

Distinction and Diversity
in Higher Education

GuildHE

GuildHE responds to Post-18 Funding Review

Call for Evidence 2nd May 2018

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Q1. This review will look at how Government can ensure that the post-18 education system is joined up and supported by a funding system that works for students and taxpayers. The panel would like to understand your priorities. What, if any, are your principal concerns with the current post-18 education and funding system?

GuildHE is an officially recognised representative body for UK HE, with many small, specialist and distinctive providers offering technical, professional and vocational higher education.

Government has set in train a series of reforms across higher education, further education and work based training. Taken together they should improve value for money, enhance innovation and student choice and help ensure a wide range of high quality pathways. The reforms should be given time to bed in.

GuildHE wants to see a post-18 education system that is fair to individuals and delivers sustainable funding for high quality higher and further education and training. It needs to be supported by comprehensive, impartial information, advice and guidance, freely available to young people in school and college. Graduate-level skills benefit businesses, individuals and the country as a whole economically, socially and culturally. The costs of post-18 education should be spread fairly among government, learners and employers.

For HE, income contingent loans have proved to be a largely effective model of cost sharing while providing sufficient funding to sustain high quality teaching and investment as separate capital funding declined sharply. They work well for young, full time entrants and have supported increasing levels of participation for young people from disadvantaged backgrounds.

Our principle concerns with the current system are that it has not worked to support part-time higher education, that the loan system is insufficiently flexible, and that more could be done to address student poverty. Funding for adult education has suffered from significant reductions over the last decade.

We support reform of the student loan system to allow funding to be offered on a per credit basis, rather than the current annual calculation. This would allow students to be more flexible about their mode of study, and providers could be more innovative in their delivery.

We think part-time HE needs a different funding model of lower fees topped up with extra teaching grant. This would reflect the generally lower cost to the public purse because most part-time students are working.

Government should restore a national system of means tested maintenance grants alongside income contingent loans that allow students to meet the costs of living while studying. We think the reforms to part-time and maintenance support introduced in Wales following the [Diamond Review](#) are sensible and should be applied in England.

Longer term, we think there are opportunities to join up different parts of the post-18 system better so that similar qualifications have broadly similar incentives otherwise it risks distorting the choices made by students and employers. For example, it isn't sustainable to have two funding routes to the same qualification level – degrees and degree apprenticeships - where through one all the cost contribution falls on the graduate, and through the other all the cost falls on the employer.



Q2. How do people make choices about what to study after 18? What information do they use and how do they choose one route over another: for instance, between academic, technical and vocational routes?

There is a serious gap in the information, advice and guidance given to young people throughout their school career. The choices young people make at 14 will have a profound impact on their future education and careers trajectory, and there is not enough funding in schools to support learners through this journey. Independent and high performing secondary schools are able to invest more in careers guidance to support their pupils. It would be impossible for individual schools to offer tailored careers advice and it is unreasonable to expect schools to understand the nuances of which qualifications are required for each potential career path. We would like to see a dynamic national careers organisation who can support schools, parents and students regardless of background (or age) to access good quality and up to date careers information such as the service offered by Prospects.ac.uk - but on a much larger scale.

Q3: How do people make choices later in life about what further study to undertake?

There is no comprehensive source of IAG for mature learners. Many use UCAS to find courses and apply, but understanding what qualifications are needed for career progression is most likely decided through ad hoc information provided by their current employers, or an internet search of job vacancies. Our members pride themselves on accepting non-traditional qualifications on entry and work hard to enable mature learners to get into higher level programmes. But the financial and time cost to the student is often prohibitive if there is not support from their employer. This is especially problematic when students are re-training to change careers as they cannot rely on their current employer giving them time to undertake further study and often fall foul of the ELQ funding policy.

When there are many people competing for skilled jobs, employers do not routinely take a chance on an applicant who requires training. The financial risk of study sits firmly with the student. Only very large companies are able to offer good quality training schemes, as proven by the lack of engagement by employers in the apprenticeship trailblazer process. That said, even many levy paying employers have told us they would rather continue to take on those who already have the qualifications required and not take on the risk themselves.

