



House of Commons
Innovation, Universities,
Science and Skills Committee

**Withdrawal of funding for
equivalent or lower level
qualifications (ELQs):
Government Response to
the Committee's Third
Report of Session 2007–08**

Sixth Special Report of Session 2007–08

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The Innovation, Universities, Science & Skills Committee

The Innovation, Universities, Science & Skills Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Innovation, Universities and Skills.

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The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/ius
A list of reports from the Committee in this Parliament is included at the back of this volume.

Committee staff

The current staff of the Committee are: Dr Lynn Gardner (Clerk); Glenn McKee (Second Clerk); Dr Edward Waller (Second Clerk); Dr Christopher Tyler (Committee Specialist); Dr Joanna Dally (Committee Specialist); Ana Ferreira (Committee Assistant); Camilla Brace (Committee Secretary); and Jonathan Olivier Wright (Senior Office Clerk).

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Sixth Special Report

On 27 March 2008 the Innovation, Universities, Science and Skills Committee published its Third Report of Session 2007–08, *Withdrawal of funding for equivalent or lower level qualifications (ELQs)* [HC 215]. On 30 May 2008 the Committee received a memorandum from the Government which contained a response to the Report. The memorandum is published as an appendix to this Report. After the Committee considered the response, the Chairman wrote to the Secretary of State for Innovation, Universities and Skills. A copy of his letter is published as an Annex to this report.

Appendix: Government response

The ELQ policy is not about saving money: it is a re-distribution not a withdrawal. Our ELQ policy is part of our agenda to unlock talent.

The ELQ policy is a lever to incentivise institutions to do more to recruit more of those without a higher education qualification, whatever their age. At the moment, the number of graduates of all ages and backgrounds we are producing is just not good enough to meet the challenges of the 21st Century. An extra 5.5 million people will need to go through university by 2020 if we are to be even on the edge of the premier league for world-class skills, with at least 40% of the workforce with a first HE qualification. Countries like the USA and Japan have already reached that level and they are not going to stop. The ELQ policy will enable us to support more adults than would otherwise be possible.

It is also an intrinsically fairer way to spend the resources available to Government to fund the costs of teaching students. We will fund everyone with the ability to benefit from higher education once, but will only fund those studying for an equivalent or lower level qualification to one they already hold when we judge that it is in the national interest to do so. Our ELQ policy is therefore a balanced one with additional protection for subjects which are economically and socially important, and with opportunities for those who wish to retrain through foundation degrees and employer co-funded provision. Over two thirds of the current level of grant for ELQ students will continue to be invested in supporting them in 2010–11. We consulted on questions about its implementation, and made measured changes to our plans as a result.

As we have said in Parliament, we reject the Committee's main recommendation that it would have been better to defer implementation of this decision. Given the scale of the Government's ambitions and the social and economic background, we need to be bold and to take managed risks. Over 20,000 first time students would not be supported without the redistribution of ELQ funding.

We turn now to the report's recommendations.

The Select Committee's recommendations are in bold text.

The Government's response is in plain text.

In a few cases, some of the recommendations and responses have been grouped.

1. There can be little doubt that the withdrawal of HEFCE funding support for the tuition fees charged to ELQ students will increase substantially the fees such students will have to pay, if the full cost is passed on to them.

The Government believes that the costs of developing and expanding higher education need to be shared equitably and efficiently between Government, students, employers and other funders. We believe that our proposals for ELQs are right because they direct Government funding, as it increases significantly over the CSR period, to students who represent a higher priority in terms of public policy objectives. Lord Leitch was clear about the priorities for funding: in broad terms, the higher the qualification, the greater the level of individual or employer contribution.

However, fees for ELQ students are already unregulated and therefore subject to market forces. Any institution will need to think hard about whether to increase fees substantially taking account both of student demand and the pricing policies of other competing providers. Some institutions, including the Open University and Birkbeck College which the Committee specifically mentioned in its report, have already decided not to increase fees substantially next year and the extent to which they will be able to do so in future will depend on what students are prepared to pay.

