



The Independent Panel Report to the Review of Post-18 Education and Funding: the Augar Review

Issue

1. The independent panel report to the Review of Post-18 Education and Funding was published on 30 May 2019. The Review was established to report to the Prime Minister, the Treasury and the Department for Education. Given current political uncertainties, it is not known the extent to which the government will implement all or any of its findings.

2. The Review's recommendations seek to create a coherent funding and regulatory model across further and higher education, which, if implemented, would have a substantial direct and indirect impact on students and providers, as well as the OfS and other agencies that regulate and fund post-18 education. This paper provides a short summary of the main findings that have the most relevance to higher education students, and the OfS's strategy and work.

Recommendations

3. The board's reflections on the Review's recommendations are sought, but no decision is required.

Board members' interests

4. Any member of the board with a registered interest in a higher education provider as listed here: <https://www.officeforstudents.org.uk/about/who-we-are/our-board-and-committees/> is considered to have an interest in the contents of this paper.

5. At this early stage of policy development we do not consider it necessary for any board members to recuse themselves from discussion of this paper.

Further information

6. Available from Nicola Dandridge (nicola.dandridge@officeforstudents.org.uk).

Summary of the report

7. The independent panel report of the Review of Post-18 Education and Funding is a substantial document. It makes wide-ranging recommendations relating to post-18 higher education funding and regulation, student tuition fee loans and maintenance, skills, and apprenticeships. This paper provides a short summary of the main recommendations that particularly impact on higher education students and the work of the OfS.

8. These recommendations can be summarised as follows:

- a. **Funding arrangements for higher education students:** it is proposed that students studying for level 4, 5 and 6 qualifications should be able to draw on tuition fee and maintenance funding over a lifetime (where they do not already have a publicly funded degree), at an amount equivalent to four years' full-time undergraduate study (chapter 2, page 40). The tuition fee cap should be reduced from £9250 to £7500, repayable over a longer 40 year time period, capped at 1.2 times the initial loan. Maintenance grants should be reintroduced for socio-economically disadvantaged students at a minimum of £3000 per year (chapter 6, page 193). As from 2021/22, interest on loans while a student is still studying should track and not exceed inflation, with the threshold for repayments set at the level of median non-graduate earnings - likely to be around the current threshold figure of £25,000 by 2021/22 (chapter six, page 171). Students should be able to access funding for high quality credit-based modules, without having to sign up to a full qualification (chapter 2). The funding system should be more accurately re-categorised as the 'Student Contribution System'.
- b. **Funding for equivalent level qualifications ('ELQ') and foundation years:** the rules restricting access to ELQ funding should be abolished for students taking out loans for levels 4,5 and 6 study where they do not already have a publicly funded degree (chapter 2 page 40), and funding for foundation years attached to degree courses should be withdrawn (with exceptions to be determined by the OfS).
- c. **Higher level technical skills:** improving the quality and funding of level 4 and 5 technical skills ('the missing middle') is a priority for the Review. The proposal is for a common tuition fee and maintenance loan system across all level 4, 5 and 6 regulated provision aimed at boosting demand and quality, creating significantly better funding for further education colleges, and greater equity between the levels making it easier to navigate from the learner's perspective. From 2021-22 it is proposed that the fee cap for level 4/5 provision should be the same as level 6, at £7500. Longer term, a kite-marking scheme would be developed which would allow access to additional teaching grant for level 4/5 provision. The OfS should be the regulator for all non-apprenticeship level 4/5 provision (chapter 2, page 45), bringing higher education provision in further education colleges more explicitly within the OfS's regulatory remit.
- d. **Streamlining regulatory requirements:** the report recommends that the OfS and EFSA should establish a joint working party jointly chaired by the chairs of the OfS and EFSA, to report to the Secretary of State by March 2020, to better align the regulatory requirements on further education colleges (chapter four, page 137).
- e. **Higher education finances:** the report states that the government should maintain the current aggregated teaching grant at the current level in cash terms. A three-year freeze for the average unit of resource per student is proposed, with inflation increases being re-introduced from 2023/24. Depending on the rate of inflation, this efficiency

saving is assessed as representing a real terms reduction for higher education providers of some eight per cent between 2019/20 and 2022/23, and 11 per cent compared to 2018/19 funding levels. Depending on how the increased teaching grant is allocated between providers, this real terms' cut could be larger for some providers.

- f. **Funding rates and allocation of teaching grant:** The OfS is tasked with reviewing funding rates for different subjects, to include an examination of the reasonable costs of provision in the light of sector best practice, historical levels and international comparisons. In terms of allocation of the increased teaching grant, the report recommends that the OfS should have regard to cost, economic and social value and consider support for socially-desirable professions such as nursing and teaching which do not command a significant earnings premium. Overall, the report anticipates that the OfS would rebalance funding towards high cost and strategically important subjects and to subjects that add social as well as economic value. Acknowledging the potential impact of these proposals on some institutions, the report recommends that the OfS consider grants for high quality specialist institutions, and provision in arts and humanities subjects.
- g. **Students from disadvantaged backgrounds:** the report proposes a shift in measuring disadvantage in terms of students' backgrounds away from measures of prior academic attainment and area-based measures of participation in higher education, towards individual measures of socio-economic disadvantage, so that funding would more closely follow the students who most need it. The report recommends a minimum financial allocation for each such student, along the lines of the Pupil Premium Grant for schools, and that providers should be accountable to the OfS for their use of these student premia through their Access & Participation Plans.
- h. **Apprenticeships:** It is proposed that Ofsted become the lead regulator for the inspection of all level of apprenticeships.
- i. **Capital funding for further education colleges:** chapter four (page 134) recommends that the OfS work with government to consider how to allocate £1bn additional capital to grow capacity for higher technical provision in specific further education colleges, taking into account geography and place, with a particular focus on the strength of industry relationships.
- j. **Student accommodation:** As part of its findings on maintenance costs, it is proposed that the OfS should do work looking at the cost of student accommodation with a view to improving the quality and consistency of information for students about costs, rents, profits and quality of accommodation.
- k. **Estimate of the cost of the proposal to the tax-payer:** the report estimates the cost of the funding proposals at between £0.3bn - £0.6.bn per year, plus the one-off £1bn capital investment in further education colleges.

