



## The Outcome of the ELQ Debate

### The Decision

In September 2007, John Denham, the Secretary of State for Innovation, Universities and Skills, announced that he intended to phase out funding for the majority of students in England studying for a qualification that was equivalent to, or lower than, a qualification that they had already achieved. He said that the money being spent on so-called ELQ students (£100 million) needed to be diverted to support those who were entering higher education for the first time.

While the OU embraces 'widening participation' more enthusiastically than most, it does not support the proposition that universities should be actively discouraged from providing for those who are seeking to renew and update their qualifications – especially as the economy shifts and changes and entirely new kinds of jobs and industries appear.

Furthermore, the idea that employers would step in to fill the gap is hardly built on evidence to date. Only 12% of our ELQ students get some kind of support from their employers. Many of our students are studying in order to equip themselves for new and different jobs, most often with different employers – an aspiration hardly recommending itself to present employers for funding. It is a policy which does not bode well for the economy as a whole.

### The Consultation Period

We lobbied vigorously against this decision in the months available and we found a lot of support from politicians and the media, from employers and from unions, such as the University and College Union (UCU), and from the Open University Students Association (as well as our alumni) and the National Union of Students (NUS).

In January 2008, a debate on the issue was provoked in the House of Commons, as was an enquiry into the decision by the Commons' Innovation, Universities, Science and Skills Committee. The University gave written and oral evidence to the Committee and indeed the Committee received nearly 500 submissions. Those submissions represent a great deal of expert evidence from employers, sector skills groups and students themselves. All but a handful were in disagreement with the policy. The Committee reported last week and its Report (which is available at <http://www.publications.parliament.uk/pa/cm200708/cmselect/cmdius/187/187.pdf>) does not support the policy as presently conceived. It concludes that the Government's decision to cut funding to students studying for the same or lower level qualification was *"insufficiently justified either by persuasive analysis of its likely effectiveness in achieving the desired goals or evidence of the likely wider impact of the policy."* (Page 3) It also makes the following statements:

*"We saw no convincing evidence that part-time students would gain from the redistribution of funds away from ELQ students. We welcome and endorse the priority, and funding, that the Government has given to part-time students to improve their skills and we recognise that the Government has made improvements in support for part-time students. However, overall support for part-time students remains precarious and we conclude that these proposals are in danger of undermining improvements and current progress."* (Paragraph 37)

*"The result of the policy may be that, with an increased reliance on co-funding, employers will have greater influence over the choice of courses part-time students take. Those who are self-employed or who work for small or medium sized businesses will have reduced opportunity of co-funding. We have therefore concerns that the withdrawal of ELQ funding will remove the flexibility in the system that allows individuals without employers' support to acquire new skills to be able to change employment and meet the needs of a changing economy."* (Paragraph 40)

The Committee goes on to make a number of very helpful recommendations, which we hope will be implemented. (Pages 33 – 37)

## The Outcome

Despite the widespread rejection of the policy, the Secretary of State did not wait for the publication of the IUSS Committee Report. He has already decided to adhere to the original decision and has instructed HEFCE to implement it from 2008/09.

We have no choice but to work with the decision but we will do what we can to mitigate its effects. We will, however, not abandon our attempts to overturn it. In particular we believe that many of the IUSS Committee's recommendations could appropriately form part of John Denham's review of Higher Education presently underway and the planned review of fees and funding in 2009.

## Implementation

The Higher Education Funding Council for England (HEFCE) has announced the terms on which the policy is to be implemented. HEFCE has essentially confirmed that it intends to apply the proposals set out in its consultation paper:

- a) There will be three broad categories of **exemptions**: students training to be doctors, dentists, vets, nurses and social workers and those on PGCE courses; students studying for a foundation degree; and students who are co-funded by employers.
- b) There will be extra money (a targeted allocation) to protect strategically important and vulnerable subjects (**SIV subjects**) from the impact of the ELQ policy.
- c) **Safety net funding** will be provided to ensure that no institution sees a reduction in cash terms compared to its equivalent mainstream teaching grant for 2007-08.

HEFCE has also made three other decisions, two of which are helpful to the OU:

- a) A £30 million supplement to the **part-time targeted allocation** will be introduced to protect part-time provision; this is an increase of £10 million on the £20 million proposed in the consultation; for reasons set out below, this will unfortunately not benefit the OU;
- b) OU students in **Northern Ireland** will be exempt from the ELQ policy; and
- c) Students in receipt of **Disabled Students Allowance** will also be exempt.

## Financial Impact

HEFCE modelling indicated that over 25% of the OU's students in England will become unfunded from 2008/09 and that £31.6m or 19% of teaching funding would be phased out from that year. The concessions outlined in b and c above should reduce the loss of teaching funding by about £1.5m; the addition to the part-time premium will simply reduce our need for safety netting.

Even with safety netting and transitional measures in place, the University is faced with an effective real terms cut in HEFCE funding of £2.1m in 2008/09, £5.9m in 2009/10, £9.9m in 2010/11 and £29.7m in 2011/12. We have, however, been assured that we will not be allowed to "go over a funding cliff" and we are working with HEFCE to this end. For 2008/09, the real terms cut in HEFCE main teaching grant has been compensated by an increase in the widening participation allocation. This is welcome news and gives us more time to deal with the underlying problem but it cannot be relied on to continue at the 2008/09 level indefinitely.

## Next Steps

In order to replace lost funding for teaching, the University will be bidding to HEFCE for Additional Student Numbers (ASNs) for 2009/10 and 2010/11. It will also be seeking monies from HEFCE's Strategic Development Fund to help support growth and development in key areas (such as widening participation and employer engagement). A further and a separate allocation is being sought to strengthen the University's national role, working in support of the rest of the sector.

HEFCE development funding, alongside expenditure from the OU's own resources, will be directed to stimulating demand and retaining more students. A number of projects have already been initiated to achieve these objectives. These include a review of pricing and fee structures, the wider application

of known processes for reaching widening participation target groups and for improving retention, and the enhancement of existing courses and services to engage with new and growing target markets.

This is a high risk strategy. Replacing funding for 29,000 ELQ students through the recruitment and retention of a similar number of hard-to-reach (and hard-to-keep) students will be a major and costly undertaking, and filling such a large number of places in such a short space of time an almost impossible task. We will nevertheless give it our best efforts.

We still believe that withdrawing public support for ELQ students puts the professional development of the nation's highly skilled workforce in jeopardy and threatens its economic health and international competitiveness. We hope that the thoughtful and informed views of the IUSS Committee will yet bear fruit and will lead to a more sensible outcome through the forthcoming reviews of Higher Education, and fees and funding.

Brenda Gourley  
Vice-Chancellor

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