HOUSE OF COMMONS LIBRARY

BRIEFING PAPER

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The Post-18 Education Review (the Augar Review) recommendations

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Summary

In February 2018, the Prime Minister announced a wide-ranging Review of Post-18 Education and Funding led by Philip Augar. The Review was partly in response to increased debate around the cost and value of higher education following a period of reform which saw tuition fees rise to £9,250 per year, maintenance grants abolished and typical student debt rise to £47,000 from a three year degree. During the period of higher education reforms the further education sector had also experienced difficult times due to a sustained period of funding reductions. The Review therefore aimed to create a joined up post-18 education that which would work for students and taxpayers.

The Review panel was made up of five experts from the HE and FE sector: Dr Philip Augar, Professor Ivor Crewe, Jacqueline de Rojas CBE, Professor Edward Peck, Beverley Robinson OBE and Professor the Baroness Alison Wolf.

A six week consultation was held which closed on 2 May 2018. Almost 400 respondents replied to the call for evidence.

The Review report was published on 30 May 2019, *Independent panel report to the Review of Post-18 Education and Funding*. The report was a detailed analysis of the post-18 education sector and the funding issues faced by stakeholders. The report contained 53 recommendations on the future structure of the sector and funding proposals. The headline recommendations are:

- the **reduction of higher education tuition fees to £7,500** per year
- Government to replace lost fee income by **increasing teaching grant**
- extending the student loan repayment period from 30 years to **40 years**
- **reducing the interest charged on student loans while students are studying**
- **capping the overall amount of repayments** on student loans to 1.2 times their loan
- reducing the **income threshold** for student loan repayments from £25,000 **to £23,000**
- **reintroducing maintenance grants of £3,000** for disadvantaged students
- introducing **maintenance support for level 4 and 5 qualifications**
- a **first free full level 2 and 3 qualification for all learners**

The report acknowledges that post-18 education in England is a "story of both care and neglect" and it proposes that the HE sector should absorb a further freeze on per student resources to help fund investment in other parts of the post-18 education system.

The proposals are expected to cost an additional £0.3-0.6 billion in annual ongoing annual costs plus a one-off **£1.0 billion on capital for further education colleges**. The costs arise from extending entitlement to maintenance and tuition support to level 4 and 5 qualifications and extending level 2 and 3 entitlements. The changes to student finance and funding are expected to reduce costs when taken on their own. They shift the balance of taxpayer funding from loan write offs to more direct funding for teaching and maintenance.

Compared to the current system **the highest earning graduates will see their lifetime loan repayments fall substantially**. **Middle earners will see the largest increase in repayments** and some of the lower earners will also repay more.

Higher education institutions will have a further three year freeze in their income per student from fees and teaching grant. Those offering 'high value' and high cost courses could see an increase in unit funding, while those that do not could see it fall.

At the report's launch the Prime Minister said:

> Decisions about whether and how to implement these recommendations will not fall to me, but to the next Government.
>
> But regardless of the debate to come, there can be no doubt that this report represents a major landmark.

The report will now be considered by the Government.

The following library briefing papers are of relevance to this paper:

- Cost of university courses in England, 28 August 2018
- Returns to a degree, 19 September 2018
- Student loan interest rates: FAQs, 1 February 2019
- Student loan statistics, 5 February 2019
- The value of student maintenance support, 28 November 2018
- Higher education funding in England, 14 January 2019
- Adult further education funding in England since 2010, 4 December 2018
- Part-time undergraduate students in England, 1 February 2019

1. Background

In February 2018, the Prime Minister announced a wide-ranging Review of Post-18 Education and Funding led by Philip Augar. The terms of reference for the Review were published on 19 February 2018.

A Call for Evidence was made on 21 March 2018, Review of Post-18 Education and Funding: Call for Evidence - the consultation ran for 6 weeks and closed on 2 May 2018.

1.1 Reason for the Review

Post-18 education funding and student finance has undergone a period of substantial policy change since 2012 including, the raising of undergraduate tuition fees to £9,250 per year, the removal of maintenance grants and changes to interest rates on student loans. These reforms have led to increased debate about the cost and value of higher education and intensified scrutiny of the funding system.

Commentators such as the Institute for Fiscal Studies highlighted the high levels of student debt and suggested that reducing tuition fees, or bringing back maintenance grants would allow the Government to target specific students or courses that have wider benefits to society[1].

