INDEPENDENT
HIGHER
EDUCATION

# DQB Fees consultation – April 2019

# IHE Response

1. **Do you agree with the activities attributed to each of the four separate fees set out in Table 1 above? If not, please give your reasons.**

**NO**

Table 1 sets out an annual fee for all registered providers, the levying of which appears on the surface to be permissible under the Higher Education and Research Act 2017 (HERA). However, the costs attributed to the annual fee in Table 1 do not satisfy the conditions of this legislation. HERA gives the Designated Quality Body (DQB) the power to charge an annual fee which is explicitly limited to assessing the compliance of registered providers with ongoing conditions of registration (and specifically those related to quality or standards). These compliance assessments comprise activities the DQB is directed by OfS to undertake as a result of its risk profiling, random sampling and other cyclical compliance activities. They do not include DAPs or QSR activity which relates more specifically to sector entry, progression or remedial action, and which benefits individual providers. This provider-specific activity is covered under a separate HERA provision which empowers the DQB to charge fees as they relate directly to the assessment of a particular institution.

To be precise, HERA, section 28(2)(a), grants the DQB the power to charge a particular institution a fee for any activity or service provided "in relation to that institution". The DQB is separately empowered by HERA, s 28(2)(c) to charge an annual fee to "any registered higher education provider" to cover its costs in carrying out its duty to monitor compliance with ongoing conditions. According to Table 1, QAA has chosen instead to rely on a mistaken interpretation of 28(2)(a), stretching the definition of the words "in relation to" beyond their common understanding so that the "maintenance of infrastructure" for DAPs and QSR activities represents "a service provided in relation to them all". QAA goes on to compound this error of interpretation by proposing to charge an assessment fee to individual providers required to undergo random sampling or other compliance assessment, when the cost of such activity is precisely that which HERA describes as covered by the annual fee for "any registered provider" as set out in 28(2)(c).

In principle we agree with the separation of costs between those which provide the infrastructure to assess ongoing conditions on an annual basis and additional costs for assessment of an individual provider. QAA, however, has conflated these two areas of work and we do not believe that it was the intention of the drafters of the legislation that the DQB be empowered to collect an annual fee to cover all of the infrastructure for QSR and DAPs reviews while charging an individual fee for a cyclical process of random sampling which is meant to be a low burden way to assess the whole sector. Annual fees should primarily cover the infrastructure required to support an annual compliance process with minimal infrastructure costs related to maintaining the review mechanism. Any fees which can be attributed to a specific review should be paid by the institution undertaking the review, as well as a portion of the cost of the infrastructure required.

The justification provided for the infrastructure cost in Table 1 is weak to warrant the level of fees proposed and little information is given to explain what activity is actually covered by the staff costs and overheads listed in Annex 2, Table 3. Overseeing progress of individual reviews is not core team activity and should be accounted for in the review costs rather than the annual recurring costs. It is reasonable commercial practice to expect the overhead costs related to a specific service to be incorporated into the price of that service. Providers who are not seeking this service should not have to pay for this cost, as is currently proposed. Most of the activity in Annex 2, Table 3, relates to reviews rather than mandatory infrastructure costs which should be included in the appropriate fee in 2,3 & 4. By including this activity in fee 1, it begs the question of where the motivation is to lower the annual infrastructure fees when review activity decreases. Table 1 and Annex 2, Table 3, set out the different costs and activities that will be covered yet there is no clear allocation of how these activities are aligned to the statutory activities of the DQB set out in HERA. This alignment needs to be clearer.

Any additional activities which may be undertaken at the request of OfS should be funded directly by OfS and not through the charges levied by QAA for its statutory duties. Any such activities should be included in the OfS's budget (from its mixed income of registration fees and government grant designed to support diversity in the sector) and it should pay QAA directly for any services it commissions. In this, as with other key areas, OfS should use its position as the purchaser of the services to control the cost of the contract. Individual providers (and particularly smaller independent providers) have no control over the cost of specific activities OfS contracts with QAA, and no practical means of holding them to account for such costs, and therefore should not be directly liable for any fees related to these.