2. We consider it unacceptable for there to be no memorandum provided from the Government. We expect government departments fully to comply with all reasonable requests for written submissions before they appear before us in future.

We apologise that we did not provide a separate Memorandum, and we will do so in future.

3. We accept that it is for ministers to decide priorities for funding and that it could be reasonable that public policy should give priority to students who have not studied for a first degree. This does require, however, a full rationale for, and justification of, the policy, scoping of its effects and a proper examination of possible unintended consequences, such as reducing the potential of adult learners to retrain and re-skill, which Leitch and others have argued is so vital, both on economic and social grounds.

We welcome the Committee's view that it is for ministers to decide on funding priorities, and that it could be reasonable to give priority to students who have not studied for a first degree. We would go further. We believe that, given that all governments have to prioritise one way or another it is right in principle that we prioritise "first time" students over those who already have higher level qualifications. That is first and foremost an issue of principle not analysis, although it also follows from the Government's response to the analysis in Lord Leitch's report.

The Funding Council's consultation exercise provided an opportunity to consider how the Government's core decision about priorities should be implemented, including identifying unintended consequences. As a result of this consultation significant changes to the draft proposals were made: notably a 50% increase in the additional support that had been proposed for part-time provision, and the creation of a mechanism to review the position of subjects that might be affected by the change.

The Government's policy is a balanced one which generally gives priority for public funding to those studying for a first degree in the light of the well-documented evidence of the social and economic benefits of obtaining a higher level qualification. But we also prepared to give targeted support for graduates to re-train and re-skill through foundation degrees and employer co-funded provision, and to protect strategically important subjects where we judge that it is in the national interest to do so. We stress again that one way or another, any government has to prioritise public funding and make a judgement on distributing funds between competing priorities.

4. Where resources are switched in line with those priorities, it is the responsibility of ministers also to demonstrate that there is unmet demand and that the reallocation will produce outcomes in line with the Government's policy and without unforeseen or unacceptable consequences.

7. In our view the Government has not shown convincing evidence that the withdrawal of funding for ELQ students and the phased re-allocation of the resources will meet its policy objective to encourage more suitably qualified individuals to start higher education for the first-time. In the absence of research on, or any analysis of, the groups to whom the redirected resources are targeted, we cannot see how the Government is certain that the funds taken from ELQ fees will meet their intended purpose efficiently or effectively. While we recognise that the expansion of the higher education sector has occurred in the teeth of substantial scepticism about the demand for, and value of, extra university places, we could find no convincing evidence that ELQ students were preventing access for first-time undergraduates or that there was a significant unmet demand from first-time undergraduates, though we accept that such evidence is not easy to collate.

8. We conclude that the Government should have carried out a full analysis of unmet demand, including the annual 100,000 individuals who apply but do not enter higher education and of their reasons for not starting higher education, before it switched resources away from ELQ students.

We disagree with the test that the Committee seems to be proposing here and we are surprised by the apparent implication that there is no-one of working age who would benefit from a university education who is not currently getting one. If that was the case, there would be no need for the entire widening participation programme or the funding we provide for universities for outreach work.

In the Government's view, it is not a matter of "demonstrating" that unmet demand exists. Rather, the argument is that there is an overwhelming economic imperative dramatically to increase the number of adults with a higher level qualification. The Government is confident that there is unmet demand for the reasons set out below and we note that the Committee appears in recommendation 20 below to share that confidence.

We are also encouraged by the response we have already seen, from local communities, to our "new university challenge" proposals to establish new "university centres" in areas of the country which are at present poorly served by accessibly higher education provision. This suggests that many local areas believe there is unmet demand within their

communities, and the success of new provision such as the Combined Universities in Cornwall would seem to bear that out.