Furthermore, the further education sector has experienced a prolonged period of funding cuts and student support has moved to a more loan-based finance system. These changes have impacted on learners seeking to re-skill and have led to calls for a re-assessment of the further education funding system.

1.2 Aim of the Review

The aim of the Review was to create a joined up post-18 education system supported by a funding system that worked for students and taxpayers.

The Review sought evidence from interested parties on:

- how to support young people in making effective choices between academic, technical and vocational routes after 18;
- how to promote a more dynamic market in education and training provision;
- how to ensure the post-18 education system is accessible to all;
- how best to support education outcomes that deliver the skills the UK needs; and
- how the post-18 education system can best deliver value for money for graduates and the taxpayer.

The Review would not make recommendations related to the terms of pre-2012 loans or to taxation, and its recommendations **would be**

1 Institute for Fiscal Studies, *Higher Education funding in England: past, present and options for the future*, July 2017 p36

consistent with the Government's fiscal policies to reduce the deficit and have debt falling as a percentage of GDP.

The overall intention of the Review was to enable a more overarching system that would allow students to move more easily between systems and would facilitate life-long learning and increase skills.

Library briefing paper, The forthcoming review of post-education and funding, 21 February 2019 discussed the Review process and analysed possible options for reform and their impact.

1.3 Review submissions

Respondents were asked that submissions should not to exceed 4000 words they were asked to provide evidence and data to support their positions.

Key themes expressed in the submissions were:

- tuition fee cuts and compensatory increase in grant funding
- impact of differential fees and incentivising certain subjects through variable pricing
- restoration of maintenance grants
- employer contributions to the cost of post-18 education.
- interest on student loans whilst studying
- student loan reimbursement scheme for subjects where there is a skills shortage.
- greater integration between FE and HE
- provision of flexible funding
- maintenance loans for Level 4 and 5 courses.
- improved support for mature and part-time students
- relaxation of the equivalent and lower qualifications (ELQ) rules
- higher public spending on education

2. The Review report

The report of the Review, *Independent panel report to the Review of Post-18 Education and Funding* was published on the 30 May 2019.[2] Several accompanying documents were published alongside the report.[3]

Post-18 (or 'tertiary') education in England is a story of both care and neglect (p5)

The report was set out in chapters covering: the purpose of post-18 education and the current system, skills, higher education, further education, apprenticeships, the student contribution system, post-18 maintenance system and the impact of the proposals. The Review is the first since the Robbins report in 1963 to consider both parts of tertiary education together.

The forward to the report sets out the core message of the Review:

> Post-18 (or 'tertiary') education in England is a story of both care and neglect, depending on whether students are amongst the 50 per cent of young people who participate in higher education (HE) or the rest. The panel believes that this disparity simply has to be addressed. Doing so is a matter of fairness and equity and is likely to bring considerable social and economic benefits to individuals and the country at large.

The Review was guided by several principles:

- Principle 1. Post-18 education benefits society, the economy, and individuals
- Principle 2. Everyone should have the opportunity to be educated after the age of 18.
- Principle 3. The decline in numbers of those getting post-18 education needs to be reversed.
- Principle 4. The cost of post-18 education should be shared between taxpayers, employers and learners.
- Principle 5. Organisations providing education and training must be accountable for the public subsidy they receive.
- Principle 6. Government has a responsibility to ensure that its investment in tertiary education is appropriately spent and directed.
- Principle 7. Post-18 education cannot be left entirely to market forces.
- Principle 8. Post-18 education needs to be forward looking.

At the report's launch the Prime Minister said:

> Decisions about whether and how to implement these recommendations will not fall to me, but to the next Government.

[2] *Independent panel report to the Review of Post-18 Education and Funding* 30 May 2019, CP117

[3] Methodology for Assessing Costs of Panel Recommendations, Assessing the Impacts of HE Student Finance Systems by earnings decile, Estimating the changing cost of the English Higher Education system to taxpayers and students, Estimating the lifetime contributions of example borrowers

But regardless of the debate to come, there can be no doubt that this report represents a major landmark.

And that the data, analysis and insights it contains will help us to deliver a post-18 education system that truly works for everyone.

That needs to begin with Further Education.

