

# Minutes

Unrestricted confidential

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**Meeting title:** Council

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**Date:** Wednesday 26 January 2011

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25 **Higher Education Reform, budget cuts and future tuition fees arrangements** (agendum 5)

**Received** A paper from the Chief Financial Officer and Professor Humphris, headed 'tuition fee considerations 2012-13 and beyond' dated 14 January 2011 (*paper commercial in confidence*)

In introducing the discussion the Chair said that she hoped she spoke for all members in recognising that the current situation was very difficult, and was not one which Council would have sought. The Vice-Chancellor echoed these comments – while personally opposed to the significant changes in the funding regime, as Vice-Chancellor he must work within the new system to ensure that the University was best placed to succeed. It had been necessary to respond very quickly to a radical change in the funding regime on the basis of information which even now remained incomplete, and when the full impact of the changes and funding cuts was not yet known. It was clear that the University would have no option but to charge fees at a level which would at least recoup the lost funding. In introducing the background paper, the Vice Chancellor indicated that the fundamental issue for decision was whether to charge a fee beyond that necessary to recoup lost revenue to enable the University to offer a student experience which was fundamentally improved, including significantly enhanced arrangements for student financial support in order to guarantee continuation of 'needs blind' admission to the University.

In discussion the following points were raised:

- Mr FitzJohn emphasised that the majority of Southampton University students were not happy with the new funding system, but did understand the University's situation. It was clear that students would not wish future cohorts to pay higher fees but receive only the same experience – a higher fee which would enable significant enhancements of the student experience would be more acceptable. However, this would need to be justified to students, with concrete statements as to what the University would provide from the additional income to benefit students directly, and greater transparency in the application of fee revenue.
- Other members thanked Mr FitzJohn for his clear and eloquent statements, and supported his emphasis that the rationale for charging the highest fee would need to be clear, with concrete commitments to enhancements, and to be presented in ways which were convincing to students. A number of members spoke in favour of charging a fee at or close to £9k on this basis.
- Professor Humphris confirmed that she had already commenced discussions with student representatives about the detail of the new "value proposition" to students. It was suggested that particular attention should also be paid to those elements of the student experience which would improve employability.
- Members expressed their support for continuation of a school outreach programme based on the now de-funded "Aimhigher" programme. Whilst it was recognised that the government's position was that repayment terms for graduates were better under the new system, this would not necessarily be appreciated by those who were naturally debt-averse.
- Mr Snell emphasised his personal objections to the rise in tuition fees, which he hoped were shared by all members of Council, and disagreed strongly with the proposal to permit fees to be raised to 9K. In his view under the new arrangements it would be inevitable that those from the richest backgrounds would take up the places at the best universities. He recognised the need for the University to make up the shortfall in funding but asked what other actions the University could take to minimise the increase in fees beyond this point. He emphasised the importance of the University representing a socially diverse undergraduate community, and ensuring that the best students from

the poorest backgrounds could come to Southampton. He wanted to see further, more detailed, work undertaken on impact equality assessments and the effects of higher fees on the social diversity of the undergraduate community.