2. **Do you agree that a provider should pay the costs of its assessment where these can be directly attributed to the provider? If not, please give your reasons.**

**YES**

We agree that the cost of assessment should be met by the relevant provider as they are the primary beneficiary of this activity. However, the payment structure needs to acknowledge the disproportionate burden faced by micro providers, as defined by OfS, in making these payments. Given government policy that micro providers should not be discouraged from operating in the market due to disproportionate regulatory costs, this approach must extend to those independent bodies designated to support the regulator in working with those same providers. This is made clear in the government's own impact assessment on establishing and funding OfS, where a clear principle of protecting micro providers and SMEs was outlined. While it is OfS which has a legal duty to protect diversity and drive competition in the sector, QAA as the designated quality body should be held to the same principle and regulatory approach in the design and charging of its processes. This is set out explicitly in Schedule 1 of the Designation Agreement between OfS and QAA, which clearly states:

*"The Designated Assessment Body is required to understand, adopt and deliver in practice the approach to regulation set out in the regulatory framework."*

We urge QAA to implement a micro provider subsidy which mirrors the OfS registration fee model. This subsidy should be extended both to any annual infrastructure fee (Fee 1) and where possible to assessment fees as well.

We are aware that QAA will continue to conduct reviews in England for providers ineligible for registration with OfS. It is unclear from this consultation whether and how those providers undergoing these reviews will also contribute to QAA's infrastructure costs. As these reviews are also likely to include annual activity, they should be clearly accounted for and infrastructure costs related to these reviews should be apportioned to the cost of these reviews, rather than in the annual infrastructure cost proposed to be shared between registered providers. This review system is likely to remain cyclical which ensures that infrastructure costs can be budgeted and attributed to these providers. This could be more easily managed by QAA if all assessment and review fees included a portion of the infrastructure costs at an equivalent price which could be charged across statutory and non-statutory customers who are undertaking reviews. QAA needs to be transparent in how statutory and non-statutory activity is conducted and charged for different providers within the HE sector and apply this same principle across both its statutory and non-statutory customers.

**3. Do you have any comments about the proposed indicative fees set out in Annex 3?**

The review costs set out in Annex 3 are considerably less expensive than previous reviews undertaken by QAA, despite the activity not being drastically different, and in the case of New DAPs, QAA is undertaking considerably more activity than in previous DAPs processes. While it is not entirely clear why these costs have been reduced it appears that the reduction is due to infrastructure costs having been removed from the review fees. We reiterate that infrastructure (and any other appropriate) costs should be shared between all providers undergoing reviews, not just those who pay the statutory fee. It is unclear how infrastructure costs will be attributed to and paid for by those undergoing reviews for educational oversight, as required for a Tier 4 licence, but who are ineligible to join the OfS Register, as the costs for these reviews have not been provided.

As we can see in the table below the previous cost for a Higher Education Review (Alternative Providers), based on three days and three reviewers, was £25,480 while the proposed cost of an equivalent Quality and Standards Review (QSR) is £17,160. While acknowledging some changes in the process, the new fee is significantly less than the previous one. The cost of degree awarding powers (DAPs) has also changed significantly from before, with the Full DAPs assessment process reducing in cost from £97,500 to as low as £36,523 (depending on the size of the scrutiny team required). Even in the more case of New DAPs, which incurs additional costs due to the three years of scrutiny, the comparative cost per year of the scrutiny period has reduced dramatically. There is no clear explanation in the consultation document for this reduction, which leads to the conclusion that infrastructure costs which were previously apportioned in the DAPs assessment fees have now been removed and will instead be met by all registered providers from their annual infrastructure fees.

Infrastructure (and any other appropriate) costs should be shared between all providers doing reviews, not just those who pay the statutory fee. It is unclear how infrastructure costs will be attributed to and paid for by those undertaking reviews for education oversight as part of their requirements for a Tier 4 licence, but who are ineligible to join the OfS Register. As this currently stands and the infrastructure costs are not currently attributed to these non-statutory providers, it would be inappropriate for statutory customers to bear the cost of infrastructure that is used beyond the statutory requirements. It is only fair that these costs be spread out across all providers using QAA services, statutory or otherwise.

