovation. The new organisation will create a simplified, accessible and co-ordinated research and innovation landscape which can improve the UK's productivity, accelerate economic growth and act as a focal point for both public and private sector research and innovation activities.
47. The Nurse Review identified that business problems often require rapid solutions, and are rarely focussed on a single research discipline. Hence the creation of a more agile and responsive system, with a stronger emphasis on multi-and inter- disciplinary research, will ensure that the funding landscape is well equipped to meet tomorrow's commercial challenges. A further advantage arising from bringing together research and innovation funders into a single organisation is that the centralisation of administrative functions, including grant application systems, will simplify processes for funding recipients. This will build on recent developments of an integrated and simplified grant system being led by Innovate UK. This is expected to be of particular benefit to small and medium sized

enterprises, the group most likely to experience challenges in navigating the current funding landscape.

48. In integrating Innovate UK within UKRI, we are very mindful of the need to protect its distinctive focus and funding stream. Innovate UK will be a separate Council within UKRI, led by an Executive Chair, with a mandate to continue working closely with businesses in order to ensure that UKRI is helping deliver commercial impact and a competitive advantage for the UK economy. Its business facing focus would be enshrined in future legislation, which would replicate the functions in Innovate UK's current charter. As now, the Secretary of State will allocate a hypothecated budget to Innovate UK, ensuring continued separation between research and innovation budgets.
49. Innovate UK will continue to undertake detailed evaluation of the economic impact of the business-led innovation that they support. To date, evaluations have shown a strong return on investment through their support of more than 7,500 organisations between 2007 and 2016. The Government will set strategic goals and outcome measures for the new integrated organisation that will ensure the whole enterprise works together to play a role in driving productivity growth across the UK.
50. Bringing together Innovate UK, the Research Councils and the HEFCE research functions offers a significant opportunity and we are mindful of the need to ensure the research and business community are properly represented on the UKRI Board through an appropriate balance of skills and experience. The Secretary of State in making the appointments will also consider the option of nominating a member of the Board who would lead in promoting and championing innovation and business interests and providing strategic support to the Innovate UK Executive Chair. The post holder would sit on the council of Innovate UK. This would ensure a senior voice for innovation within UKRI and support Innovate UK and the UKRI Board in embedding innovation across the organisation, the sector and more widely.

**Box 3.6: The Dowling Review of Business-University Research Collaborations**

Professor Dame Ann Dowling's review has been instrumental in shaping our approach to business-university collaboration, and implementation has already begun which will be further developed in the National Innovation Plan.

The key recommendation was to simplify support for innovation. Innovate UK have now introduced a new sector focus and simplified offer for all funding. There will be a sequence of two broad competitions per year in each of the 'Emerging and Enabling Technologies', 'Health and Life Sciences', 'Infrastructure Systems' and 'Manufacturing and Materials' areas and two 'open' competitions for applications from any sector. We are continuing to grow the Catapult network and in this parliament we have announced the creation of two more.

Government protection of research funding has helped HEFCE to maintain Higher Education Innovation Funding (HEIF) which underpins knowledge exchange and tech transfer capabilities. HEFCE is continuing to develop and implement a framework to benchmark KE performance across the HE sector, encouraging the sharing of innovation and entrepreneurial expertise, and supporting the professionalization of knowledge exchange skills.

Work led by the National Centre for Universities and Business, and involving key partners from across UK, will make it easier for business and others to identify the people, capabilities and research to meet their needs. The Intellectual Property Office will also publish and promote an update of the Lambert IP toolkits that will help universities and businesses to conduct research collaboratively.

Alongside Government protection of science resource funding in real terms, we will continue to provide the right conditions for growing UK R&D through taxation, investment incentives, innovation infrastructure and supporting open competitive markets. Science and Innovation Audits will provide evidence of regional strengths to assist future investment and potential collaboration, whilst Innovate UK is building its local and regional presence through a connected set of networks and the 39 Local Enterprise Partnerships (LEPs) in England have been awarded £200M through their Growth Deals for innovation projects.

We are making support of business-university collaborations one of UKRI's priorities and expect it to identify further action as well as taking forward actions already underway in the current funding bodies.

## Sir Paul Nurse Recommendations to the Research Councils

51. Sir Paul Nurse made a number of recommendations on the Research Councils' ways of working, greater engagement with the wider research endeavour and increased strategic leadership both domestically and internationally.

