



Department
for Education

Office for Students: registration fees (stage 2)

Government consultation response

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Introduction

The government set out its plans for the new regulator of Higher Education (HE), the Office for Students (OfS), in its white paper, '[Success as a Knowledge Economy: Teaching Excellence, Social Mobility and Student Choice](#)' (May 2016), including that the OfS would be primarily funded by registration fees charged to the registered providers that it will regulate. Accordingly, the Higher Education and Research Act 2017 (HERA) includes powers for the OfS to charge registration fees, in line with regulations made by the Secretary of State. On 19 October 2017, the government launched its second stage of the consultation on the model of the registration fees that registered HE providers will pay which closed on 22 December 2017, [Office for Students: registration fees \(Stage 2\)](#). The stage 2 consultation was built upon principles and proposals put forward in the stage 1 consultation, '[Office for Students: registration fees and other fees](#)', informed by responses to that consultation.

The primary aim of the OfS is to deliver positive outcomes for students, as outlined in the consultation on the regulatory framework, that ran in parallel, '[Securing student success: risk-based regulation for teaching excellence, social mobility and informed choice in higher education](#)'. As such, it was proposed that payment of registration fees would be a condition of registration, from the start of the academic year 2019/20, when the regulatory framework will become fully operational. This approach ensures that the OfS has a sustainable and predictable income to perform its regulatory functions in the interest of students. Further, the move to a registration fee funded model aligns with the financing model of other regulators.

The consultation asked for views on the following proposals:

- a registration fee model based on provider size and registration category for providers in the Approved and Approved (fee cap) categories, with Registered Basic providers paying a flat rate annual registration fee
- provider size calculated on the basis of full-time equivalent (FTE) HE student numbers
- a banding model and percentage distribution of fees between bands
- a partial government subsidy for providers new to the Approved and Approved (fee cap) categories, in their first three years of paying fees
- a review of the preferred model after two years of its operation, that incorporates sector views

The consultation also asked for views on:

- an alternative fee model that incorporates a measure of regulatory effort, as well as provider size and registration category, that the OfS could move towards after the proposed two year review

This document summarises the responses to the consultation and outlines the government's response to the issues raised.

This second stage consultation built upon the proposals made in the first stage consultation, taking into account the views we received on the high-level principles and proposals put forward. Those responses may be viewed in annex A of [the second stage consultation document](#).

The legal framework that underpins the registration fee regime is outlined on pages 10-11 of the stage 2 consultation document.

Summary of changes and decisions

Following consideration of the consultation responses, the government has decided to make changes to our proposals in a few areas. This table summarises those alongside the areas where no changes are being proposed. The rationale for our approach is in the main body of the response.

Proposal	Summary of change or decision
Q1. Registered Basic providers	Following proposals included Regulatory Framework, published by the OfS, there will no longer be a Registered Basic category
Q2. Varying the registration fee by size for providers in the Approved categories	The government has decided not to amend this proposal and can confirm that registration fees for Approved and Approved (fee cap) providers will be varied by their size.
Q3. Measuring the size of providers in the Approved categories by their FTE HE student numbers	The government has decided not to amend this proposal and can confirm that the size of Approved and Approved (fee cap) providers will be measured by their FTE HE student numbers
Q4. Proposed banding model to group providers in the Approved categories by their size	The government has decided to change the proposed fee bands, so that there is more granularity in the smaller bands. The rationale behind this change can be seen in the government's response to questions 4 and 5.
Q5. Proposed percentage distribution of costs between size bands	The government has decided to change the proposed distribution of costs between size bands, so that the costs in the smaller bands are more affordable. The rationale behind this change can be seen in the government's response to questions 4 and 5. Note that the revised indicative fee bands shown in the response to 4 and 5 are contingent on the final budget of the OfS and updates to the forecasts on the number of providers that would be expected to register.
Q6. Future fee model reflecting in part the regulatory effort associated with a provider	The government can confirm its proposal to review the fee model after two years of its operation. At that time, and in consultation with the sector, the government will determine if a fee model based on a proxy for regulatory effort is practicable or whether any other amendment to the fee model is necessary. The rationale behind this decision can be seen in the government's response to question 6.
Q7. Proposed discount for new providers in the Approved categories, in their first three years of paying registration fees	The government has decided not to amend this proposal and can confirm its proposal to discount fees for new providers to the Approved categories, in their first three years of paying registration fees. However, the government has decided to add criteria to the new provider subsidy. The rationale behind this decision can be seen in the government's response to question 7.
Other	The government has decided to introduce a registration fee subsidy for micro providers, the details of which can be seen in the government's response to question 8.