Q4: In recent years we have seen continued growth in three-year degrees for 18 year olds. Does the system offer a comprehensive range of high quality alternative routes for young people who wish to pursue a different path at this age? How can Government encourage provision across a wider range of high quality pathways to advanced academic, technical and vocational qualifications?

By international standards, three years is relatively short for a first degree, reflecting relatively high levels of specialisation and efficiency in the English system. Degrees are a popular choice for young people reflecting positive labour market returns, known quality standards and clear progression routes from pre-18 education. In contrast, alternatives in the Further Education and skills sector have suffered badly from frequent upheavals and constant tinkering by Ministers and officials. This has been a factor in failing to build a well-understood and respected alternative route to higher-level skills and qualifications. But the Government reforms following the Sainsbury review of skills are sensible and

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likely to build suitable alternative options over time. Government should be patient and allow these reforms to bed in.

Degree apprenticeships are a good idea with the potential to increase student choice significantly. But their development is being held back by unrealistic and apparently arbitrary decisions about funding and the slow rate of progress in agreeing new apprenticeship standards. And they are not a panacea - they work best for big employers. Sectors dominated by micro-businesses and self-employed professionals like the creative industries will continue to rely on existing, industry-standard degrees.

Decisions by the IfA on integrated qualifications will be harmful to the apprenticeship brand, and have already stopped many Degree Apprenticeships. There is no such thing as a career for life in the modern age, it is vital that apprenticeships offer the apprentice more than learning how to do one specific job. Integrating qualifications enable them to port their educational achievements through their working life. Many employers are also frustrated and angry that IfA have refused qualifications to be included in the standard, even when it is a long standing and respected qualification. We do not believe an apprenticeship is a qualification in its own right, it is a competency framework for a specific occupation.

We believe Government should consider how the apprenticeship levy is managed. Employers should be allowed to spend the levy in other ways - such as on qualifications that are on the Qualifications framework. The Levy provides a very strong incentive for large employers to invest in staff development, but not all are able to spend their levy, and some have told us that they prefer a traditional qualification route. For example, many businesses we have spoken to in the creative sector are very happy with the current graduate recruitment model, and do not feel this is a suitable training opportunity for their workforce.

Q5: The majority of universities charge the maximum possible fees for most of their courses and three-year courses remain the norm. How can Government create a more dynamic market in price and provision between universities and across the post-18 education landscape?

It is illogical to expect much variation in fees with the current system of income contingent loans. As Dr Andrew McGettigan explained to the Treasury Select Committee the nature of the student loan system dictates that the tuition fee cannot function as a price because, for many students, the fee charged will have no impact on the amount that is ultimately repaid: "In terms of what repayments you are likely to make as a graduate, you may see no difference, particularly now that the repayment threshold is over £25,000. If you are meant to be a cost-sensitive, informed consumer, there is no difference. [...] The tuition fee cannot signal like a price once you have a large subsidy built into the scheme."

That said, there is some price variation. Students at alternative providers that (under previous legislation) couldn't have an access agreement are limited to fee loans of £6165. Many alternative providers set fees close to this level. Some others have fees higher than the £9250 upper cap for providers with an access agreement. And there is price variation among FE colleges offering HE. [HEPI quoted Times Educational Supplement](#) analysis showing that among FECs charging more than the basis fee the average was set to be £7486 in 2017.