### Box 3.7: Sir Paul Nurse Recommendations to the Research Councils

The Government is taking forward the recommendations made in the Nurse review with the Research Councils, and their allocation letters ask that they:

- work with BIS in taking forward the recommendations of Sir Paul Nurse's review;
- engage with BIS, and where appropriate other Research Councils and delivery partners, within a framework of professional discretion, recognising the role of Parliament and that reform may be subject to the availability of parliamentary time;
- work constructively with BIS and other partners to prepare for the implementation of any reforms; and
- work with BIS to support continuity over the transition period to protect the excellence of the UK research base.

In addition, the Research Councils will continue to work with BIS and other delivery partners on Sir Paul's recommendations to:

- strengthen strategic leadership and engagement with research communities;
- strengthen peer review and enhance ways of working;
- pilot new approaches to funding excellent research within Public Sector Research Establishments (PSREs) in collaboration with the university sector;
- work with Innovate UK to simplify and strengthen the customer interface of the research and innovation funding landscape;
- work with the Government Office for Science (GO Science) to strengthen collaborative working with Government departments; and
- provide international leadership for the UK research endeavour.

The creation of UKRI will act as a driver for Sir Paul's wider recommendations on reform of the Research Council landscape. UKRI will allow the Research Councils to have a stronger, more unified voice on behalf of the UK's research community, while the inclusion of Innovate UK will improve the links between research and innovation, helping to maximise the impact of scientific investment. The streamlining of administrative functions within UKRI will also allow individual Councils to focus on their core mission to ensure that the UK research base remains at the forefront of global science.



# Annex A – Eligibility for TEF Years One and Two

This annex sets out eligibility requirements for the TEF in Years One and Two. Where eligibility differs for providers in Wales, Scotland and Northern Ireland taking part in Year One, this is made clear. As noted in the main text, the Devolved Administrations are yet to confirm whether they will take part in Year Two, therefore any specific or variant eligibility requirements for providers in Wales, Scotland or Northern Ireland for the TEF in Year Two will not be identified here.

## To take part in the TEF in Year One and Two, a provider must:

- deliver undergraduate provision, including at levels 4 and 5 as defined in the current Framework for Higher Education Qualifications (QAA, 2014<sup>66</sup>).
- deliver eligible HE provision that is designated for student support purposes. This includes courses that are:

A. Automatically designated under the student support regulations<sup>67</sup> e.g.

(i) wholly provided by authority funded institutions<sup>68</sup>;

(ii) provided by a publicly funded institution situated in the United Kingdom on behalf of an authority-funded institution; or

(iii) provided by an authority-funded institution in conjunction with an institution which is situated outside the United Kingdom (and substantially provided in the United Kingdom;

and/or

B. Specifically designated e.g. developed, validated and delivered by an alternative provider (the teaching organisation) in partnership/collaboration with another provider –

<sup>66</sup> <http://www.qaa.ac.uk/en/Publications/Documents/qualifications-frameworks.pdf>

<sup>67</sup> Education (Student Support) Regulations 2011 (as amended)

<sup>68</sup> “authority-funded” means—

(a) in relation to educational institutions in England, maintained or assisted by recurrent grants from the Higher Education Funding Council for England;

(b) in relation to educational institutions in Wales, maintained or assisted by recurrent grants from the Higher Education Funding Council for Wales;

(c) in relation to educational institutions in Scotland, maintained or assisted by recurrent grants from the Scottish Funding Council; and

(d) in relation to educational institutions in Northern Ireland, maintained or assisted by recurrent grants from the Department for Employment and Learning in Northern Ireland or the Department for Agriculture and Rural Development in Northern Ireland.”;

these courses must be specifically designated for 2016/17 by the Secretary of State and registered on the Student Loans Company HEI course database in the name of the teaching organisation.

- meet the quality requirement (defined below) on or before 18 May 2016 for TEF Year One. We will announce the new cut-off date for the quality requirement for TEF Year Two alongside the Technical Consultation response.

### **Quality requirement:**

In the Green Paper we proposed an initial definition of what would constitute a successful quality review for TEF purposes. Here we set out our final definition which reflects feedback received from respondents.