Table 1: summary of changes and decisions

Summary of responses received

In total, the government received 157 responses to the consultation, from a cross-section of the sector, including HEFCE-funded providers; Alternative Providers; Further Education Colleges (FECs) delivering HE; and, mission and representative associations representing groups of providers. Responses were also received from charities and social enterprises, legal representatives, a student representative body, and an individual. A list of respondents, excluding those who requested confidentiality, can be seen in annex A.

Type of respondent	Number	Percentage (rounded)
Publically funded higher education providers	66	42%
Alternative providers (with designated courses)	35	22%
FECs	25	16%
Alternative providers (no designated course)	12	8%
Representative organisations, businesses and trade bodies	11	7%
Charities and social enterprises	2	1%
Individuals (non-student)	1	<1%
Legal representatives	1	<1%
Body representing students	1	<1%
Other	3	2%

Table 2: Breakdown of respondents by type

Stakeholder events

While the consultation was live, DfE held a number of events jointly with the OfS to explore consultation policies and proposals in greater detail with stakeholders. Five events took place in total, hosted by Birmingham University, London Institute of Banking and Finance (two sessions), Bournemouth University, and Manchester Metropolitan University. Vice-Chancellors and Chief Executives from all HE providers across England, including HEIs, Alternative Providers and FE colleges, were invited and asked to attend with a student representative to encourage diversity of views. The events were very well attended by a good cross-section of providers and supporting organisations, with over 260 attendees in total. Notes were taken throughout the discussions and later informed our analysis and policy development, in conjunction with the responses submitted formally, although they are not captured explicitly in the following document.

Other responses

7 respondents to the parallel consultation on the regulatory framework expressed views on the detail of the registration fee model. Whilst these responses have not been considered in the quantitative analysis, their views have been reflected in the qualitative analysis, where relevant.

Question analysis

There was some duplication across responses to some of the questions, with respondents often repeating similar points in their answers. The following analysis therefore covers the points made under the most appropriate question heading, cross-referring to other questions where necessary.

Summary of responses

This document includes both the statistical analysis of each question and a summary of the substantive themes raised in response. While all formal responses were considered and reflected in the quantitative analysis, the qualitative analysis seeks to capture the substantive themes arising from responses. The percentages reported relate to the number of responses to individual questions, rather than the number of responses to the consultation in total. The headline responses to consultation questions are:

- 60% of respondents confirmed their support for charging Registered Basic providers a flat rate annual registration fee, noting that this approach is likely to be broadly proportionate to the lower level of regulatory effort that the OfS will expend in regulating such providers and would be administratively efficient. Those that disagreed tended to do so on the basis that Registered Basic providers should be subject to more conditions of regulation and should therefore be liable to pay a higher fee, varied by size, risk or regulatory effort. A number of respondents who agreed with the principle of charging a flat rate annual registration fee agreed that additional conditions should be added and that the flat rate should be higher than the £1,000 indicative registration fee included in the consultation.
- 62% of respondents confirmed their support for charging Approved and Approved (fee cap) providers an annual registration fee varied by their size, noting that this approach would help ensure affordability within the fee regime. Those that disagreed tended to do so on the basis that size may not directly correlate to the risk that a provider represents or the regulatory effort expended on an individual provider.
- 68% of respondents confirmed their support for measuring the size of Approved and Approved (fee cap) providers by their full-time equivalent (FTE) HE student numbers, on the basis that this would not risk creating a disincentive to offer part-

time provision and would more closely reflect a provider's income from HE. Those that disagreed tended to do so on the basis that they do not support a size-based model.

- 31% of respondents confirmed their support for the proposed banding model to group Approved and Approved (fee cap) providers by their size. However, 48% did not support the banding model and 29% were not sure; this tended to be on the basis that the banding in our proposals may disproportionately burden smaller providers and should increase more granularity in the bands. A smaller number of respondents called for wider and fewer bands, reflecting that size may not correlate to risk or the regulatory effort expended on an individual provider.
- 18% of respondents confirmed their support for the proposed percentage distribution of costs between size bands. However, 64% did not and 13% were not sure; responses tended to echo those given in response to the proposed banding model.
- 38% of respondents confirmed their support for setting registration fees in the future to reflect the regulatory effort associated with individual providers, stating that this would more fairly distribute the costs of regulation across the sector and would more fairly reflect the regulatory risk of a provider within a risk based regulatory framework. However, 31% did not and 27% were unsure; this was mostly on the basis that a regulatory effort based model might burden smaller providers or introduce opaqueness into the fee regime. The perceived advantages and disadvantages may be seen in the section on question 6.
- 24% of respondents confirmed their support for the principle of a discount for new providers entering either of the Approved categories in their first three years of paying registration fees, stating that this would incentivise entry to the market and ease barriers of entry. Those that disagreed tended to do so on the basis that the fees are designed to protect smaller providers and thus new providers, which are likely to be small, are already protected. Others were concerned that this approach would not be fair, and that newer providers would be subject to more regulation and should therefore contribute towards the costs.