[…]

As the panel argues, this focus on academic routes at the expense of all others has left further education overlooked, undervalued and underfunded.

[…]

We've given universities the long-term funding they need, removed the cap on student numbers, and made the system fairer – with the students who will benefit from a university education contributing more and the taxpayer contributing a little less.

[…]

So as we look ahead to the spending review and beyond, I believe the Government will need to take very seriously the report's proposals to boost Further Education spending and put right the errors of the past…

…To restore higher education maintenance grants, so students from the poorest backgrounds no longer leave university with a higher level of headline debt than the richest…

…And to cut tuition fees, so students pay a fairer price for their education.

3. Summary of Review recommendations

The Review made recommendations in nine key areas relating to funding and educational organisation which are designed to create a lifelong learning system that is affordable and accessible to all.

3.1 Strengthening technical education

The report recommends **improved funding**, a **better maintenance offer**, and a **more coherent suite of higher technical and professional qualifications** to help level the playing field with degrees and drive up both the supply of and demand for such courses.

3.2 Increasing opportunities for everyone

The report proposes **reversing cuts in adult skills provision** and **encouraging part time and later life learning**.

3.3 Reforming and refunding the FE college network

The report states the need to reform and refund the FE college network by means of an **increased base rate of funding for high return courses**, an **additional £1bn capital investment** over the coming spending review period and **investment in the workforce** to improve recruitment and retention. Other proposals include rationalisation of the network to even out provision across over-supplied and under-supplied areas, funding for some specialised colleges and closer links with HE and other providers to establish a genuinely national system of higher technical education.

3.4 Bearing down on low value HE –

The report encourages universities to **bear down on low value degrees** and to incentivise the provision of courses better aligned with the economy's needs.

3.5 Addressing higher education funding

One of the headline recommendations of the report is the proposal to **restore more control over taxpayer support** of universities and to reduce what universities may charge each degree student. Universities should find further efficiency savings, **maximum fees for students should be reduced to £7,500 a year** with the loss in funding made up for by direct funding targeted at **high value and high cost subjects.** More of the taxpayer funding should come through **grants directed to disadvantaged students**.

3.6 Increasing flexibility and lifetime learning

The report recommends the introduction of a **lifelong learning loan allowance** to be used at higher technical and degree level at any stage of an adult's career for full and part-time students. This should be available in modules where required. The report also states that **transfer between different institutions should be facilitated** and that there should be greater investment in so-called '**second chance' learning** at intermediate levels.

3.7 Supporting disadvantaged students

Maintenance grants would be reintroducing for students from low income households, and by increasing and better targeting the government's funding for disadvantaged students.

3.8 Ensuring those who benefit from higher education contribute fairly

The report states that the income-contingent repayment system of student funding is misunderstood and should be better communicated - a new name is proposed the **Student Contribution System**. The Review panel said that more graduates should repay their loans in full over their lifetimes and recommended **extending the repayment period for future student**s and effectively **freezing the repayment threshold**. These changes – with the reduction in fees – **would apply only to students entering higher education from 2021-22** at the earliest: students starting before then would not be affected. The report also recommended **reducing students' in-study interest charges** and **capping graduates' lifetime repayments**.

3.9 Improving the apprenticeship offer

The report recommends further improvements in the quality of the apprenticeship offer by **providing learners with better wage return information**, **strengthening Ofsted's role** and better understanding and **addressing the barriers SMEs face within the apprenticeship system**. It also recommends that **apprenticeships at degree level** and above should normally be funded **only for those who do not already have a publicly-funded degree**.

A detailed list of recommendations is given in the report on p206.

4. Details of recommendations by sector

4.1 Skills

The country has a long-standing skills gap, particularly at level 4/5 technician level. The report states:

> In 2009/10, there were approximately 510,000 learners enrolled on a sub-bachelor (Level 4-5) course: by 2014/15 this had reduced to 240,0004 and by 2016/17 to 190,000.[4]

The report sets out the case for flexible learning at level 4 and above and makes various proposals to improve the skills of the workforce by improving funding and maintenance support for learners and by improving the quality of provision and streamlining qualifications.

Box 1: Skills proposals

Recommendation 2.1

The government should introduce a single **lifelong learning loan allowance** for tuition loans at Levels 4, 5 and 6, available for adults aged 18 or over, without a publicly funded degree. This should be set, as it is now, as a financial amount equivalent to four years' full-time undergraduate degree funding.