The assessment costs set out in Annex 3 act as a barrier to micro providers. QAA should adopt the OfS definition of a micro provider – a provider with 300 students or less and meet the Companies Act conditions of a micro provider. By adopting this definition and implementing the same micro provider exemption as the OfS registration fee, QAA will be able to reduce barriers to entry for micro providers in the sector. OfS have recognised the financial burden placed on micro providers through regulatory fees and QAA should reflect this and promote diversity and student choice through not excluding these providers through financial constraints. Additional costs for experts or specialists to participate in DAPs assessments or QSR assessments disproportionally affects specialist providers, who are often small providers as well. Whilst it is necessary to have the relevant expertise involved with the assessment activity, consideration should be made to specialist providers who this additional cost could act as a barrier to the sector. By adding additional cost to specialist providers the diversity of the sector will be harmed if these providers cannot engage with the regulatory fees.

4. **Do you consider that a flat-rate fee model for infrastructure costs is a credible way to determine an annual fee? Please give your reasons.**

NO

We do not support a flat-rate fee model for infrastructure costs. This model would disproportionately affect SME and micro providers in the sector, along with new providers who start out small, and hence students choosing these new and SME providers will have a larger regulatory burden placed on their fees than students at larger providers. This model would also make QAA less accountable to those providers most impacted by the fees, which is not in the spirit of HERA. Given QAA's failure so far to incorporate a governance model which would allow SME providers a clear and weighted voice in their decision making, a flat fee would only exacerbate the lack of accountability.

As the table below shows, a flat-rate fee model disproportionately impacts certain students, with those in the smallest providers facing an indefensible level of money diverted from their tuition fees to pay for regulation. It is impossible to argue value for money for students who are footing the DQB regulatory bill at a rate of £521 each (using the median number of students in the lowest student number band). This figure contrasts starkly with the case of large providers with 10001-20000 students, each of whom would contribute just £0.43 to the infrastructure costs of the DQB. The difference of £520.57 is both logically and morally unjustifiable to students who have been told they should expect value for money in the tuition fees they pay. Looking at the percentage proportion of the fees paid, students at the smallest providers and paying the Basic-level fee of £6000 would see 8.68% go directly to DQB infrastructure fees, whereas students at large providers and paying the Higher-level fee of £9000 would have only 0.0048% of this fee used to cover the DQB's budget.

| | Proposed QAA fees | Cost per student (£) (MEDIAN) | % of Basic fee (£6k) | % of Higher level fee (£9k) |
|---|---|---|---|---|
| 0-25 | 6510 | 521 | 8.68 | 5.79 |
| 26-50 | 6510 | 171.32 | 2.86 | 1.90 |
| 51-75 | 6510 | 103.33 | 1.72 | 1.15 |
| 76-100 | 6510 | 73.98 | 1.23 | 0.82 |
| 101-300 | 6510 | 32.47 | 0.54 | 0.36 |
| 301-500 | 6510 | 16.25 | 0.27 | 0.18 |
| 501-1000 | 6510 | 8.67 | 0.14 | 0.10 |
| 1001-1500 | 6510 | 5.21 | 0.0868 | 0.0578 |
| 1501-2500 | 6510 | 3.25 | 0.0542 | 0.0362 |
| 2501-5000 | 6510 | 1.74 | 0.0289 | 0.0193 |
| 5001-10000 | 6510 | 0.87 | 0.0145 | 0.0096 |
| 10001-20000 | 6510 | 0.43 | 0.0072 | 0.0048 |
| >20000 | 6510 | | | |

For our members and many independent providers, student fees are the main or sole source of income and therefore it is students who pay for this regulation. However, we know that large universities are also having to meet the cost of regulation from their home students' tuition fees because the surpluses returned by international student fees, grants and other income streams are used primarily to plug the gap in research funding. If students are now expected to take on the burden of paying for regulation themselves, it is surely a moral imperative that the cost of regulation be distributed according to a per-student model, rather than a manifestly unfair approach of penalising students who choose to study at a smaller provider because it better suits their individual needs. The government, regulator and sector bodies must be cognisant of the distorting effect of provider-level fees, whether banded or flat, and reflect on whether they in fact represent value for money to all students.