We are confident that there is unmet demand from students and employers for 20,000 additional places for the following reasons:

- 70% of the adult workforce (some twenty million people) do not have a first degree, of whom six million have A levels or equivalent;
- the earnings premium for getting a first degree is among the highest in the world. The laws of supply and demand suggest that, other things being equal, that should not happen if we were already producing enough graduates for our economic well-being.
- More and more of the jobs to be created by 2020 will require graduate level skills.
- While the number of adults of working age with a first HE qualification has increased by over 1.5 million over the last 5 years, only about 30% of adults have them.
- In the USA and Japan the proportion is already at 40% and our international competitors are all bent on increasing the number of graduates they produce.
- The number of older students studying part-time has increased by 75,000 since we took office

We have foreseen the consequences of our policy and, in our view, they are wholly acceptable. By contrast, doing nothing and failing to strengthen the incentives to produce more adults with higher level skills is more likely over the longer term to produce unacceptable consequences.

The actual funding outcome is that about £100 million a year in 2010–11 will be redistributed to support over 20,000 full-time equivalent new students whom we could not otherwise have afforded to support without reducing other budgets either for institutions or for students. At the same time, over £225 million will continue to be available to support ELQ students in 2010–11.

5. In our view, there is little evidence that withdrawing state funding for students taking ELQs in itself goes either with or against the grain of the recommendation in the Leitch Review of Skills to provide professional development with up-skilling and re-skilling as priorities. Furthermore, Leitch does not impel the Government to withdraw funding for ELQs nor require it to be maintained. We recommend that the Commission for Employment and Skills undertake a review of the effects of the withdrawal of institutional funding on ELQ students and the institutions which principally educate them.

We agree with the Committee that the Leitch Review of Skills does not address the question of ELQ students directly. However, its central message and the top priority for the Government is to increase the number of people progressing from lower to higher level skills throughout the system.

The redistribution of ELQ funding towards more first time students does go with the grain of the Leitch Review of Skills because Leitch recommended that, at level four and above,

individuals and employers should pay the bulk of the additional costs. His justification was that this was fair, given the benefits for individuals and employers who gain higher level skills.

Against that background, we cannot accept the Committee's recommendation as regards the Commission for Employment and Skills, at least as it stands. It is already the responsibility of HEFCE to have regard to the financial circumstances of institutions – although not to shield them from change. HEFCE is carrying out this role in respect of ELQs through transitional protection for institutions.

As a result of the partial redistribution of ELQ funding, over 20,000 adults who would not otherwise have had an opportunity will be able to obtain higher level qualifications and contribute to Lord Leitch's overall objective of progressing upwards from lower to higher level skills throughout the system.

6. We recommend that the Government make explicit its policy to assist people looking to re-skill and obtain professional or technical development and that this must be done in time to contribute to the major review of fees policy and other higher education strategies which Government intends to undertake in 2009.

We have consistently made our policy explicit in our letters to HEFCE about priorities for public funding, our response to Lord Leitch's report, and most recently our Higher Level Skills Strategy "Higher Education at Work".

Our policy is balanced. Of the £325 million or so currently allocated to support ELQ students only about £100 million will be redistributed by 2010. There will still be many opportunities for people with a first HE qualification who want to re-skill which will attract public funding such as foundation degrees, re-training in subjects of strategic importance such as STEM subjects, progression to higher level postgraduate qualifications and especially employer co-funded provision. That is the way forward.

We set our ambitions for a step change in employer co-funded provision in our *Higher Education at Work* document. We will encourage employer demand by empowering Sector Skills Councils. We will ensure there is an effective brokerage service for higher level skills and that SMEs have access to the management and leadership support they need. We will encourage employees by providing the information, advice and guidance on offer through the new adult advancement and careers service. And we will ensure relevant and flexible learning is available. HEFCE will test regional and sectoral approaches to employer co-funding, including a co-purchasing role for Sector Skills Councils in the expansion of employer co-funded places.

9. In their response to this report, we ask DIUS to explain what has happened to the £20 million the Minister said would be redistributed in 2008–09. We question the Government's case that switching funding from ELQ students would increase opportunities for first-time graduates, in the apparent absence of newly funded extra places for first-time undergraduates in the first year of the scheme. We ask the Government to explain the rationale linking funding and places.

