



Post-18 Education and Funding Review

Response to Call for Evidence by Independent Higher Education – May 2018

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?

The rising demand for post-18 education in England will be spurred by global competition and an economy increasingly rooted in knowledge, ideas and technology. Our economic success relies on a strong foundation of laws and infrastructure supporting the free flow of resources across sectors, talent across borders and ideas across disciplines. A strong foundation of funding and regulation can deliver this same dynamism to our tertiary education system, but only if the borders and baggage of sector siloes are broken down.

A university education is no longer the golden ticket guaranteeing entry into the professional classes, a job for life and a prosperous future. The knowledge and skills acquired in higher education will need to be topped up, supplemented and refreshed even by those who spend their working life in one profession. As economic disruption becomes the norm, it will be commonplace for others to change industry and career entirely, and England needs a tertiary education system which facilitates both of these eventualities. It must look beyond three-year degrees and offer students more choice and more flexibility: higher technical courses, professional qualifications, retraining and CPD, all in a range of durations, intensities and models of delivery to suit the individual.

The division between HE and FE is artificial and arbitrary, encouraging the tertiary education system to be viewed through the prism of class and privilege. Advanced technical and professional education are no less higher education than the traditional academic degree. Different careers require a different mix of technical and intellectual skills, and learners may naturally tilt to one side or the other, but neither should be considered inferior. Higher technical courses should not be lumped with general 'catch-up' education under the FE label or seen as inferior to their academic counterparts. They should be taught in equally well-funded institutions with high-quality teachers and learning resources, generating an environment of equally high aspirations.

Students need to see more clearly the different pathways available, and be empowered to choose whichever suits them, knowing that funding will follow this choice. They should not be pigeonholed as technical or academic when most careers will reward those who bring a blend of both to every role. Nor should they be penalised unnecessarily for changing their minds and direction after starting down a road. The bridges between general, technical and academic education should be many and well signposted, and programmes should blend these different approaches more often than not.

The provision of tertiary education has become too homogenous. The three-year, full-time, residential undergraduate degree established an unquestionable market dominance in recent years, while numbers of mature learners, part-timers and those on courses below degree level have declined significantly. In many cases, vocational education at the higher level has been pushed towards the academic due to funding incentives.

Many independent providers, like Court Theatre Training Company and Norland College, started as vocational training schools and began offering degrees in part so that students could get the support they required, which was unavailable for skills-focused courses.

Providers who persevere with offering both FE and degrees face regulation which is disjointed and burdensome, imposing substantial costs of compliance which ultimately fall on the student to bear. Their students face divergent funding rules and bureaucratic processes which are hard to understand and harder still to deem fair.

Too many students today make choices based on ease of access to funding rather than what will best meet their learning needs. A stark example is accelerated degrees: qualified students are turning to the longer version of a course and incurring considerably more debt overall simply because there is a small gap between the cost of the accelerated model and the loan available. Another is foundation years, which as transition courses can be invaluable in supporting disadvantaged students to access higher education, but which can only be funded as the first year of an integrated degree – a four-year commitment which is too much for some at the outset.

Part 1: Choice and competition across a joined-up post-18 education and training sector

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?

The public image of tertiary education is dominated by the traditional, residential university experience – reinforced in political discourse, cultural representations and media reporting. The national press offers regular features and supplements on choosing a university, which for the most part exclude further education colleges and independent providers entirely.

The **information, advice and guidance (IAG)** provided at schools is skewed towards this university experience, familiar to teachers, counselors and parents. UCAS is the best understood route for admission to tertiary education, but very few applications to independent providers are made through their system, and fewer still for technical routes. School counselors will rarely advise students about the industry-focused degrees at IHE members, e.g. show a talented artist the career path of art and object conservation offered by City & Guilds of London Art School or West Dean College.

A student who might be well served by higher technical education faces a host of barriers. There is little comparative information about technical education which might allow students to make an informed choice. Public information relies on comparative statistics such as KIS which are only available for HE, and until 2016 only for publicly funded providers.

The absence of a **common qualifications framework** across tertiary education in England makes it more difficult for students to compare one course to another and select pathways. The difficulty in matching qualifications at Levels 4 and 5 to particular jobs makes these undesirable except for HNC/HNDs in certain subjects recognised by professional bodies.