The Designation Agreement between OfS and QAA makes clear that the DQB has a responsibility to protect diversity and student choice within the higher education sector, in order to adhere to the OfS's Regulatory Principles. The Government has itself explicitly ruled out flat-rate fees when setting out its expectations and interpretation of HERA in relation to fees paid by providers.

The Government's own March 2019 impact assessment on introducing OfS registration fees set out the following principles that the OfS funding model should follow:

- Results in savings for the taxpayer and ensures a predictable and sustainable income to meet OfS costs
- Is efficient and economical for the OfS to administer, based on data that can be verified
- Allocates costs fairly and operates on a cost recovery basis
- Does not create barriers to entry or deter high quality new entrants
- Takes some account of provider size

The Government has already approved a banded fee model for regulatory fees and there is no justification for a flat-fee model which would breach these already-agreed principles. Flat-rate fees lead to the disproportionate regulatory costs mentioned above, and could drive up tuition fees for students at some small and specialist providers, while forcing others out of the market entirely if their students cannot bear the costs which must be passed on. QAA statutory fees should also not be taken in isolation but as a suite of fees covering OfS, its designated bodies and other fees and costs.

One of the Government's aims in shifting the cost of regulation under HERA from taxpayers to providers was to increase accountability for the cost of regulation. While it can be argued that the Designated Body model, by forcing providers to pay a standard fee to a designated body by virtue of their registration with a separate body (OfS), make this relationship intrinsically unaccountable, a flat-rate fee would give such a comparative advantage to larger providers that the ability of the minority of smallest providers to argue against the rate which is levied is significantly diminished. Charging fees proportionate to the size of the student body, and thus the size of staff and their capacity to engage in conversations about fees, would make QAA more accountable to all members as there could be a collective debate about the overall cost, not how it was divided between providers.

As well as the Government's support for a banded-fee model, micro provider subsidies are clearly presented as vital to supporting diversity and student choice and have therefore been incorporated in OfS fees to reduce barriers to entry. QAA should implement a similar model in order to have a fair approach to providers, but more importantly a fair and value-for-money approach to students. New providers joining the sector very rarely start recruiting students in large numbers and for their initial development stage will often have fewer than 300 students. A new provider subsidy should also be extended to QAA fees, following the OfS model, to support diversity in the sector and more choice for students. By not incorporating these two subsidies for new and micro providers, these costs will result in fewer providers entering the HE sector, as well as micro providers being forced out of the regulated system. This in turn hinders the diversity of the sector and the costs that are imposed on the provider diverts money away from the student experience.

**5. Do you have any comments about the proposed indicative annual fee under the flat-rate model?**

The infrastructure cost set out in consultation document is fundamentally flawed. The activity attributed to the infrastructure fee in Table 1 and the costs associated with these activities in Annex 2, Table 3 are not fully justified. A large proportion of activity allocated to the infrastructure fee is clearly assessment and review activity which should be covered by provider assessment fees rather than the mandatory annual infrastructure fees. Some of the activity this refers to is:

- recruiting, selecting, training, and performance managing reviewers
- scheduling and commissioning reviews
- composing review teams

However, despite the inclusion of this activity in the infrastructure fee there is no explanation of how many reviews QAA expect to undertake and where infrastructure costs attributed to non-statutory reviews such as those undertaken for Tier 4 purposes where the provider is ineligible for OfS. While we accept that there is a relatively large initial group of providers who will need reviews, especially QSR, in the first year or two, our evidence suggests that the volume will decrease dramatically thereafter. The primary activity then required by OfS will relate to the ongoing random sampling designed to ensure compliance across the sector while reducing burden, and specific reviews based on an individual provider's non-compliance with conditions or other concerns which have been raised. With this anticipated reduction, we expect QAA to:

- Review infrastructure costs in light of the change in review activity with a view to reducing the cost currently outlined (although we remain opposed to the infrastructure costs proposed.)
- Revise their working model to focus on the annual activity, which should reflect the cyclical random sampling model as their main activity for all providers.