HEFCE announced that £24 million would be used to increase and widen participation in 2008/09. That is enough to fund over 5,000 new "first-time" students in full-time

equivalent terms which could not otherwise be afforded without making reductions in other HEFCE budgets or reducing in real terms the overall level of grant per planned student. That needs to be set in the context of the overall settlement which will allow HEFCE to allocate a total of over 20,000 additional students.

10. We found no convincing evidence that "perpetual students" were absorbing public resources or impeding the access of other students to higher education.

The Government agrees that there is no evidence that perpetual students are absorbing resources. We have never made such a claim.

11. We see no evidence that there is a pressing reason to make the changes to ELQ funding in 2008–09 and believe that the Government should have waited for the 2009 review of fees, which would have been able to weigh funding of ELQs against other priorities.

We strongly disagree with the Committee on this point.

To delay any decision until the independent review of the first three years of the new fees arrangements for full time undergraduates has reported would mean that no change could be made during the current CSR period, up to and including 2010–11. Because of the priority we want to give to funding for those without an existing HE qualification and the huge reservoir of talent that is not being properly tapped under the current system, we do not think it could have been right to build in such delay. Accepting this recommendation would have meant denying over 20,000 first time students the opportunity to benefit from higher education and putting back by three years our strategy for responding to the challenges set by Lord Leitch.

12. The Committee accepts that the consultation on the implementation was open and that as a result DIUS and HEFCE have made some changes to the original package. We conclude, however, that DIUS should have carried out public consultation about the principle, merits and consequences of the policy rather than exclusively on the implementation of the package.

We take a strongly consultative approach to policy making – recently, for example, in our launching of a debate on the future of HE, our *Innovation Nation* publication, and our Higher Level Skills Strategy “*Higher Education at Work*”.

However, it is for government ministers to set the direction of travel, and strategic priorities. And no consultation took place about the policy priority before our ELQ discussion which placed the needs of those doing ELQs ahead of new entrants to HE.

13. 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.

The Government welcomes the Committee's acknowledgement of the support we have provided for part-time students. We have introduced personal financial support for part-time students in higher education for the first time, and repeatedly increased the grant provided to HEIs to support part-time provision.

Our ELQ policy is not about giving priority to part-time students or full-time students. It is about giving priority to first-time students, especially the six million adults who do not currently progress from level 3 qualifications to higher education. Most of this group are likely to be mature learners from non-traditional backgrounds who want to study part-time. And, as we say above, this is part of an overall drive to increase dramatically take up of higher education by adults in the workplace.

14. 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.

In addition to employer co-funded courses, those with a first HE qualification will be able to re-train through foundation degrees, which are employment focussed and developed with employers or other short cycle courses supported by career development loans.

Those who already have a first degree are in general a better position to help finance their courses than those with just A levels, because they earn on average well over £100,000 more during a working lifetime than that group. The evidence we have given the Committee from the labour market shows that there are two million self-employed workers without a first HE qualification including 600,000 with A levels or equivalent. They are the priority group for public funding, and the redistribution of ELQ funding sharpens the incentives for HE providers to meet their needs.

15. We conclude that the Government needs to publish its policy as an employer on funding its employees' fees when they become ELQ students.

We made clear in our response the Leitch report that in general public as well as private sector employers should contribute to the cost of higher level qualifications. That includes local authorities, the police and NHS employers to name but three.

However, we have proposed some limited exceptions relating to the training of teachers and doctors and a few other subjects of strategic importance where the Government has a role as employer. Those apply only to the initial training needed for such occupations. For continuing professional development at the level of higher skills, there is a much stronger presumption that employers should co-fund the costs.

16. We are disappointed that HEFCE appears not to have pressed the Government to allow it to carry out a full impact assessment study. We recommend that in future before embarking on major changes such as the withdrawal of ELQ funding, the Government ensure that a full sector assessment of the impact of the proposals is carried out and the results published with consultation exercises.

17. We recommend that HEFCE publish the sector assessment of the impact of the policy of withdrawing funding for ELQ fees as soon as possible, in order to facilitate further analysis where necessary.