Overarching themes

A number of themes arose throughout consultation and in response to question 8, that more broadly conveyed the views of the sector in relation to the proposals made for the registration fee model. Largely, such themes echoed those submitted in response to the first stage registration fees consultation and are summarised below:

- there was no one clear message from the responses to the consultation. Often themes to the responses tended to be grouped depending on the size of the respondent or the institutions that a respondent represents

- many larger and established providers, along with their representative bodies, tended to express concerns that the proposed model may result in the fees of larger, lower risk providers subsidising the registration fees of smaller, higher risk providers. Such providers tended to argue for a more risk-based approach to charging fees
- many smaller, newer and more specialist providers, including some Further Education Colleges (FEC) delivering HE, tended to express the importance of ensuring that fees are proportionate and affordable for smaller providers ensuring that they are not forced out of the market because of registration fees. Such providers argued that reflecting the size of a provider in the model, and a reasonable percentage distribution of costs across the proposed fee bands would be important in ensuring that such providers would be able to continue to deliver HE, in the interests of students, widening participation and diversity of provision
- as in the responses to the first stage consultation, respondents raised the need for the OfS to operate transparently, efficiently and with regard to cost control in order to deliver value for money for students, providers and the taxpayer. Such responses often called for formal mechanisms for providers and students to hold the regulator to account for its efficiency and value for money. Many providers argued that registration fees should be viewed from the perspective of the students whose tuition fees are likely to be used to pay them

Question 1

Do you support the proposal to charge Registered Basic providers a flat rate annual registration fee?

	Total	Percent
Responses	155	99%
Yes	94	60%
No	35	22%
Not sure	26	17%

Qualitative analysis

The majority of respondents supported the proposal to charge Registered Basic providers a flat rate annual registration fee, largely on the basis that it would be the most efficient way of administering fees for a basic level of regulation that focuses on confirming that provision is at HE level. Respondents noted the lack of risk presented by Registered Basic providers to the public purse as a reason for a lower fee whilst some noted that Registered Basic providers will not be required to submit the same data returns as providers in the Approved categories and that their fees should not therefore be varied by size. A few remarked that the registration fee should be kept as low as possible for Registered Basic providers in order to encourage their entry to the regulated sector and to encourage their participation in the market.

However, the proposal was not universally supported, with some respondents proposing that the fee for Registered Basic providers should be varied by risk, regulatory effort, or size. Those that argued for a risk or regulatory effort varied fee tended to do so on the basis that they felt that the fee regime as a whole should be based on risk and regulatory effort and that this would minimise cross-subsidy between the fees of different providers. Those who argued for the fee to vary by size tended to do so for different reasons; some argued that a flat rate might disadvantage smaller providers whilst others commented that larger Registered Basic providers should pay a bigger fee.

A number of those who did not support, or were not sure whether they supported the proposal, as well as some who did support it, tended to indicate that they were not clear about the responsibilities and benefits of the Registered Basic category. Such respondents often felt that the category did not guarantee enough protection, or quality, for students and as such, there should be additional conditions of registration applied to this category.

Respondents who called for greater regulation of Registered Basic providers, as well as some who did not, and across both respondents who were supportive and unsupportive of a flat rate, often called for the fee, to be higher than the indicative amount of £1,000.

Over a fifth of respondents suggested that the fee should be increased in line with additional regulation for the category, in recognition that providers would be entering into a prestigious sector, or because the indicative fee for Registered Basic providers was disproportionately small when compared to the lowest banded fee for providers in the Approved categories.

Government response

Following proposals included in the Regulatory Framework published by the OfS, there will no longer be a Registered Basic category. Therefore this question is no longer applicable.

Given the small size of the original proposals of the registered basic category, this has a negligible impact on the fee bands for the Approved and Approved (fee cap) categories.