Given the expected change in operating activity between 2018-2020 we would hope QAA would review these costs in 2020 with an expectation that they will reduce. We would have liked to have seen QAA reassure providers by committing proactively to such a review in this consultation.

**6. Do you consider that a banded model for infrastructure costs is a credible way to determine an annual fee? Please give your reasons.**

**YES**

We consider a banded model a fairer and more credible way to determine an annual fee.

The government's impact assessment made clear that fees for regulation should take account of provider size, and only a banded or per-student model could adequately do so. Banded or per-student fees would also make QAA more accountable for their overall cost, as each provider would pay a more proportionate fee and thus see the same benefit should overall costs be reduced. In a flat-rate model, the difference a reduction in the annual provider fee would make as a proportion of overall operating costs would vary greatly between the smallest and largest providers, reducing the incentive of the largest providers to hold QAA to account for its costs.

However, the banding proposed still has significant disadvantages to new and micro providers. This model not only puts the burden of cost on student tuition fees and therefore students, but also hinders the diversity of the sector as micro and new providers are having to use fee money to cover regulator costs at a greater impact than large providers. This goes against the principles set out in HERA of encouraging and supporting diversity in higher education and offering innovation and choice for students.

We propose that in addition to a banded fee model, QAA implement a micro-provider subsidy similar to that which OfS and the government have implemented for OfS fees. The government's own impact assessment indicated that the number of micro providers would be fewer than 10, based on those currently designated for student loans. The cost of a micro-provider subsidy would be minimal compared to the benefit to the students attending those institutions.

7. **The proposed banded-fee model has thirteen bands. This reflects the banding model we expect to be used for the OfS's registration fee. If QAA adopts a banded model, do you agree with these proposed bands? Would you have a different banding structure? Please explain what this would be and your reasons.**

**YES**

If QAA as DQB is to mirror the banding from OfS, then they should also mirror the new provider and micro provider subsidies. This will support new entrants into the sector and increase the diversity and choice for students. It also encourages specialist providers, often micro providers, to maintain their innovative approaches to teaching and their industry-led pedagogy which are not common practice in larger multi-faculty universities due to the cost of delivery at higher numbers of students.

However, we maintain that the fairest and most transparent way to set the costs for regulation for all higher education providers if by setting a per-student fee, using the student calculations of the OfS, in order for the burden of cost to be shared equally and fairly across all students. Bandings which do not treat students equally disadvantage those students who choose to study at small providers, often with innovative and industry-led learning which is specific to the needs of particular student groups. A per-student fee would align QAA with the principles of diversity and student choice that HERA has enshrined in the new HE regulatory system.

In a banded model, however, we would recommend that QAA adopt an approach which removes the cliff-edge effect, where a provider at the bottom of a band is significantly more disadvantaged than a provider at the top. We suggest using a model which uses a per-student fee when a provider goes up a band by less than 10% of the range. For example, a provider with 1025 students would remain in the lower band and pay an additional per-student fee for 24 students until they reached 1051 students, where they would pay the full cost of the band. This is a model used by UCAS and HESA in the past to ensure providers are not disproportionally impacted by changes in bands. If QAA is unwilling to implement a per-student fee model, this option would at least ensure that providers are not discouraged from growing by the perverse incentive of a cliff edge.

8. **If QAA adopts a banded-fee model, do you agree with an incremental increase between bands of 15 per cent? If your answer is 'no', please tell us what percentage increment you would prefer. Please explain your reasons.**

NO

If incremental increases are to be used, then we believe that the incremental points should be at least 25%, mirroring the OfS registration fees model. QAA's proposed 15% banding increments still lead to vast differences in the cost per student ranging from £194 per student to less than £0.65.