Technical education is publicised and accessed locally but does not enjoy consistent quality or availability across the country. The funding system does not support learners to travel further afield to access technical education of a higher quality or in a certain industry, meaning there is little competitive pressure on standards at a national level, and few well-known examples of technical excellence which could rival prestigious universities.

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

Study later in life is often linked to specific employment outcomes: promotion within company; progressing within industry; or changing career. Where a learner plans to stay with an employer, they may sponsor the study and direct the choice of provision. Elsewhere, a professional body may direct students towards particular courses to achieve their professional qualifications. Career changers may have a particular industry or profession in mind and opt for industry-specialist provision.

Adult learners are often restricted to accessing provision in their local areas because of commitments arising from work, caring and family responsibilities, or the strength of social and cultural bonds. This is particularly prevalent amongst IHE's flexible learning providers like Oxford Business College and Regent College. Cost also factors highly for adult learners: partly this is an aversion to debt and understanding of the impact repayments would have on take-home pay. For some, they may not be able to access all funding after attempting too many years of HE before – regardless of whether they obtained the qualification.

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?

The funding system is inflexible, reducing the diversity of routes available and the ability of students to choose them. The complexity of funding rules and qualifications frameworks dissuades students from moving between established routes of study or starting their education in one place and moving to another. **Switching** between routes is more difficult for the lack of universal credit transfer or even widespread agreement on recognition. Within HE, students are discouraged from switching by funding rules which limit the number of years of undergraduate study. Those who switch courses often expend their 'gift' year, which may be needed later for retakes or have been spent already on a foundation year.

Parity of esteem between academic, technical and professional routes requires **parity of funding**. Providers which focus on more technical disciplines cannot be assumed to need fewer resources than their academic counterparts but will rather invest in different areas. Universities have built substantial infrastructures to support the pursuit of excellence in research and learning, and these are subsidised by student fees. Equivalent long-term, sustainable funding would allow technical institutions to develop the infrastructure needed to achieve similar excellence in their field.

Diverse and innovative provision is delivered by providers who have the freedom to experiment with approaches to teaching, learning and assessment, the financial

independence to invest in their staff and facilities, and the power to design programmes and qualifications which respond to the needs of students and those who employ them.

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?

Delivering world-class higher education informed by active research, supported by high-quality learning resources, and complemented by the full range of services that students have come to expect, is expensive, and cutting corners will only undermine the student experience and UK HE's global reputation. Imposing differential fees across courses would risk the sustainability of institutions without having much impact on student choice because of the income-contingent repayment system. The basic problem is not that university degrees cost too much but that students cannot access sufficiently compelling alternatives.

Universities have no incentive to undercut their flagship product, and their institutional structures militate against much risk-taking. FE colleges have not enjoyed the financial security or autonomy needed to develop a high-quality HE alternative, and suffer from their perception as a 'catch-up' route for those failed by schools. Independent providers are more inclined to take risks, respond to student/employer demand, and develop provision which differentiates themselves in the marketplace. IHE members have a track record in this, but historic exclusion from public funding until recently has limited their ability to offer an alternative at scale. The **removal of regulatory barriers** in higher education should be emulated across tertiary education, eradicating market distortions which favour degrees and encouraging providers to tailor their provision to address unmet needs.

Government's priority should be creating the conditions for providers to develop attractive, vocationally oriented **Level 4 & 5** courses leading to distinctive, employer-recognised qualifications as well as in shorter, modular form for CPD and retraining. The qualifications can be offered under the present income contingent system at a lower total cost than a degree, while the modular courses should be affordable to most professionals and/or employers once widespread enough to generate competition and should use technology to ensure flexible and efficient delivery models.

A number of factors will underpin the attractiveness of new Level 4 & 5 provision and its ability to compete with the established university degree. Institutions which specialise in Level 4 & 5 provision need access to **awarding powers** for the autonomy needed to innovate, involve employers in the co-design of courses, and respond efficiently to new demand. Only by giving teaching institutions the ability to design their own provision will we see **beacons** of excellence and innovation emerge in higher technical education to rival academic universities.