Question 2

Do you support the proposal to charge Approved and Approved (fee cap) providers an annual registration fee by their size?

	Total	Percent
Responses	154	98%
Yes	98	62%
No	33	21%
Not sure	23	15%

Qualitative analysis

The majority of respondents supported the proposal to charge Approved and Approved (fee cap) providers an annual registration fee by their size. A further seven respondents who indicated that they did not support the proposal, or were not sure, indicated that they supported the principle but not the proposed banding model and distribution of costs across those bands. Respondents who agreed with the proposal tended to do so on the basis that the size of a provider would broadly reflect their income and therefore their ability to pay. Many suggested that the registration fee should be viewed from the perspective of the student whose tuition fees are likely to pay for, or contribute to, the costs of paying registration fees.

Respondents who did not support the proposal tended to argue for a model either wholly based on, or including, the following:

- risk
- regulatory effort
- a flat rate
- a fixed amount plus a measure of FTE HE student numbers and/or risk or regulatory effort

Such respondents posited that that risk or regulatory effort would more fairly reflect the risk based regulatory framework that the government has proposed to implement. Those who argued for a flat rate model argued that there may be little link between size and the cost of regulation, and that a flat rate would therefore be preferable. Respondents who called for a fixed amount to be included in the model suggested that there is likely to be a fixed cost associated with the regulation of any provider in either of the Approved categories.

Government response

The government has already committed to taking the size of a provider into account in the registration fee model. The majority of respondents supported this commitment. Although a number of respondents proposed other methods for varying the registration fee, the government considers that size offers the most objective, transparent and simple measure, that can be applied efficiently and consistently across all types of provider. Further, it is a measure used commonly to vary fees for regulators in other sectors.

Providers in the Approved categories will have to comply with a common set of registration conditions that seek to mitigate risks against the OfS objectives. Providers in the Approved (fee cap) category will be subject to additional access and participation requirements associated with the fee cap, but will otherwise be subject to the same baseline level of regulation. In light of the similarity in regulation and to realise administrative efficiency, we can confirm that there will not be a fee differential between Approved and Approved (fee cap).

Question 3

Do you support the proposal to measure the size of Approved and Approved (fee cap) providers for the purposes of calculating their annual registration fee on the basis of their full-time equivalent (FTE) HE student numbers?

	Total	Percent
Responses	149	95%
Yes	107	68%
No	21	13%
Not sure	21	13%

Qualitative analysis

The majority of respondents supported the proposal to measure the size of Approved and Approved (fee cap) providers for the purposes of their registration fee on the basis of their FTE HE student numbers. A number of respondents who indicated that they did not support the proposal, or were not sure if they supported the proposal, indicated that although they did not support a size based fee model, they supported the FTE count if a size based model were to be implemented. Those who agreed tended to do so on the basis that an FTE count would not unfairly penalise providers with a high proportion of part-time students and because it would be a closer reflection of both the level of resource expended on a student and income from tuition fees. Those who agreed often also called for the FTE count to protect other diverse modes of HE provision and to reflect the total number of students in an academic year, rather than newly registered students.

Those that disagreed tended to do so on the basis that they did not support a size based system, and would generally prefer the immediate implementation of a risk-based model, echoing responses to the previous question. Some also called for size to be measured by income, or relevant income, in order to reflect affordability more closely.

Government response

Based on responses to the first stage consultation, the government proposed to measure the size of a provider by its FTE HE student numbers. Responses to this second stage consultation largely support this view. They confirm that using an FTE measure would not unfairly burden providers offering a greater amount of part-time provision, as it would reflect the lower level of income from tuition fees received from part-time students. Although a number of respondents proposed alternative measures of the size of a provider, we consider that FTE HE student numbers correlates to affordability and can also be measured transparently and consistently across all types of provider. We will therefore be measuring the size of providers by their FTE HE student numbers.

We can confirm that the FTE HE figure will be taken from the latest data collected by the Designated Data Body at the point that a provider is invoiced for their annual registration fee, and will include all HE students, including undergraduate, postgraduate, home, EU and international, all of whom will benefit from the sound regulation of the sector.

We can confirm that, to ensure predictability and sustainability for both the OfS and for providers, registration fees will not be subject to in-year adjustments, regardless of changes in the size of student cohorts which may see some providers move into a higher size band. Such changes will not be considered until the year, when the subsequent registration fee is charged.

For providers entirely new to the market that won't have actual student number data at their point of notification of fees, the OfS will use estimates provided to the Designated Data Body for their initial year of registration. In these circumstances, if student numbers differ significantly from those forecasted, the OfS may seek to recover the difference.