We attach an impact statement which brings together the data which we have already given to the Committee from the Labour Force Survey on the characteristics in terms of gender, race, disability and age of those who have not yet acquired a first higher education qualification as well as those who have. The latter data shows, among other things, that there are over twenty million people who do not have a first HE qualification, half of whom are women, a quarter of whom are over fifty, and a quarter of whom have a disability. Over two million are from ethnic minority backgrounds.

We also attach the sector impact assessment which HEFCE has published.

The concerns that have raised about our ELQ policy, that it will have undesirable impact on levels of participation among certain groups, will be allayed by these figures.

That said, it should also be noted that some of these concerns have missed the point of what we are seeking to achieve. They have assumed there is an equal value to Government funding someone for a second or subsequent time in HE compared to funding them for the first time. We reject this view, which takes no account of the intrinsically greater fairness of the new funding arrangement.

18. We recommend that HEFCE institute a speedy appeals system that will allow higher education institutions to challenge the data about ELQ students on which grant, including the safety net, is calculated.

We agree with the Committee's recommendation. HEFCE's approach is set out in its grant letter to institutions which issued in March. The Council's approach was that in considering requests for changes, there were two things it needed to consider:

1. Whether the appeal is well-founded/the original data was wrong.
2. Notwithstanding the above, whether overall the adjustments that it had calculated for the institution were appropriate.

HEFCE informed institutions that they could make changes to the data underlying the ELQ adjustment. But the Council has also said that any such data changes would not automatically result in a change to the ELQ funding adjustments. Where institutions wished to see a change in how any individual area of their provision was treated for the purposes of determining ELQ funding changes, HEFCE reserved the right to review all the individualised data submitted by the institution, not just the areas where they wished to see a change. That could include looking at linked student or learner records to identify where there was evidence of recent HE experience for individual students, notwithstanding the entry qualifications reported by institutions on their HESA student record. That would enable HEFCE to make a judgment about whether overall the adjustments for an institution appeared appropriate. The Government agrees with this approach.

19. The Government needs to explain in detail how the safety net will work so that institutions can adequately plan their finances for the period of the transitional

arrangements. In particular, the Government must clarify the points raised by Professor Latchman.

We have said that no institution will lose grant for teaching in cash terms between now and 2010 simply as a result of the ELQ policy, and even in 2010 the redistribution of about £100 million will represent about 0.5% of the total income English generate. Within the overall system for distributing HEFCE grant, the current “tolerance” band means that higher education providers can plan ahead on the basis of a stable, predictable system. That said, we will of course address any specific queries which have been raised.

20. In our view three years is an adequate period for transitional arrangements and the higher education sector as a whole could not reasonably expect a longer period. It should give most higher education institutions enough time to make adjustments to their courses and to attract first-time students to fill gaps left by withdrawal of ELQ funding. We recommend that this be the subject of a short, sharp, interim review by HEFCE, with whatever recommendations to Government prove necessary.

21. We recognise that additional measures may be needed to assist those higher education institutions particularly badly hit by the withdrawal of funding for ELQ students and recommend that the Government provide for such additional measures.

The Government greatly welcomes and shares the Committee’s confidence that over three years most higher education institutions will attract first time students to fill gaps left by the redistribution of funding for ELQ students.

However, as we have already told the Committee, all we have asked HEFCE to do is to find savings of about £100 million a year by 2010–11. Anything beyond that has to be speculation, but no-one is going to fall off the edge of a funding cliff either now or in three years’ time. Indeed, the reality is that no strategic decision has been taken about reallocating further funding after 2010–11.

22. We welcome the immediate review of support for those studying theology as an ELQ and recommend that the Government exempt those studying theology as an ELQ from the withdrawal of funding.

In finalising our proposals on ELQs the Committee will be aware that theology was the only subject where we asked HEFCE for further advice. That is a mark of the importance the Government places on the benefits that faith-based leadership can bring to communities.