Smaller institutions in this space who may not have the capacity for complete autonomy need access to **programme validation** which is affordable, efficient and high quality. Systemic problems in the HE validation market¹ are especially acute at Level 4/5, where it is difficult to find a university with the expertise and appetite to validate innovative or flexible

¹ See the final report of IHE's joint project on validation with the Open University and QAA here: <http://independenthe.com/wp-content/uploads/2018/05/Validation-report-2017-Web.pdf>

delivery models. The Office for Students (OfS) should move quickly to commission validation to fill this gap which is a barrier to expanding provision.

For higher technical qualifications to help diversify the post-18 market, **they must not be controlled by a centralised awarding body**, as for the lower T-Levels. This would reduce competitive pressure on quality and cost, and push out those teaching institutions with the best understanding and reach within particular industries. A diverse range of institutions should be designing and delivering higher technicals, building on the same blend as universities of teaching, curriculum design and research (here focused on pedagogy and professional practice) to achieve excellence and an alternative to the academic route. Government must also ensure that these institutions are registered with the OfS so that consistent data can be collected for effective regulation and comparable public information.

While many professions should be accessible to graduates of industry-focused Level 4/5 programmes, some disciplines will demand the higher level of academic content in a Bachelor's degree. For these, students should have the option of either the standard three-year model or an **accelerated degree** over two years. Fully funded access to accelerated programmes is heavily restricted by the current annual fee and loan limits. **The 20% uplift proposed in the recent Government consultation² has not been confirmed and would anyway not be sufficient to encourage a significant expansion of this provision.**

Currently graduates who want to **retrain** and develop their knowledge and skills for professional purposes in a new or related subject are offered little choice other than a Master's degree, of which has steadily risen in price in recent years. Retraining and updating one's knowledge should not always require a course at this price point or such a high level of academic content. Reforming the qualifications landscape at Level 4/5 should expand the range of retraining and CPD options available, and open them to learners who never completed an undergraduate degree.

Government should support this with a **retraining pot** operating similarly to the Postgraduate Master's Loan. Individuals would choose how best to spend this circumscribed funding, encouraging a retraining market which is price sensitive but discouraging another race to the top as there would be no cap on fees. It could be funded from a mixture of income contingent loans, expanded employer levy and public funding, and potentially topped up by employers later in life.

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

The only HE qualifications currently eligible for funding are those listed in the Student Support Regulations, all of which sit on an academic qualifications framework designed and controlled by universities. The lack of awarding powers or suitable validation services for qualifications which might not fit easily on the FHEQ have led to a consolidation of below-degree provision in the only funded option of Pearson HNC/HNDs and in unaccredited programmes available only to self-funding students. The greater diversity in technical and

² See IHE's response to the Government consultation on Accelerated Degrees here: <http://independentthe.com/wp-content/uploads/2018/02/20180211-IHE-response-to-Accelerated-Degrees-consultation-PUBLIC.pdf>

other qualifications promised by new awarding powers should be captured in updated Regulations. The arrival of a single regulatory and quality framework for higher education provides at last the necessary assurance to make this greater diversity in funding viable.

Another barrier is the inflexibility of the system in funding high or low intensity study – most visible in the annual cap on accelerated degrees, but also in the 25% minimum intensity which prevents a modular approach to learning. These specific issues should be addressed now while planning a longer term move to **funding by credit** instead of academic year.

Smaller providers face considerable pressures because of the structuring of payments from the Student Loans Company, which holds back half the year's fee until most costs have already been incurred. The schedule bears no relation to the timetable of many independent providers who may offer multiple start dates, accelerated programmes and other points of difference from the 'standard' academic year cycle. Given the limited reserves of most independent providers, these administrative quirks frequently force them into expensive lines of credit, the cost of which is inevitably borne by students.

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?

Provision for adult learning should be more flexible to fit in with individual circumstances, and offer greater choice of delivery models, timetabling and course lengths. Many independent providers offer evening classes, weekends, block release and consistent timetabling (classes on the same days throughout the year). More courses could adopt the model of Executive education with intense periods of study distributed across the year and combined with distance learning. The popularity of the flexibility offered by independent providers with older learners is borne out by the data: more than 12,000 students over the age of 30 studied 'other undergraduate' courses including HNC/HNDs at 'alternative providers' in 2016/17, compared to just 1,050 under the age of 20.³

The OfS and sector bodies should review the use of Full-Time Equivalence (FTE). The current formula was developed in 1988, and changes in education since then demand a more nuanced understanding of how students learn. A new FTE would help understanding part-time, flexible, distance, blended and accelerated learning and ensure students access the right financial support. Ultimately a system of funding by credit is needed to facilitate more flexible provision, supported by a national credit recognition framework.