The FTE count will be taken from data collected by the Designated Data Body. Further guidance will be issued on how students studying under diverse modes of provision will be counted in this measure.

Questions 4 and 5

Questions 4 and 5 both considered the proposed banding model to group and allocate fee levels to Approved and Approved (fee cap) providers. Answers were very similar across these questions, and we have therefore grouped their qualitative analysis.

Do you support the proposed banding model to group Approved and Approved (fee cap) providers by their size?

	Total	Percent
Responses	149	95%
Yes	48	31%
No	72	46%
Not sure	29	18%

Q5. Do you support the proposed percentage distribution of costs between size bands?

	Total	Percent
Responses	149	95%
Yes	28	18%
No	100	64%
Not sure	21	13%

Qualitative analysis

The majority of respondents did not support the proposed banding model to group Approved and Approved (fee cap) providers by their size, or the percentage distribution of costs between size bands. However, the reasons for that disagreement varied between responses. Those who agreed with the banding model tended to do so on the basis that they considered bands to be a more efficient way of predicting and calculating registration fees. Those who agreed with the percentage distribution of costs between the size bands tended to do so on the basis that they would be suitable until the proposed review of the model to include a proxy for regulatory effort.

Those who disagreed with both questions, tended to do so on the basis that the proposed banding model and distribution of costs would penalise or may be unaffordable for smaller providers; indeed, over 40% of respondents to each question indicated that the proposed model would be unfair for small providers with many calling for greater granularity in the fee bands and a smaller percentage of the cost distribution at the lower end of the bands, and for a lower starting point altogether. A number of respondents to questions 4 and 5 also indicated that the jump between the proposed bands would likely create a 'cliff-edge' effect which may affect recruitment behaviours that elevate a provider into the next band, thereby deterring expansion and potentially negatively affecting widening participation. Respondents were particularly concerned that the registration fee, when divided by the number of students registered at a provider, is significantly higher at the lower end of the proposed bands than at the higher. Respondents suggested that this would cause smaller providers to divert proportionally more funding derived from tuition fees towards paying OfS registration fees than their larger counterparts. Some called for a per capita student count, rather than a banded approach.

Conversely, a smaller number respondents expressed a lack of support for the banding model and distribution of costs between the bands on the basis that they did not support a size based model as they felt that size would not fairly reflect the regulation to which an individual provider would be subject, echoing responses given to questions 2 and 3; such responses, again, called for the model to incorporate risk or regulatory effort immediately.

Government response

The government proposed that providers in the Approved and Approved (fee cap) categories would be placed in different fee bands, based on ranges of FTE HE student numbers. This proposal is aimed to ensure administrative efficiency within the fee model and to provide some level of certainty or predictability for providers as to the level of their fees and the OfS as to its income. This approach was supported by the consultation responses and we can therefore confirm that we will be grouping providers into bands by their size.

However, in response to the significant number of respondents who were concerned about the impact of the proposed model on smaller providers (as measured by FTE) we have decided to make two changes:

- firstly, we will establish more granularity in the smaller bands
- secondly, we have also decided to amend the percentage distribution of costs across the different bands so that a lower proportion falls on smaller providers. This addresses the significant number of responses to this question that indicated that the per capita charge for smaller providers is higher than that for larger providers, and is in line with government priorities that the HE market should be open to all types of provider, to encourage competition and choice for students. This will introduce smaller fees for the smallest institutions, thereby facilitating entry to and participation in the market

The final banding model and distribution of costs can be seen in the section ‘Latest size bands and indicative fee amounts’. It should be noted that the fee amounts have been updated but remain indicative at this point.

Latest size bands and indicative fee amounts for Approved and Approved (fee cap) providers

	FTE band	% increase between bands	Indicative fee amounts
A	Up to 25	-	£10,400
B	26 - 50	25.0%	£13,000
C	51 - 75	25.1%	£16,300
D	76 - 100	25.2%	£20,400
G	101-300	25.3%	£25,500
H	301-500	25.3%	£32,000
J	501-1000	25.4%	£40,100
K	1001-1500	25.5%	£50,300
L	1501-2500	25.6%	£63,200
M	2501-5000	25.7%	£79,400
N	5001-10,000	25.8%	£99,900
O	10,001-20,000	25.8%	£125,700
P	20,001+	25.9%	£158,200

Table 3: updated indicative fee bands

Based on feedback received in response to the consultation, we can confirm that providers will be grouped by the above size bands.

