GuildHE's Principles of Funding Post-18 Education

In responding to the government's review of post-18 education and funding, GuildHE wants to see a system that is fair to individuals; delivers sustainable funding to allow providers to deliver high quality higher and further education and training; and is one where the costs, benefits and incentives for students and employers are broadly neutral between the different routes. An effective post-18 education system needs to be supported by comprehensive, impartial information, advice and guidance, freely available to everyone so they can make informed choices about what is best for them. 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.

There are good reasons for looking broadly at post-18 education funding. Demand will rise steadily as the numbers of 18 year olds in the population increase from a low point in 2019 to rise nearly 23% by 2030. In higher education participation differs markedly by gender, ethnicity and socio-economic background and government is pledged to improve performance from under-represented groups to increase social mobility. Part-time higher education has declined sharply meaning fewer older students taking the opportunity to study at higher levels and reskill. It seems clear that more people will want high quality learning opportunities of different kinds and it is important to think about what that will cost and how best to pay for it.

But government has already set in train a series of reforms across higher education, further education and work-based training. One immediate answer to the government's questions about value for money, innovation, student choice and how to ensure a wide range of high quality pathways is "be patient"; give your reforms time to bed in.

In higher education, GuildHE has supported government reforms to increase student choice, improve accountability and provide a greater focus on the quality of teaching. But conceptions of value for money must be guided by students' views about what constitutes 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 just impose a definition of value.

Government reforms following the Sainsbury review of skills are sensible and have substantial cross-party endorsement. Further education and skills policy has suffered badly from frequent upheavals and constant tinkering by Ministers and officials. This has been a factor in failing to build a clear, well-understood and respected alternative route to higher-level skills and qualifications.

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.

Finally, government must avoid the trap of equating higher education with "academic" and thinking technical and vocational education comes 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 healthcare. 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 these are part of the solution.

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10 Key Points for Reform

Post-18 funding should be guided by consistent principles even though in practice, different solutions will be needed: the further and higher education sectors have things in common as well as substantial, important differences, not least the fact that higher education undertakes research and knowledge exchange as well as teaching. And students and other learners aren't homogenous. 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 from government for the particular approach and balance of funding for different levels and routes. Similar qualifications should have broadly similar incentives otherwise it risks distorting the choices made by students and employers.

The income contingent loan model broadly works for young, full-time participation in higher education. But there are things that could be improved and problems that could be fixed. The government should not make retrospective changes to the loan terms and conditions. We agree with the Treasury select committee recommendation that government should cease this practice.

As well as fees, direct grant funding must be maintained to support student choice by meeting the costs of high-cost subjects – not just traditional science and engineering but areas like agriculture, design, digital and creative and performing arts – and the higher costs of specialist teaching environments.

Government must do more to address student poverty – one of the biggest issues for students. Government should restore a national system of means tested maintenance grants and put in place a package of grants and 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.

The funding made available for post-18 education must be sufficient to sustain high quality teaching and learning. The adult education budget has been cut significantly over the last decade. In higher education, the recent Treasury select committee report found that, while the 2012 reforms increased funding significantly in the sector as a whole, this had "sought to bring funding up to an appropriate, sustainable level that could ensure the delivery of high quality teaching outcomes". The report concluded universities "are now being funded sustainably, with teaching now typically breaking even". 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".

Income contingent loans coupled with £9,250 fees have not worked for part-time higher education. Mature and potential part-time students are more price-sensitive and more likely to perceive loan debt as real debt. Part-time higher education needs a different funding model of lower fees topped up with additional teaching grant for institutions similar to the approach in Wales. This would reflect the generally lower cost to the public purse because most part-time students are working. Also, employers should be allowed to use levy funding more flexibly to include paying for work-relevant higher education.

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.

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. Research into students' views shows they don't have enough, easily accessible information about how fee income is spent. Universities must be more transparent about what fee income is spent on.

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. GuildHE rejects the suggestion that fees should vary by graduate earnings. Salaries after graduation vary by prior attainment, socio-economic 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. It also does not account for the public benefit and wider societal values of higher qualifications.

Government increased the long-run costs of the loan system with the change to the repayment threshold announced in 2017. The costs of the system are now estimated to be split between students and the taxpayer roughly 57%: 43%. 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.

The treatment of income contingent loans in the national accounts risks distorting policy choices for post-18 funding. Because loans do not count against the deficit until they are written off, policy makers may prefer them to grant funding, even in circumstances where grant funding is more likely to be effective at meeting policy objectives. We welcome the ONS decision to review the classification of income contingent loans in the national accounts, following recommendations by the Treasury Select Committee

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