Comments from Ministers and MPs about forcing differential fees because of cost, quality, future graduate earnings or some combination of the three are muddled and, if acted on, potentially damaging to teaching quality, the student experience and the wider economy. It's not clear what problem



differential fees are trying to solve. As the HEPI report [Differential tuition fees: Horses for courses?](#) shows, “the proponents of price variability mean different – sometimes flatly contradictory – things by it”. HERA 2017 already allows Ministers to vary fee caps by the results of the TEF after 2020. And if Ministers want more money for higher cost subjects they can increase teaching grant. GuildHE rejects the suggestion that fees should vary by graduate earnings. Salaries after graduation vary by prior attainment, socioeconomic class, gender, race, disability, subject studied and both sectoral and local labour market conditions. The data is backward looking and cannot be an accurate predictor of future demand. And courses with relatively low private returns can have relatively high public returns and/or a wider societal value that will never be reflected in graduate earnings. Furthermore, the [HEPI/Youthsight survey](#) found that two thirds of students think all full-time undergraduate courses should have the same fee levels.

As [Martin Lewis has pointed out](#), the practical impact of cutting fees would be “to take money off universities, risking the quality of education and handing it to very high-earning graduates”.

Q6: What barriers do current and new education and training providers face in developing innovative or diversified provision?

One of the key barriers to innovative provision is the current loan funding model. The current student loan model is insufficiently flexible and should move towards a system of funding by credit. Alongside this, the Qualifications and Credit Framework should be reformed as a whole post-18 framework similar to Scotland’s SCQF. This would support innovation in provision and make it easier for students to exercise choice.

The way in which providers are paid by SLC could be reformed. Currently they get paid in three instalments: 25%, 25% and 50% in the final term. Firstly, not all institutions work on a three term basis and this payment profile acts against innovation. Also smaller providers usually have far lower reserves (and are often cash poor): holding 50% of the payment back until near the end of the year often causes problems in their budgeting.

Another way to improve diversity in provision is through accelerated courses but they cost more than the current fee cap. We believe the proposed increase will encourage providers to offer and develop more high quality accelerated programmes. We urge the government to introduce the regulations to allow the higher fee cap for accelerated courses.

That said, accelerated courses are not suitable for all students or subjects. Three year bachelor degrees are already short by international standards and in many disciplines skills, talent, knowledge and experience need to be nurtured over time.

Q7: How can Government further encourage high-quality further education and higher education provision that is more flexible: for example, part-time, distance learning and commuter study options?

A more flexible, credit based funding system would encourage high-quality FE and HE provision for part-time, commuter and distance learners.



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There are a number of opportunities within the higher education system for distance learning. However, it is expensive for institutions to run, and the current funding levels do not cover the necessary infrastructure costs to deliver this in many providers - unless it is a broad institutional initiative from a large provider (e.g. the Open University).

There are many different models of part time study, and many HE providers are good at understanding the market and delivering courses more flexibly. We believe that principal issues in the decline of part time study are the financial and time barriers. Six + years is a long time for a person to commit to doing a part time bachelors degree, and it is not easy to balance this with work and family responsibilities.

Similarly, attending your local university does not protect you from the financial barriers and stresses of studying away from home. [Research by TSEP](#) found that commuter students are often very unhappy. Commuting is tiring, expense and stressful, and living at home hinders students sense of belonging with the academic community.

Because student loan interest payments are calculated from the day the first amount is credited to the student, by the time a part time student graduates, they could already have 7 years worth of interest added onto their debt. This makes it more expensive for the student to study part time. There is an abundance of academic evidence to show that mature students are far more debt averse than younger students. The 30 year repayment time frame can put many students over the age of retirement.

Q8: To what extent do funding arrangements for higher education and further education and other post-18 education and training act as incentives or barriers to choice or provision: both at the individual and provider level? How does this impact on the choices made by prospective students and learners? What can Government do to improve incentives and reduce barriers?

Generally, the costs, benefits and incentives for students and employers should be broadly neutral between the different routes otherwise it risks distorting choices. The funding distortion between degrees and degree apprenticeships will need to be addressed as the numbers of degree apprenticeships grow.

The current student loan model is insufficiently flexible and should move towards a system of funding by credit. Alongside this, the Qualifications and Credit Framework should be reformed as a whole post-18 framework similar to Scotland's SCQF. This would support government objectives for higher education by encouraging part-time study, innovation in provision and making it easier for students to exercise choice.