The fee amounts included in this table are indicative and should not be read as final fee amounts. They are based on a number of assumptions explained in the detailed impact assessment that accompanied the consultation. Subject to agreement with HM Treasury, the final fee amounts to be charged from the start of the academic year 19/20, will depend on a number of assumptions, including the final OfS operating budget and the latest forecast of providers expected to register.

Question 6

Do you support the idea of setting registration fees in the future to reflect the regulatory effort associated with the provider? What do you see as the advantages and disadvantages of this model compared with the proposed fee model?

	Total	Percent
Responses	151	96%
Yes	60	38%
No	48	31%
Not sure	43	27%

Qualitative analysis

There was marginally greater support for the proposal to set registration fees in the future to reflect the regulatory effort associated with the provider in question, though many respondents did not support the proposal or were not sure. This was reflected in the diversity of responses which generally acknowledged that there were both advantages and disadvantages to reflecting regulatory costs within the registration fee model that may affect small, new, well-established and large providers differently.

The following advantages and disadvantages of a model that reflects the regulatory effort associated with an individual provider were the most prevalent.

Advantages:

- such a model would be fairer for 'low-burden' providers who would be charged lower fees
- such a model would reward high-quality and high-compliance, on the assumption that quality is linked to risk
- such a model would encourage regulatory compliance

- such a model would limit cross-subsidy between the fees of large, small, high-risk and low-risk providers

Disadvantages:

- such a model could cause costs to become unaffordable for smaller providers
- such a model could cause undue financial strain on a provider already managing with increased regulatory burden
- such a model could be complex, either to design, administer or understand, which some noted would also cause marginally higher administration costs to be passed on through registration fees
- such a model could cause unpredictability for providers in terms of their year-on-year fee amounts and for the OfS in terms of its income
- such a model could cause fees to be higher for new entrants, thus deterring their entry to the market
- risk assessments could be subjective and, therefore, risk lack of transparency

A number of other recurring comments were made about the design and implementation of a model that incorporated regulatory effort, including that:

- the OfS should implement such a model from the outset, or after the initial year of registration fees
- any proxy for regulatory effort must be based on a transparent risk assessment
- risk may not derive from a provider itself, but from changes to wider political and economic landscape, for example, Britain's exit from the European Union

Government response

The government considers that a review of the preferred model after two years of its operation is a sensible approach to assessing its suitability in recovering the operating costs of the OfS in a fair yet administratively sensible way, that provides a sustainable and predictable income for the regulator. The government will engage the sector further at that time, to determine if it is suitable for the model to incorporate a measure of regulatory effort or, indeed, if any other amendments to the model are necessary, in light of a number of responses that considered a regulatory effort or blended approach more suitable. The Department for Education will consider the responses to this consultation and engage the sector further in developing its plans for the review and will set out those plans in due course.

Question 7

Do you support the principle of a proposed discount for new providers in their first 3 years of paying registration fees?

	Total	Percent
Responses	149	95%
Yes	37	24%
No	75	48%
Not sure	37	24%

Qualitative analysis

There was little unreserved support for the proposal for government to subsidise the registration fees of new providers joining the register in either the Approved or Approved (fee cap) categories. Those who agreed tended to do so on the basis that a subsidy would encourage new entrants to the market and ease the burden for providers newly joining the Approved categories. Respondents suggested that a subsidy would make the fee more affordable for newer providers which would likely be small.

Some providers agreed on the basis that a government subsidy would limit cross-subsidy between the fees of incumbent registered providers and new registrants, sometimes calling for government to fully subsidise those fees, with many explicitly calling for the subsidy to be provided from central government funds.

A number of respondents that disagreed did so on the basis that their registration fees should not subsidise the fees of a new registrant. However, the government is proposing to subsidise the registration fees of new entrants from central government funds, rather than from OfS income.