- In response Professor Humphris emphasised that any university wishing to charge fees higher than £6k would be required to have a new access agreement in place, approved by the Office for Fair Access (OFFA). Guidance on drawing up agreements was expected from OFFA by mid February, with access agreements to be submitted by the end of March. The University already performed well and currently largely met its benchmarks for widening participation. Work was already in hand to continue and expand the University's outreach programme. In response to a query as to why the University could not and set its own targets rather than awaiting target set nationally, it was suggested that it would be preferable to await clearer information about the requirements, and then consider whether the University wished to commit to going further.
- The Vice Chancellor reminded members that the new fees regime was being introduced with little time and information to undertake the type of impact analysis suggested by Mr Snell. The current proposals included an unprecedented commitment of resources for student support. The application of these support funds would be adjusted in the light of experience of the new fee system.
- Concern was also expressed about 'unintended consequences' of the new fees regime – for example the impact on the number of students continuing on to PhD programmes, and the possibility that students would instead opt to study overseas, where courses might be cheaper.
- From an Audit Committee perspective Mr Burrow commented that there were concerns that even a fee of £9k would not recoup the total loss in funding, including capital funding. There were also new risks for the University as a result of the changed funding environment – as yet no one knew exactly what the effects of the changes, and the increased 'market' for higher education, would be – the University would need to be prepared to respond quickly if, for example, student numbers fell dramatically or if other Russell group institutions opted to charge significantly less.
- The principle of charging a single fee for all programmes was accepted, although the need to be flexible in response to market conditions was also recognised. It was proposed that any plan to move to differential fees should be brought back to Council, as this could have implications for the mix of subjects offered, and as such would be a strategic not simply a financial decision.
- It was proposed that if government control over student numbers was lessened it would be necessary to track capital and other costs for different subject areas, so that the financial implications of increasing student numbers on particular programmes could be assessed. The Chief Financial Officer commented that the current differential in government support was a reasonable proxy for differences in teaching costs. In his view it was unlikely there would be changes in control of student numbers until at least 2014–15, as it would be very difficult for the government to plan student numbers solely by aggregate numbers across the sector rather than by institution. He agreed that the demand across subjects would inevitably be different and was currently unknown, and that Southampton would not charge differential fees simply to support programmes which were unpopular or performing poorly.
- With regard to coursework acceleration and extension, it was explained that the intention of the University was to continue to provide a three-year full-time undergraduate experience. It would, however explore arrangements whereby students would be offered flexible ways to complete their degree programmes over either a shorter or a longer period. The overall cost of the degree programme would remain the same (as programmes would be priced on a unit basis), however completing a degree in a shorter time would save on living and accommodation costs.
- It was questioned whether the University would be in a position to recoup some of the funding losses by implementing further efficiency gains. The Chief Financial Officer reminded members that the University was already on target to reduce administrative staff spend by £7million. Savings could perhaps be made in capital expenditure, but this would not be in line with the strategy approved by Council, and the next group of projects were all of major importance for the institution. There might be scope to reduce the costs of research by cutting the amount of time spent on unfunded research and devoting this time instead to teaching. It was not however realistic to suggest that there were further significant large scale cost savings which could be made anywhere across the University.

The Vice-Chancellor thanked all members for their contributions, and again indicated that this was one of the most important decisions the University was ever likely to make. With regard to the potential impact on participation it would be very unusual if significant changes in price did not impact on

demand – the effects were however very hard to predict. He was not in favour of setting targets for social diversity (and OFFA also did not favour this approach) because the University was not in control of all the variables, and there were dangers that target setting could lead to unhelpful behaviours as the University pushed to meet targets. What was vital was that the University of Southampton should be seen as an institution of opportunity, with access based on merit, and where students would participate in an excellent educational experience. Some of the University's plans to put this into practice were set out in the circulated paper, but there would only be scope to take this forward if a fee at or close to £9k was charged.

The Chair invited members to vote on the proposal that fees be set at a level to enable the University to recover the lost revenue funding and take forward the proposals for the enhancement of the student experience outlined in the circulated 'value proposition' document (in practice this would mean a fee at or close to £9k pa). She emphasised that there would be detail to work out, including the exact level of fee to be charged, and that Council would receive further information, including a more detailed version of the 'value proposition'. The proposal was approved nem. con. with one abstention (Mr Snell).

In response to a question as to how and when the final fee figure would be set, the Chair indicated that while formally responsibility for setting fees rested with the Vice-Chancellor, in this instance it would be advantageous for the decision to be endorsed by Council. Mr FitzJohn requested that there be student involvement in the discussions about the final figure, and this was supported. In terms of timing, the access agreement must be submitted to OFFA by the end of March, and so a further report would be brought to Council on 23 March. However the University would not hear until June whether the access agreement had been approved (which would be a condition of charging fees higher than £6k p.a.).

Members agreed that the remaining recommendations in the paper followed naturally from the first, and were therefore approved. Any proposal to move to differential fees should however be brought back to Council.

- Resolved**
- (i) That the Vice-Chancellor may set the fee for 2012/13 entry at a sufficient level as would enable the University to recover revenue funding losses and take forward the proposals for the enhancement of the student experience outlined in the circulated 'value proposition' document (in practice this would mean a fee at or close to £9k p.a.) with the final figure being submitted to Council for endorsement.
  - (ii) That as a principle, a single fee should apply consistently across all university programmes, but the Vice-Chancellor should be given the flexibility to charge different fees for different programmes in response to market conditions, subject to Council's agreement.
  - (iii) That on charging these increased fees, the University will deliver significant improvements to its access and student support programmes; to student/faculty contact time and overall educational experience; and eliminate extra costs currently associated with programmes; a more detailed statement of the value proposition should be submitted to Council.
  - (iv) That part time fees should be charged proportional to full time fees.
  - (v) That PGT fees should rise for 2011/12, and should be a high proportion of the undergraduate fee by 2014/15.
  - (vi) That the University does not at this stage make any pricing commitments for students starting beyond 2012/13.
  - (vii) That the University should make provision for coursework acceleration and deceleration, such that students would be charged proportional to credits studied (subject to changes to regulations allowing for coursework acceleration).