As we have said, part-time higher education needs a different funding model. Mature and potential part-time students are more price-sensitive and more likely to perceive loan debt as real debt.

Q9: What particular barriers (including financial barriers) do people from disadvantaged backgrounds face in progressing to and succeeding in post-18 education and training?

There are a number of barriers people face progressing to and succeeding in post-18 education and training. The recent report from the NUS poverty commission, ['Class Dismissed: Getting in and getting](#)

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[on in further and higher education](#), articulates many of the barriers faced by people from disadvantaged backgrounds.

This includes issues relating to [poverty and attainment](#) being noted from primary school, disadvantaged students being more debt adverse, a sense of feeling like an outsider who feel higher education isn't for them.

[Young white boys](#) especially are often drawn into the narrative that HE is not a wise investment through idolising entrepreneurs like Richard Branson, and schools are not emphasising the vocational elements of HE, or putting off vocationally bright students from continuing in education.

Many of these barriers could be solved by the return of maintenance grants; re-framing student loans so they are better understood, investing in good quality and tailored IAG for schools and the community, and celebrating how non-traditional students have succeeded because of HE.

Q10: How should students and learners from disadvantaged backgrounds best receive maintenance support, both from Government and from universities and colleges?

Government should restore a national system of means tested maintenance grants alongside income contingent loans that allow students to meet the costs of living while studying and be fully transparent to students before they apply. The reforms introduced in Wales, following the Diamond review, are an example of what could be done in England.

There can be too much variance in levels of financial support at institutional level. A disadvantaged student in a wealthy university where there are few such students is more likely to receive a much higher bursary than if they go to an institution with a larger number of disadvantaged students. This is unfair to both the student and the institution. Students who have to work to earn money whilst studying are less successful than those who do not. This then impacts on an institution's outcome measures. Unfortunately living costs for students are getting higher, even when they stay at home to study, and there is an overreliance on parents funding this shortcoming, which in many cases cannot or does not happen.

Q11: What challenges do post-18 education and training providers face in understanding and responding to the skills needs of the economy: at national, regional and local levels? Which skills, in your view, are in shortest supply across the economy? And which, if any, are in oversupply?

A key way in which the sector can understand and respond to the skills needs of the economy is by thinking more broadly than STEM. The creative sector is the fastest growing economy, and a jointly written [report from GuildHE and Emsi](#) demonstrated that creative-focussed universities and colleges contributes £8.4bn and over 312,000 jobs to the UK economy. GuildHE believe that there needs to be more support for creative skills, which will not only support this growth, but support graduates in other careers. [The Future of Skills Employment In 2030](#) report from NESTA suggests that creative skills are going to be particularly important with the advancement of technology.



Q12: How far does the post-18 education system deliver the advanced technical skills the economy needs? How can Government ensure there is world-class provision of technical education across the country?

Government must avoid the trap of equating higher education with “academic”, and thinking technical and vocational education are only available through other routes. Higher education has always provided high-level technical and professional degrees, valued by employers and often validated by professional bodies. GuildHE institutions include specialists in areas like agri-tech, design, fashion, digital, finance, law, marine, computer gaming, the built environment, performing arts, education and health care. They have teaching staff that are often industry professionals and close relationships with the industries they serve. If the problem is the skills needs of the new economy, institutions like ours are part of the solution.

GuildHE members excel at delivering advanced technical skills for the economy which are both built into the curriculum and offered as additional activities. For example, all of our creative arts specialists offer student the opportunity to work with businesses undertaking real work as part of their assessments. They are connected to industry and work with employers in the development of curriculum content. Their degrees are the principle training method for the creative sector.

Government also needs to recognise that not all highly skilled careers are lucrative. For example, agricultural careers, which are vital for the economy and for national food security, are not necessarily ‘high earning’. It is particularly important that there is a focus on a diversity of career outcomes, not just those which are high earning.

As we said earlier, the government’s reforms introduced following the Sainsbury review are sensible and should be given time to bed in.