Recommendation 2.2

Learners should be able to access **student finance for tuition fee and maintenance support** for modules of credit-based Level 4, 5 and 6 qualifications.

Recommendation 2.3

ELQ rules should be scrapped for those taking out loans for Levels 4, 5 and 6.

The report also makes other proposals around retraining and funding for adults and recommends that a **first 'full' Level 3 qualification is free to all learners** whether they are in work or not and that **full funding for a first 'full' Level 2 qualification** is restored for learners aged 24 and over and who are employed.

Other recommendations include:

- The Office for Students should become the national regulator of all non-apprenticeship provision at Levels 4 and above.
- The Government should provide additional support and capital funding to specific FE colleges.
- From 2021-22 the fee cap for Level 4 and 5 qualifications currently prescribed by the OfS should be £7,500 – the same as that proposed for Level 6 qualifications. Longer term, only kitemarked Level 4 and 5 qualifications that meet the new employer-led national standards should be able to charge fees up to the Level 6 cap and be eligible for teaching grant. From that

[4] Independent panel report to the Review of Post-18 Education and Funding 30 May 2019, CP117 p33-34

point, any other Level 4 and 5 courses should have a lower fee cap.

- The careers strategy should be rolled out nationally so that every secondary school is able to be part of a careers hub, that training is available to all careers leaders and that more young people have access to meaningful careers activities and encounters with employers.

4.2 Higher education

The report analyses the role of universities and their funding for undergraduate degree level provision. - it states that the university sector is a success but "a significant minority – of university students are left stranded with poor earnings and mounting debt".[5]

The Review states that the HE sector is in reasonable financial health following the raising of the tuition fee cap in 2012 and lifting the student numbers cap in 2015. However performance at institutional level varies widely. The report concludes that:

> Funding of universities is high by historic and international standards but we judge that the distribution of funding between subjects is out of line with teaching costs causing over and under funding of many subjects.[6]

The report analyses how universities spend their funding and comments on vice-chancellors pay, the Teaching Excellence and Student Outcomes Framework and support for disadvantaged students. The market in HE is discussed and the report makes the case for change:

> The steady and marked expansion of HE over the last three decades has brought significant social and economic benefits to the nation and a real financial return to most graduates. Since the funding reforms of 2012, which largely replaced the government's teaching grant to universities with tuition fees paid by the student by means of an income-contingent loan, most of the taxpayer subsidy for HE has shifted from the teaching grant to unpaid loans. This taxpayer subsidy has been hidden from view by the accounting treatment such that it has not been considered in the context of investment in other parts of post-18 education and education more generally or in other public services. This funding methodology has also led to unintended consequences for subject provision that are not aligned with the government's Industrial Strategy.
>
> The principal cause of unpaid loans is that many graduates earn too little in the course of their employment to repay the loan in full under existing terms. The analysis of graduate earnings at age 29 outlined above shows that a significant minority of graduates, concentrated in some institutions and some subjects, as well as among those with low educational attainment on embarking on degree study, are likely to earn too little to repay any or more than a small part of their loan; they would have been better off

By any reasonable measure, the expansion of England's university sector should be considered a success, bringing benefits to graduates, employers and society at large. However, as is true of any market, there are deficiencies both at system-wide and at institutional level (p65)

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6 P71

> financially if they had not embarked on a university course in the first place, or had chosen a different course.[7]

The report concludes[8] that the higher education sector "**should absorb a further freeze on per student resources to help fund investment in other parts of post-18 education**". Freezing the average per-student resource in cash terms for a further three years, based on current inflation forecasts, would mean a real terms reduction of 8 per cent between 2019/20 and 2022/23, and a reduction of 11 per cent compared to 2018/19 funding levels.

Box 2: Higher education proposals

Recommendation 3.1

The average **per-student resource should be frozen for three further years** from 2020/21 until 2022/23. On current evidence, inflation based increases to the average per-student unit of resource should resume in 2023/24.

Recommendation 3.2

The **cap on the fee chargeable to HE students should be reduced to £7,500** per year. We consider that this could be introduced by 2021/22.

Recommendation 3.3

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.