There were a range of concerns raised by respondents who disagreed with the proposal and by respondents more broadly, such as:

- some respondents stated that the proposed new provider subsidy would be unfair to incumbent providers and anti-competitive, running counter to the government's intention to level the playing field
- some respondents did not think that there was a clear rationale for subsidising new entrants; they often argued that new entrants are likely to be small and are therefore already sufficiently protected by the size based model and, if not small, would be likely to be able to afford the full registration fee

- some respondents opined that greater regulatory effort would likely be required in the early days of registration and that new providers should therefore contribute fairly towards the additional regulatory costs
- a small number of respondents suggested that there may be better uses of public money, such as activities to widening access and participation
- some respondents raised concerns that providers that are not wholly new to the sector, but established overseas for example, would be eligible for such a subsidy
- some respondents raised concerns that a subsidy for new providers would allow entry to the regulated sector to financially unsustainable providers, to the detriment of the sector's reputation and its students; they often argued that new providers should have sufficiently robust business plans to ensure that they can bear the costs of the full registration fee

Some respondents suggested amending the detail of the proposal to:

- introduce a size criteria, measured by either FTE numbers, or income i.e. providers breaking a certain size or income threshold should not receive the subsidy
- ensure that eligible providers have a proven track record of quality provision
- convert the proposed subsidy to a new provider loan
- taper the level of the subsidy out over the three years of eligibility

Government response

While recognising the opposition amongst well-established providers, the government considers that a discount for new providers would be an appropriate way for ensuring that registration fees are affordable for new providers, thereby helping to realise the government's ambition of expanding access to the HE market to promote competition and increase choice, in the interests of students. The discount will be provided by the government rather than the OfS and so will also reduce cross-subsidy between the registration fees of existing and 'new' providers to the register.

As proposed in the consultation, the discount will apply where a provider has not been previously regulated or funded by HEFCE or the Department for Education, and has not previously been an FEC offering HE. It will apply to previously unregulated providers entering either of the Approved categories.

Whilst registration fees alone are not likely to represent a barrier to entry to the Approved or Approved (fee cap) category, when combined with start up or expansion costs, new providers could face a financial obstacle.

To ensure they are proportionate the discount will apply only in the first three years that an eligible provider is required to pay registration fees, once in the Approved or Approved (fee cap) category. The government considers that after this period, the benefits of being registered in one of the Approved categories, such as access to tuition fee loans for students, would be fully realised and therefore a discount would no longer be necessary or appropriate. We think that the subsidy should prepare new providers for paying full registration fees in their fourth year and so the provider subsidy will be tapered out over the three year eligibility period. Table 4 below, illustrates how this would work. We have also decided that the new provider subsidy will be limited to those providers with 1,000 FTE HE students or fewer which we consider will ensure, on balance, that the new provider subsidy is targeted at smaller providers that are more likely to need it.

Year of fees	Fees charged
Year 1	25% of the fee attached to the relevant fee band
Year 2	50% of the fee attached to the relevant fee band
Year 3	75% of the fee attached to the relevant fee band
Year 4	100% of the fee attached to the relevant fee band

Table 4: operation of the new provider subsidy

Question 8

Please provide any further views you may have on the government’s proposals on registration fee subsidies and exemptions.

A total of 99 respondents left comments in response to question 8 and although many expressed further views on the government’s proposals on registration fee subsidies and exemptions, many respondents used the space as an opportunity to opine on the registration fee model more generally. Those views have been reflected elsewhere in this document.

Analysis

There was no consensus around the government’s proposals on registration fee subsidies and exemptions, though respondents put forward other types of providers they thought ought to be eligible for a registration fee subsidy, the most prevalent of which was for small providers or small providers that haven’t previously been funded by HEFCE. Other recurring suggestions for where the government might provide a registration fee subsidy included:

- providers offering high-cost provision
- providers with a high percentage of widening participation students

- providers contributing to the foundation of OfS principles
- in the event of market exit
- providers with a high percentage of study abroad students

More broadly, a few respondents commented that if the banding was made more reflective of FTE HE student numbers, there may be little need for a new provider subsidy.

Government response

We have considered carefully the additional arguments put forward for other types of subsidy and have proposed that in exceptional circumstances, the very smallest providers where the lowest registration fee band for the Approved categories would be disproportionate to their financial position, will be eligible to apply for a micro provider subsidy. To be eligible to apply for such a subsidy, a provider must meet the following criteria:

- the provider must not be new to the regulated sector and must therefore have previously been funded by HEFCE or regulated by DfE to avoid duplicate benefit from the New Provider Subsidy
- the provider must meet all other conditions of registration, including financial sustainability, before the registration fee is taken into account
- must have 300 students or fewer
- must meet Companies Houses definition for a micro entity¹
- must have a robust business plan that would ensure that it would be able to meet the costs of registration within a given period

The OfS will receive and review the applications of eligible providers. We do not expect the number of providers benefiting from this subsidy to be very large.