Q13: How should students and graduates contribute to the cost of their studies, while maintaining the link that those who benefit from post-18 education contribute to its costs? What represents the right balance between students, graduates, employers and the taxpayer?

Post-18 funding should be guided by consistent principles but in practice, different solutions will be needed: further and higher education have things in common as well as substantial, important differences, not least the fact that HE undertakes research and knowledge exchange as well as teaching. Direct grants for teaching, income contingent loans, and levy funding all have a part to play singly, or in combination. But there should be a clear rationale for different approaches. We have said we don’t think the different approach to funding degrees and degree apprenticeships is sustainable long term. Why shouldn’t degree apprenticeships have a loan component so that apprentices make a graduate contribution after they complete? Why shouldn’t employers use levy funding flexibly to pay for work-relevant HE?

The costs of the higher education system are now estimated to be split between students and the taxpayer roughly 53%: 47%. As the Treasury select committee has pointed out, this split has varied by 10-12 percentage points in recent years. We agree with the committee that government should define what it thinks is a fair and optimal split of costs between students and the taxpayer. GuildHE thinks that, as resources allow, the share of costs borne by students should continue to fall towards the 40%:60% split that was in place before 2012.



Q14: What are the most effective ways for the Government and institutions to communicate with students and graduates on the nature and terms of student support?

The language of tuition fees and loans is misleading and damages the credibility of an otherwise effective system of cost-sharing. Government should review the language used to describe income contingent repayments and be clearer that write-offs are a deliberate use of taxpayer subsidy not a failure of the system.

“Tuition” fees is a misnomer - the money has to cover a wide range of common services as well as teaching, including libraries, welfare support, sports facilities and careers advice and guidance. We therefore advocate the use of the phrase University or College fees to make clear it’s about the full experience of student life.

Q15: What are the best examples of education and training providers ensuring efficiency in the method of course provision while maintaining quality? And what are the challenges in doing this?

HEFCE collected a wealth of information about [efficiency in higher education](#). For 2016-17, the total cash value for efficiencies reported by HEFCE-funded higher education institutions was £912 million, representing 3.2 per cent of total sector expenditure.

The latest [HEFCE financial Health of the Sector Report](#) for 16/17 shows a mixed picture of providers operating at a surplus and a deficit. Overall sector surpluses are down and are accrued primarily through external funding sources such as endowments and donations. All of our members operate at a much lower scale to large HEIs and face barriers to diversifying their income as their size is counted against them in many bidding processes. Specialist institutions where all of their courses are high cost cannot cross subsidise from lower cost courses. HEFCE’s review of Institution Specific funding in 2015 demonstrated that these sorts of institutions’ costs of teaching are significantly, and justifiably, higher than can reasonably be met through fees and that they were taking reasonable measures to meet these higher costs through effective management. Additional grant funding, like Institution Specific funding, is essential for these world class specialist institutions to provide a high quality education.

Q16: What are the ways that Government can increase the value for money of post-18 education?

Conceptions of value for money must be guided by what students consider to be value and quality teaching, as well as by wider societal needs. Higher education fulfils a broad range of economic, cultural, social and intellectual purposes, and graduates and taxpayers are major funders in their own right. Government cannot impose a definition of value that does not reflect this broad range of views. But it isn’t always easy for students to calculate. The ‘ticket price’ of HE is clear to them, but the actual amount students will have contributed won’t be known for 30 years.

Many of the ways to assess value for money cannot be measured through simple metrics. Things such as experience graduates gain outside of the classroom, networks made, interests developed; as well as the wider societal benefits of both qualified graduates and research all add value but can be harder to

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quantify. Higher Education is an experience not a 'product' or a commodity. It is important that government does not treat it as such.

One thing that can be more transparent is ensuring students have a better understanding of how tuition fees are spent. [Research into students' views](#) shows they want to know more about the range of common services they pay for including libraries, welfare support, sports facilities, careers advice and guidance and teaching. Universities must be more transparent about what fee income is spent on.