Implications of the report

9. These recommendations would have a significant impact on students, on the sector, and on the work of the OfS. The board is invited to reflect on the implications of the recommendations, in particular taking into account the considerations set out below.
10. The report takes the form of recommendations to government, and at this point it is not known how, if at all, the government will respond. The Secretary of State for Education has suggested that the government's response will form part of a future spending review,

potentially taking place this autumn. But clearly these will be matters to be determined by a new Prime Minister. Until advised otherwise, it is proposed that the OfS continue on its current trajectory of setting itself up to implement the Regulatory Framework and its three-year strategy 2018-21.

11. The widely trailed reduction in the tuition fee cap from £9250 to £7500, to be introduced as from 2021-22, is primarily framed in terms of the cost of provision. The report expresses some doubts as to whether all higher education courses represent value for money for the student and the tax-payer, noting that the 2012 tripling of the tuition fee cap was accompanied by an increase in tuition fees that did not always appear to be linked to cost of delivery (chapter 3, pages 70, 73, 92). Chapter three recommends that the OfS should review and update the funding rates for different subjects referencing domestic and international comparisons. This exercise would sit alongside a new approach to allocating the increased teaching grant. Taken together, the review of funding rates and teaching grant allocations would be aimed, according to the Review report, at more accurately reflecting the actual cost of delivery, as well as broader strategic priorities. These priorities are expressed in terms of broad principle, with the details of what this would mean in practice being left to the OfS to determine (see board paper 6.1).
12. The Higher Education and Research Act 2017 created the OfS to provide regulatory parameters to the market dynamic of funding following the student and students shaping the sector and driving up quality through their choices. Those parameters take the form of the OfS establishing a common quality threshold for all registered providers as well as exercising significant powers to intervene where the market is not working in the interests of students or the taxpayer. The interventions include funding allocations (board paper 6.1). The Review report explicitly supports and builds on these principles (for instance chapter 3, pages 63 and 98), with the principle of funding following the student remaining, and student numbers remaining uncapped, notwithstanding the rebalancing between fee and grant.
13. Notwithstanding this broad consistency of approach between the recommendations of the Review report and the OfS's current strategy, the rebalancing between fee and grant has a number of consequences, including the following:
 - From the student's perspective their tuition fees will be less (albeit repayable over a longer period)
 - The reduction in fee (where the price is fixed by the provider) and the increase in grant (which is controlled by principles to be developed by the OfS) could enable teaching resource to be tied more closely to the actual cost of delivery
 - The increased allocation of grant reflecting social and economic value would allow for more strategic shaping of funding allocations and priorities, beyond the market dynamic of student choice. Nonetheless, student choice would still be a significant determinant of the shape of the sector
 - The increased reliance on grant allocations as opposed to tuition fees means that there is more vulnerability to political and economic decisions about grant. Concerns have been expressed by the sector about the implications of tuition fees being reduced, and the corresponding increased direct grant not being forthcoming. These concerns have been echoed by others, including the Minister for Universities who in his recent evidence to the Science and Technology Committee on 19 March 2019 noted that he would not want to see the university system compromised by any reduction in fee levels that are not replaced. However, recommendation 3.3 (chapter 3, page 95) of the Review report is explicit that the government 'should replace in full the lost fee income by increasing the teaching grant, leaving the average unit of funding unchanged at sector level in cash terms'.

14. The Review report references the existence of poor-quality higher education provision, and associates this with inappropriate recruitment of students for whom the courses are poor value in terms of their own graduate outcomes and poor value for the Treasury in terms of tax returns through their graduate earnings. On page 102, the report recommends that the government encourages the OfS to identify where there is persistent evidence of poor value for students. Although it would be for the OfS to define low value, the report suggests that it should relate to 'poor retention, poor graduate employability and poor long term earnings' for students – and consequently for the tax payer in terms of poor returns on loan repayments. In these circumstances the Review report proposes that the OfS should have the authority to impose student number controls on those courses. The board will be aware that the OfS is already concerned about the existence of poor quality provision that is not in the students or taxpayers interests, and is indeed already seeking to address this through the registration process, and will continue to do so through its monitoring and intervention strategy. Currently this is focused on whole-provider returns rather than course-level returns.
15. The proposals on supporting disadvantaged students are broadly aligned with the existing direction of travel of the OfS in terms of access and participation. Likewise, the recommendations, for example, on capital allocations to further education colleges taking account of geography and industry needs are consistent with priorities in the government's Industrial Strategy, and are aligned with work that the OfS is currently taking forward, liaising with Research England, in identifying skills needs defined by reference to geography and industry needs.

Discussion

16. For the reasons outlined above, it is not proposed that that the OfS make any formal response to the Review report. When the government does respond, we will of course engage closely with the Department for Education in relation to the OfS's role.
17. Exempt from publication.
18. Exempt from publication.