The following quality reviews will be valid for TEF purposes:

In England:

- Higher Education Review (HER) (2013 – 2016)
- Higher Education Review Plus (HER Plus) (2014-2015)
- Higher Education Review (Alternative Providers) (HER AP) (2015-ongoing)
- Institutional Audit (2007 to 2011)
- Institutional Review of higher education institutions in England and Northern Ireland (IRENI) (2011-13)
- Integrated Quality and Enhancement Review (IQER) (2007-2012)
- Review of College Higher Education for further education colleges (RCHE) (2012-13)
- Review for Educational Oversight (REO) (2012-2015)
- Review for Specific Course Designation (RSCD) (2013-2015)
- Review for Specific Course Designation (Adapted) (RSCD Adapted) (2013-2015)

Providers with published upheld concerns investigations, where the action plan has not yet been signed off, and those with published negative judgements, who fall under HEFCE's Unsatisfactory Quality Policy, will not be eligible for TEF.

Providers must also demonstrate that they are continuing to maintain high quality standards of teaching and learning, evidenced via satisfactory outcomes from: QAA annual monitoring; any concerns investigations; and subsequent quality assurance reviews. Providers will not be eligible for TEF where the most recent interaction between the QAA and the provider resulted in an unsatisfactory outcome and QAA has yet to publish a satisfactory outcome which overturns that judgement. Positive outcomes from the following types of annual quality monitoring will be necessary in order to be eligible for the TEF:

- HER (AP) Annual Monitoring
- REO Annual Monitoring

- RSCD Annual Monitoring
- SCD Annual Monitoring

In Wales:

- Higher Education Review Wales (HER Wales) (2015-2016)
- Institutional Review Wales (IR Wales) (2007-2014)

In Northern Ireland:

- Higher Education Review Northern Ireland (HER NI) (2015)
- Integrated Quality and Enhancement Review Northern Ireland (IQER NI) (Developmental engagement 2010-2012; Summative Review 2013-2015)

In Scotland:

- Enhancement-led institutional review (ELIR) 2 (2008-2012)
- Enhancement-led institutional review (ELIR) 3 (2012-2016)

Providers with a 'requires improvement to meet UK expectations' or 'does not meet UK expectations' quality assurance judgement for HER, HER Plus, IRENI and RCHE will not be eligible for the TEF unless the provider has effectively addressed recommendations arising from the review and has a judgment amended to a positive through the relevant procedures, specific for each method on or before 18 May 2016.

The same is true for providers who received a 'limited confidence', 'no confidence' or 'reliance cannot be placed' judgement in their IQER, REO, RSCD and RSCD (adapted).

Providers who received a conclusion of "making progress but further improvement is required" or "not making acceptable progress" following annual monitoring for educational oversight and/or specific course designation purposes will not be eligible for TEF until they have completed QA follow up activity which results in a published satisfactory outcome on or before 18 May 2016.

In the Green Paper we proposed that providers could receive a "pending" award if they were awaiting a satisfactory outcome from a review on or before the 18 May but will not be taking forward this proposal due to the additional complexity and disruption this would add to the system.

### **Coverage and scope:**

This means all students covered by the quality review studying at undergraduate level; including at levels 4 and 5 will fall within the scope. Coverage will therefore include:

- All modes of delivery (including part-time and distance learning students);
- All full-time students studying at the levels specified above, including higher and degree apprentices and other qualifications at these levels;
- All part-time students studying at the levels specified above, including higher and degree apprentices and other qualifications at these levels;

Postgraduate provision will be excluded until Year Four.

Transnational Education students (TNE)<sup>69</sup> will be included where the review methodology has included them as part of the review. TNE students will not be explicitly covered by assessment for a higher level of award in Year Two as they are not covered by the core metrics.

### **Franchise arrangements:**

A provider who operates in a franchised arrangement would need to meet the same coverage and scope requirements, quality and designation requirements in their own right, which are set out above.

### **Competition and Markets Authority (CMA) compliance:**

In the Green Paper we noted that we were exploring how the TEF could drive best practice in complying with consumer law regarding information for students and compliance with CMA guidance. The sector should be complying with their legal obligations, as set out by the CMA, to give students the information they need to make an informed decision before they apply.

We will not be testing this as a specific pre-requisite for the TEF, but once the Office for Students is established, compliance with consumer law will be fully integrated into the baseline requirements for quality assurance.

### **Commitment to Widening Participation:**

In the Green Paper we noted our ambition that the TEF would support Widening Participation. In the main text (chapter 2), we set out how the TEF will do this and how providers wishing to take part in the TEF will be expected to demonstrate their commitment to widening participation from TEF Year Two.

### **To be eligible for assessment at higher levels in Year Two a provider must:**

- Possess the minimum core metrics as defined in the Technical Consultation for Year Two.

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<sup>69</sup> TNE students are those registered studying for a UK award overseas

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