The move to a data-driven regulatory environment makes it essential to review the use of benchmarks to include 'mode of study', so that distance learning, accelerated learning, etc. are not unfairly penalised.

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?

³ <https://www.hesa.ac.uk/news/15-02-2018/sfr249-higher-education-student-statistics-APs/numbers>

Individual pathways through the tertiary landscape are hard for students to navigate and not well supported by funding. For example, many vocational HE courses (including in the creative industries) require a level of skill for entry that is not taught at many schools. Independent providers whose mission includes widening access to HE will often offer **Level 2 & 3 programmes** to help students develop these skills. These courses are funded separately under an entirely different system from HE, and access to loan funding is reliant on a bureaucratic tendering process. This makes it impossible for smaller, specialist providers to gain access to loan funding for FE students unless they subcontract from a larger provider such as an FEC. With the recent restrictions in subcontracting, students find themselves denied access to the transition courses they need to access HE.

Some students have the option of an **integrated degree course** including a ‘foundation’ year, but as this cannot be funded as a standalone course, the institution and student are both penalised should they choose to exit after year one: the student loses a year of funding, and the institution is judged to have failed to retain them. Far better that the student takes the foundation course first before unlocking funding for the HE programme.

The maintenance in long course loans makes it very difficult for middle income students to take advantage of **accelerated degrees**. Maintenance loans need to be linked far more closely to the delivery model.

Even with the recent reforms, HE in England remains a challenging market for new providers to enter, and it can be difficult to raise the necessary capital. The Government could offer **education-specific Start Up Loans** so that new ventures are not reliant on riskier sources of capital. The Government should also consider incentives for providers who open up in HE **cold spots**. Smaller populations and demographic challenges in certain regions represent a risk for new and specialist providers who may need to establish a secondary market of mobile students who travel there, just to make their provision viable and available to local students.

Currently the only way for many providers to secure **VAT exemption** on student fees is to obtain University Title, which is not available to new providers. Students lose 20% of the money which should go on their education, and new providers have no prospect of escaping this for several years. Government should link the exemption to one of the OfS Register categories, giving a definitive process by which providers can secure it, lest this disincentivise new provision and penalise the students who choose it.

The **cost of programme validation** needs brought under control and the OfS has a role to play by helping to manage the risk of new provision – both through targeting incentives to develop collaborative provision and through better regulation of this collaborative provision.

Part 2: A system that is accessible to all

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

Foundation courses are important in subjects such as the creative arts, languages and technology for which provision is of poor quality or unavailable in less advantaged schools.

Transition courses can be vital for disadvantaged students, but the barriers are not well understood as there is no data on these courses. The OfS should require HESA to collect data on transition courses in order to properly assess their role in widening participation.

Access Agreements and focus on outreach activities have increased participation of 18-21 year-old from disadvantaged backgrounds. But the overriding assumption of this activity has been to support a diversity of routes to the single destination of a university degree, rather than to offer a diversity of destinations to suit different abilities and aspirations. The 2017 OFFA guidance exacerbated the situation further with an even greater focus on improving school attainment rather than providing a diversity of pathways for leavers.

Students with lower prior attainment need more support, more introductory classes to academic work and different pedagogies including smaller group tuition. The flexibility and smaller size of independent providers can sometimes better serve the needs of such students. HESA reported the following characteristics about students at 'alternative providers' in 2018:

“There were 38% of full-time and 48% of part-time students aged 30 and over in 2016/17. In comparison, 9% of full-time and 61% of part-time students at publicly funded HE providers were aged 30 and over. Information on the ethnicity of students as seen shows that 54% of full-time UK domiciled students on designated courses at APs were BME in 2016/17. In comparison, 29% of part-time UK domiciled students on designated courses were BME. At publicly funded HE providers 25% of full-time and 17% of part-time UK domiciled students were BME.”⁴

To ensure that students from disadvantaged background don't just get in but get on and succeed in the lives, it is essential that providers help them to build their social capital, professional networks and employability skills. These are often priority areas for industry-specialist independent providers, leveraging the passion and professional contacts of their staff who are still active in the industry to create a learning environment where students can immerse themselves completely in their chosen field. Their often small size and collaborative approach also helps to generate the sense of belonging and community that encourages students to complete and succeed at their course.