We are pleased to inform the Committee that there has been some constructive discussion with HEFCE about the best way forward for students training for the ministry who already have a first higher education qualification and we greatly welcome the willingness of the Churches to embrace the challenges of our employer engagement agenda. On that basis, we are, exceptionally, prepared to look favourably at the possibility of a one year postponement as regards the withdrawal of funding for ELQ students studying theology to train for the ministry. No other subject will be treated in this way.

23. We conclude that the exemptions proposed by the Government are inconsistent and unsuitable for determining state support for the fees of ELQ students. We conclude

that the Government ought to have asked HEFCE to design exemptions from the withdrawal of funding for ELQ students that aligned with the Leitch review to focus on students and courses likely to provide the greatest benefit to the economy or to meet skills shortages. Of the alternatives offered, by Birkbeck College for example, we conclude that the best case could be made for part-time students following courses that lead to re-training and hence value to the economy. Given the proposed policy of the Government, there is, however, no feasible alternative to the subject-specific basis for exemptions.

The list of exempt and protected subjects flows naturally from those subjects which the Government has designated as either eligible for student support, even when studied as a second degree or as strategically important but vulnerable. They form the natural starting point.

We considered carefully whether to make any changes to the list but decided against doing so because the subjects which were put forward as candidates for exemption/protection are relatively popular as first HE qualifications.

More generally, we have already said that it would be wrong for us to rush into making special arrangements for any subjects, other than those which had already been identified, before any changes to ELQs, as requiring support in the public interest (such as medicine, initial teacher training teaching, science, technology, engineering and maths subjects, area-based studies, and modern foreign languages). But we do take the concerns seriously, and indeed even if the change to ELQ funding rules were not being made we would want to keep a close eye on how demand to study key subjects evolves over time.

24. We recommend that the Government in responding to this Report clarify the effect that the widening of the exemptions and the provision of additional resources for part-time students will have on £100 million ear-marked for first-time students and whether resources will be taken from other parts of the higher education budget.

The increase to £30 million in the additional resources for part-time students is offset by a reduction in the need for transitional protection and still enables us to redistribute about £100 million a year by 2010 and so fund 20,000 more full-time equivalent students than would otherwise be possible. Any further exemptions or even more generous treatment of part-timers would either have to come from within existing Higher Education budgets either for providers or for students or mean that we have to support fewer new entrants to HE.

25. We recommend that the Government bring forward from December to the summer the first annual review of the exemptions for the withdrawal of funding for ELQ students, widen the terms of the review and carry out a full consultation as part of the review. We further recommend that the Government set out the financial consequences if the proposed reviews extend any exemptions; in particular, will there be offsetting withdrawal of exemptions for other ELQ students?

We cannot accept this recommendation.

We have said that the first such review should take place starting in December 2008, in the light of entry data for 2008. There would be no data available to underpin any up-to-date

analysis before then, so we have no plans for any earlier reviews but the December review will be consultative and wide-ranging.

When we conduct the review, we will ask HEFCE to look at levels of demand for key subjects, and in cases where there is evidence of a fall in demand to consider:

- the extent to which the subject has economic or social significance
- the scope to increase demand for that subject from those without an equivalent or higher level qualification
- whether there is adequate provision of Foundation Degrees—as the hallmark vocational qualification—in that subject
- the scope for labour market demand for graduates in that discipline to translate into increased employer funding to support students in that discipline; and only then
- whether there is a case for exempting entrants to the subject who have an ELQ from the general ELQ funding rule. In such cases, the Council should also advise on the scope for removing exempted subjects from the list.

Therefore we could not rule out the option of an offsetting withdrawal of exemptions for other ELQ students.

26. We recommend that the Government produce as a matter of urgency comprehensive and clear guidance for higher education institutions and students to ensure that they understand and follow the funding rules on fees for ELQ students. The guidance needs to clarify the responsibilities of higher education institutions, whether they have a duty of due diligence and who should bear the financial consequences for an ineligible ELQ student who either unwittingly or by deception obtains government support for his or her fees.

We accept the points made by the Committee. HEFCE wrote to institutions on 15 April with further guidance on this issue.