The government's own analysis took into account the annual income of HEIs, Further Education Colleges teaching HE, and some Alternative Providers. The 25% model was agreed as it was assessed to lead to a fairer proportion of income being attributed to regulatory cost by provider. The government's impact assessment determined that with the 25% banding no HEI or FEC would be paying more than 0.7% of their income on the OfS fee. While the government has acknowledged some APs would be paying between 1-7% of their income on an OfS fee with the 25% banding, 70% of these are expected to receive a micro-provider subsidy, reducing or removing this fee. QAA has not provided any reduction or exemptions for micro providers within the proposed model.

As highlighted in our answer to Question 9, providers in the smallest band would be paying between 2-3% of every student's fee on QAA alone, while providers in the largest band would be paying 0.01% of every students fee. The government's impact assessment also stressed the need for the bands to "minimise distortion of competition within the sector." With OfS requiring providers to make mandatory value-for-money statements, competition can be impacted if the overall cost per student is disproportionally greater at smaller institutions as more money is diverted away from the student experience. If the government's impact statement on OfS fees suggests that a higher percentage between bands is necessary to meet the principles set out in HERA of diversity, student choice and reducing regulatory burden, QAA must change its proposed banding to reflect this. The consultation presented no analysis of the impact of the proposed bands by provide income, which was clearly presented in the government's consultation.

Banded fees will by nature increase parity between providers in terms of how they access the regulated HE sector. QAA should seek to support providers to join regulation, not force them out with disproportionate fees. The bar has clearly been set by OfS at 25% and no justification has been provided in the consultation by QAA that they have information which challenges this assertion.

QAA's proposed banding model also shows significant difference between those at the top of the band and those at the bottom. The cliff-edge approach to banding results in providers being cautious to grow for fear of significant additional costs. We urge QAA to consider an approach similar to UCAS and HESA which allows for a level of per-student cost between bands.

9. **Do you have any comments about the proposed indicative annual fee under the banded-fee model as set out in Table 2?**

| | Proposed QAA fees | Cost per student (MEDIAN) | % of Approved fee (£6k) | % of Approved (fee cap) fee (£9k) |
|---|---|---|---|---|
| 0-25 | 2425 | 194 | 3.2333 | 2.1556 |

| | | | | |
|---|---|---|---|---|
| 26-50 | 2789 | 73.39 | 1.2232 | 0.8155 |
| 51-75 | 3207 | 50.90 | 0.8484 | 0.5656 |
| 76-100 | 3688 | 41.91 | 0.6985 | 0.4657 |
| 101-300 | 4241 | 21.15 | 0.3525 | 0.2350 |
| 301-500 | 4878 | 12.18 | 0.2030 | 0.1353 |
| 501-1000 | 5609 | 7.47 | 0.1246 | 0.0830 |
| 1001-1500 | 6451 | 5.16 | 0.0860 | 0.0573 |
| 1501-2500 | 7418 | 3.71 | 0.0618 | 0.0412 |
| 2501-5000 | 8531 | 2.27 | 0.0379 | 0.0253 |
| 5001-10000 | 9810 | 1.31 | 0.0218 | 0.0145 |
| 10001-20000 | 11282 | 0.75 | 0.0125 | 0.0084 |
| >20000 | 12974 | | 0.0108 | 0.0072 |

As the table above shows that the cost per student, taking the median student of each band, the cost per student ranges from £194 to £0.65 (using 20,000 for the last band). This clearly does not support value for money or the HERA principles related to diversity and student choice. It is also an anti-competitive model as the cost of regulation for some providers rises to 10% of their overall income when combined with the OfS fee. The percentage of the DQB infrastructure cost of a student's tuition fee ranges from 3.23% of the total tuition fee (Approved fee-loan limit of £6000) to 0.01% of the total tuition fee (Approved (fee cap) non-TEF limit of £9000). These figures once again show the unfairness of the proposed model on students at small and micro providers. It is even more stark in the Approved category as any cost above the fee-loan limit but be paid upfront by the student.