IHE would strongly support a move towards a **post-qualifications admissions system** for higher education, so as to avoid the use of predicted grades which can sometime underrate the academic performance of students from state schools and less advantaged backgrounds. Many independent providers already offer January start dates and multiple intakes and would adapt easily to a more efficient admissions process after school results are known. This would also give young people longer to think about what route, course and provider is right for them.

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

Maintenance funding should be generous enough to cover the actual costs associated with pursuing a student's choice of tertiary education. Government should prioritise extending

⁴ <https://www.hesa.ac.uk/news/11-01-2018/sfr247-higher-education-student-statistics/numbers>

maintenance loans to Level 4/5 technical provision, but should also consider the reintroduction of means-tested maintenance grants across the tertiary system.

Part 3: Delivering the skills the UK needs

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?

The OfS will have more information than ever on a broader range of providers across the country and can advise on the availability of provision which support national skills strategy. Government should prioritise expanding this data to include skills and training provision.

Tertiary education should do more to promote entrepreneurship, which relies upon a combination of confidence and creativity alongside subject/industry knowledge. Creativity is at a premium today in schools without the funding to sustain creative and performing arts provision.

The Shortage Occupation List is often used as a proxy for skills, but an understanding of skills within and across occupations is just as important. Many IHE members recognise that the skills needs within an industry can vary greatly, and industry-focused provision should capture a broad range. For example, graphic design is in high demand across a wide range of industries. Some IHE members are looking to develop graphic design skills in different industry contexts to create more capable graduates, e.g. film schools teaching graphic design for the film industry.

Interdisciplinary degrees are great tools for careers of the 21st century – they don't follow historical subject classifications but seek to develop students' skills across an industry. They are poorly served, however, by SOC codes which devalue skills-based occupations, and HE regulations which pigeonhole provision into established subjects. This makes interdisciplinary degrees more risky for providers, and confusing for students when trying to compare information within these subject groups. Specific incentives to develop and de-risk interdisciplinary degrees are needed.

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?

The system needs more high-quality, modern industry-focused Level 4 & 5 provision delivered by innovative institutions which can become beacons of technical excellence in the same way as our most prestigious universities have been for academic study over the centuries.

Technical routes have the potential to lead to well-paying jobs in growing industries while leaving graduates with less debt, but they need to be developed at the higher level by providers who are experts in their industry and have or can develop a reputation in that industry. It cannot be done by generic awarding bodies sitting across broad subject

categories. Skills at this level must be specialised and developed by industry-focused providers.

Example – London School of Architecture (LSA)

LSA teach a Level 6/7 qualification which bridges the undergraduate and postgraduate but is not a degree – it specifically teaches architecture skills in partnership with employers. The course is cost-neutral to students as they undertake a work placement which runs both alongside and is integrated into their programme. The placements are paid, which offsets the entire fee for the course. Students undertake actual architecture projects, supported by academic staff, to develop their skills further and facilitate the transition into employment. This course is not a degree but a high-level technical diploma, with a focus on skills needed in the architecture industry which graduates from more academic programmes often lack.

Part 4: Value for money for graduates and taxpayers

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?

Students should contribute to the cost of their studies insofar as they realise an increase in their earnings as a result of what they learn and they are given clear and reliable information on the range of choices available together with the relative costs and benefits of these choices. They should not, however, subsidise employers' use of university admissions processes simply as a proxy for their own selective recruitment practices.

Public investment in high-quality technical routes and retraining today will reduce long-term public spending on the writing off of student loan debt which may be inflated if full degrees are the only option.

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?

IHE would be happy to connect the review team and Panel with some of its members who will be best placed to explore questions of efficiency in more detail.

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

Regulation should never be introduced for regulation's sake, and its cost must always be proportionate to its positive impact, bearing in mind that it falls ultimately on the individual student and may divert resources away from teaching and learning.

Similarly, VAT on the cost of tertiary education does not represent value for money for students or, in the case of publicly subsidised provision, for the taxpayer.