27. The announcement of the decision in September 2007 to withdraw institutional funding for those studying for equivalent or lower qualifications has the appearance of a decision taken in some haste, the full effects of which and consequences for other policies such as the need for re-skilling have not been fully examined. The matter would have been better left until the independent review of variable fees due in 2009. The transitional arrangements and exemptions, while welcome, are inconsistent and may well prove inadequate. As the Government has decided to proceed with the changes to ELQ funding, the first annual review of the exemptions provides an opportunity for a full review of the scope and operation of the exemptions. We support the Government's aim of encouraging more first-time students to enter higher education; but without due analysis and evidence of the likely effectiveness and impact of the change, we cannot support the decision to cut funding to ELQ students in this way.

As we have already said in Parliament, the Government disagrees with the Committee's judgement on this occasion.

Governments must take difficult decisions, not delay them. We have done what Governments always have to do either implicitly or explicitly: prioritised. Our principle is that first-time entrants should come first.

If we had remitted this to any future review, we would have abrogated our responsibility to take decisions on public priorities and to lead the system. It would have meant that we would either have to deny public support to over 20,000 fewer new entrants to HE or make cuts in other HE budgets whether they are for higher education providers or for student support. That would not be in the best interests of either the country or of those with the talent to benefit from participating in higher education but who do not do so.

And unlocking talent is the cornerstone of our policies.

May 2008

Annex: Letter from the Chairman of the Innovation, Universities, Science and Skills Committee to the Secretary of State for Innovation, Universities and Skills

WITHDRAWAL OF FUNDING FOR ELQS

The Committee has considered the Government's Response to its Report on the withdrawal of funding for ELQs. We shall publish the Response as a Special Report next week. The Committee was, however, uneasy about the tone of the Government's Response. In particular, we were concerned that the Government in justifying its stance on our key recommendations ascribes views to the Committee which are not in our Report.

We concluded that where resources were switched in line with the Government's priorities, it had a responsibility to demonstrate that there was unmet demand and that the reallocation produced outcomes in line with the policy (paragraph 12 of the Report). In the Response the Government expresses itself surprised "by the apparent implication that there is no-one of working age who would benefit from a university education who is not currently getting one". At no point in the Report did we make such an assertion. As we made clear in the Report, the Government has to show convincing evidence that the re-allocation of the resources will meet its policy objective to encourage more suitably qualified individuals to start higher education for the first-time. In the absence of research on, or any analysis of, the groups to whom the redirected resources are targeted, we could not see how the Government is certain that the funds taken from ELQ fees will meet their intended purpose efficiently or effectively (paragraph 23). We are disappointed that the Government should not have accepted what appears to us to be an axiomatic principle of good government—that the re-allocation of resources to meet a policy should be underpinned with evidence that it will change the behaviour of individuals or groups as the Government intends—and sought to bolster its position with an erroneous construction of the Committee's position.

The Committee is pleased that the Government acknowledges that it made a mistake in not supplying us with a memorandum at the start of our inquiry into ELQs. Some of the material supplied in the Government's Response would have been of assistance to us had it been supplied during our inquiry. We are grateful for the assurance that the department will provide written submissions for our future inquiries.

We shall publish this letter as an annex to the Special Report.

June 2008

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2007–08

| | | |
|-----------------------|---|---------------------------------|
| First Report | UK Centre for Medical Research and Innovation | HC 185 (HC 459) |
| Second Report | The work and operation of the Copyright Tribunal | HC 245 (HC 637) |
| Third Report | Withdrawal of Funding for Equivalent or Lower Qualifications (ELQs) | HC 187-I |
| Fourth Report | Science Budget Allocations | HC 215 |
| First Special Report | The Funding of Science and Discovery Centres: Government Response to the Eleventh Report from the Science and Technology Committee, Session 2006–07 | HC 214 |
| Second Special Report | The Last Report: Government Response to the Thirteenth Report from the Science and Technology Committee, Session 2006–07 | HC 244 |
| Fourth Special Report | Investigating the Oceans: Government Response to the Science and Technology Committee's tenth report of Session 2006-07 | HC 506 [incorporating HC 469-i] |