10. **Do you prefer a) a flat-fee model in which each provider pays the same, or b) a banded-fee model in which a provider's student numbers determine the fee paid? What are your reasons for this?**

**Banded**

When asked to choose between the two models, IHE members have consistently supported banded-fee models based on student numbers. However, most feel that a per-student fee is still the fairest and most transparent option to ensure that regulatory fees adhere to the principles set out in HERA.

We believe that given the two options a banded fee model is the only model which meets the principles of HERA and the conditions to which QAA must meet as outlined in the Designation Agreement. We agree with the assurances given in the Designation Agreement that QAA must have the same responsibility to assure student choice, diversity of provision, and promote fair competition as OfS. QAA must also ensure that it does not impose unnecessary regulatory burden as a condition of HERA as outlined by both the Government's impact assessment and the Designation Agreement.

11. **If QAA adopts a banded model, do you agree that fees should be calculated on the basis of students' intensity of study and on the same basis as for the OfS's registration fee?**

**YES**

Our members have been very clear that if HE regulation is to be streamlined into a single regulatory system, all bodies in that regulatory system must use the same definition of a student. In the past we have experienced considerable challenges where data is collected by different bodies, processed in different ways to determine student numbers, and policy has then been applied based on these different student numbers. OfS should make clear which students it considers higher education and therefore within its current purview to regulate. The number of students should be calculated using returns from the designated data body – HESA, and this figure forms the basis for any banding by QAA. In the first year data already submitted to HESA should be used and no further data collection should be done by QAA for this year or in the future. If HESA data is not available for a provider, OfS should provide this information to QAA using the current HESA methodology to ensure it is comparable.

QAA should ensure that it:

- Uses the same definition of a higher education student as OfS (FHEQ 4+) including level of study and delivery model
- Uses StuLoad as the basis for FTE
- Bases fee bands on HESA data only as the centralised source of student number calculations and does not collect any further student data from providers.

We also agree that student numbers for those studying outside the UK should not be used as this data is not yet reliable or properly understood, and nor is the impact of these students on the regulatory functions of a provider.

12. **Would delayed payment terms for the first year that an annual DQB fee for infrastructure costs is charged (from 1 April 2019) be helpful? If yes, please use the free text section to indicate what you would consider helpful.**

**YES**

As the consultation has rightly pointed out, independent providers of higher education are already paying QAA for its part in their regulation by either DfE or the Home Office until 31 July 2019. Any fee charged by QAA **must not commence** until 1 August 2019 when their role as DQB formally begins as outlined in the transition documents (Regulatory Advice 2; Regulatory Advice 3) published by OfS and the government. Any attempt to do so would be viewed as double charging by QAA for the same services. While we understand that some providers are currently subscribers to QAA and thus contributing to QAA's infrastructure costs in a different way, as has been mentioned above previous review costs consisted of both infrastructure costs and the cost of the review and so any attempt to charge independent providers for this again would be to duplicate payment.

This should also be the model moving forward, that if a provider joins OfS part-way through a year, they should pay a proportionate fee for that period. As the consultation outlines, annual fees, in whichever guise they are charged, are based on an overall operating budget needed to support statutory duties which is then divided by the number of providers paying the fee (in either a banded or flat-fee model). This means any new provider charges are in addition to the budgeted allowance and would only add to the QAA's surplus on statutory activity, which by the provisions of HERA would then need to be deducted from the overall statutory budget from the following year. There is no justification for charging a full year's fee to providers who join within a year and we are disappointed that the consultation has not addressed this directly.

We also recommend that QAA should explore a new provider subsidy following the same formula as OfS: DQB fee x 0.25 for the first year, DQB fee x 0.5 for the second year, DQB fee x 0.75 for the third year and just the standard DQB fee for the fourth year and onwards. New providers will already be paying additional costs to QAA for their QSR. By providing such a discount QAA would be meeting the principle of supporting new entrants as set out by HERA.

We reiterate our call for the introduction of a micro-provider exemption, mirroring the OfS registration fees. This exemption helps micro providers compete on a more level playing field with their larger peers in the sector. We recommend using the same criteria as OfS for this exemption of a provider of 300 students or less and reaching the requirements of the Companies Act 2006 of financial definitions of a micro organisation.