¹ To be classified by Companies House as a micro company at least two of the following criteria must be met:

- Turnover must not be more than £632,000
- Balance sheet total must not be more than £316,000
- The average number of employees must not be more than 10

Next steps

Registration fees

The OfS will become operational in April 2018, when it will begin to accept applications to the register. As the new regulatory framework will not be fully operational until 2019 the government has committed to cover the costs of transition, hence providers will not be charged registration fees for 2018/19.

The final fee levels will need to be agreed by regulations in parliament. The final fee bands will be subject to agreement on the final budget for the OfS and updates to the assumptions used in the model, including the number of providers expected to register. Subject to successful passage through Parliament, we envisage notifying the sector of the fee bands in April 2019. We outlined our expectation for how the registration fee model would be practically operated on pages 28 - 29 of the [stage 2 consultation document](#). As outlined in the consultation document, the OfS will officially notify providers of their fees due 30 days in advance of the due date.

Fee increases year on year

We expect that registration fee amounts will be updated in line with budget forecasts of the OfS for the year concerned. We would expect these updates to reflect inflationary uplifts where they have been applied to the budget and likewise, decreases where the budget has been reduced. This would be subject to agreement by HM Treasury and successful passage through Parliament, via the negative resolution procedure.

Other fees

The government proposed in its [stage 1 consultation on](#) fees that it would prescribe 'other fees' for a number of specific activities and services provided by the OfS that will fall outside of the scope of the registration fee. It is envisaged that 'other fees' would be charged for optional activities and services that would not apply routinely to all or most providers. We are unlikely to be able to ascertain the full scope of such activities and services until the OfS is fully operational. Therefore, we do not envisage other fees will be charged for the academic year 2019/20 and the sector will be duly notified if that position changes.

Annex A: List of organisations that responded to the consultation

Anglia Ruskin University

Archbishop's Examination in Theology

Arts University Bournemouth

Askham Bryan College

Association of Colleges

Belfast Bible College

Birkbeck, University of London

Birmingham City University

Birmingham Metropolitan College

Bishop Grosseteste University

Boston College

Bournemouth University

Bradford College

Bridgwater and Taunton College

Bristol Baptist College

Brit College Limited

British Accreditation Council

Brunel University London

Burnley College

Cambridge Arts and Sciences Ltd

Church of England Education Office

City, University of London

Cliff College

Courtauld Institute
De Montfort University
Durham University
Dyson Institute of Engineering and Technology
Edinburgh Theological Seminary
Empire College London
Foundation for International Education
Free Churches Group
Goldsmiths, University of London
GSM London
GuildHE
Harper Adams University
Hartpury College
Havering College of Further and Higher Education
Hereford College of Arts
Imperial College London
Independent Higher Education
Institute of Contemporary Music Performance
Kaplan International Pathways
Keele University
Kensington Education Foundation Ltd T/A Kensington College of Business
Kingston University
KLC School of Design
LAMDA
Lancaster University

Landex Ltd.

Leeds City College

London Metropolitan University

London South Bank University

London Studio Centre

Loughborough University

Luther King House Educational Trust

Management of Small Higher Education Institutions Network (MASHEIN)

Manchester Metropolitan University

Matrix College of Counselling and Psychotherapy

Million Plus

Moorlands College

Myerscough College

Navitas Holdings Ltd

Nazarene Theological College

Nelson and Colne College

Northumbria University

Nottingham Trent University

Oak Hill College

Pearson College Limited trading as Pearson College London

Pinsent Masons LLP

Prince's Foundation for Building Community

Regent College Higher Education

Regent's University London

Richmond, the American International University in London

SAE Education Limited

Sheffield Hallam University

Sotheby's Institute of Art - London

South Devon College

Southampton Solent University

Southport College

Spurgeon's College

St Mellitus College

Sunderland College

The Academy of Contemporary Music

The Arts Educational Schools

The Open University

The Salvation Army (William Booth College)

Tyne Coast College

UCFB

UCL (University College London)

Universities UK

University Alliance

University Centre Peterborough (Peterborough Regional College)

University Centre Sparsholt

University Centre Weston, part of Weston College Group

University for the Creative Arts

University of Bedfordshire

University of Birmingham

University of Brighton

University of Chichester
University of East Anglia
University of East London
University of Edinburgh
University of Hertfordshire
University of Huddersfield
University of Kent
University of Leeds
University of Lincoln
University of London
University of Manchester
University of Nottingham
University of Portsmouth
University of Sheffield
University of St Mark and St John
University of Suffolk
University of Sussex
University of Warwick
University of Winchester
University of Wolverhampton
University of York
Wakefield College
Yeovil College University Centre



Department
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