Recommendation 3.4

The **fee cap should be frozen until 2022/23**, then increased in line with inflation from 2023/24

Recommendation 3.5

Government should adjust the teaching grant attached to each subject to reflect more accurately the **subject's reasonable costs and its social and economic value to students and taxpayers**.

Support for high-quality specialist institutions that could be adversely affected should be reviewed and if necessary increased.

Recommendation 3.6

Government should take further steps to ensure disadvantaged students have sufficient support to access, participate and succeed in higher education. It should do this by:

- **Increasing the amount of teaching grant funding that follows disadvantaged students**, so that funding flows to those institutions educating the students that are most likely to need additional support.
- **Changing the measure of disadvantage used in the Student Premium to capture individual-level socio-economic disadvantage**, so that funding closely follows the students who need support.
- Requiring providers to be **accountable** for their use of Student Premium grant, alongside Access and Participation Plans for the spend of tuition fee income, to enable joined up scrutiny.

Recommendation 3.7

Unless the sector has moved to address the problem of recruitment to courses which have poor retention, poor graduate employability and poor long term earnings benefits by 2022/23, the government should intervene. This intervention should take the form of a **contextualised minimum entry threshold, a selective numbers cap or a combination of both**.

Recommendation 3.8

We recommend **withdrawing financial support for foundation years** attached to degree courses after an appropriate notice period. Exemptions for specific courses such as Medicine may be granted by the OfS.

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4.3 Further education

The report focuses on the institutional structure of the further education (FE) sector, and recommends interlocking changes to its financial and regulatory framework. The report highlights the decline in FE funding and falling student numbers:

> Funding is a fundamental challenge in FE.
>
> Funding for adult learners in FE is fragmented, unpredictable and sits at a much lower level per learner than both HE and 16-18 funding, at about £1,000 per year (although many adult FE learners are part time). Largely reflecting the collapse in learner numbers, total spending on adult skills has fallen by approximately 45 per cent in real terms between 2009/10 and 2017/18. **This is one of the most important statistics in this entire report** and cannot be justified in terms of either economics or social equity.[9]

Box 3: Further education proposals

Recommendation 4.1

The **unit funding rate for economically valuable adult education courses should be increased**.

Recommendation 4.2

The **reduction in the core funding rate for 18 year-olds should be reversed**.

Recommendation 4.3

ESFA funding rules should be simplified for FE colleges, allowing colleges to respond more flexibly and immediately to the particular needs of their local labour market.

Recommendation 4.4

Government should commit to providing an indicative AEB that enables individual FE colleges to plan on the basis of income over a three-year period. Government should also explore introducing additional flexibility to transfer a proportion of AEB allocations between years on the same basis.

Recommendation 4.5

4.5.1 Government should provide FE colleges with a **dedicated capital investment of at least £1 billion** over the next Spending Review period. This should be in addition to funding for T levels and should be allocated primarily on a strategic national basis in-line with Industrial Strategy priorities.

4.5.2 Government should use the additional capital funding primarily to augment existing FE colleges to create a strong national network of high quality provision of technical and professional education, including growing capacity for higher technical provision in specific FE colleges.

4.5.3 Government should also consider redirecting the HE capital grant to further education.

Recommendation 4.8

Investment in the FE workforce should be a priority, allowing improvements in recruitment and retention, drawing in more expertise from industry, and strengthening professional development.

The report also makes recommendations on:

- The structure of the FE college network, and collaboration
- Improved data collection, collation, analysis and publication
- OfS and the ESFA joint working party, to align the requirements they place on providers to report to the Secretary of State for Education by March 2020

[9] P119

4.4 Apprenticeships

The report does not provide a wholesale evaluation of current apprenticeship arrangements as the current system is undergoing reform and other evaluations are taking place. The report however makes recommendations on issues that emerged during the Review consultation.

This briefing focuses on the Review's proposals on non-work-based education. The proposal on apprenticeships which has most overlap in this case is Recommendation 5.3 that funding for Level 6 and above apprenticeships should normally be available only for apprentices who have not previously undertaken a publicly-supported degree.

5. Details of recommendations on student funding

5.1 Student Contribution system

Chapter 6 of the report reviews the current student finance regime and makes proposals to recalibrate the system. The principles of the current income-contingent loan system are set out on p164:

> Two critical features of England's current student finance system are a statutory entitlement to a government loan to cover tuition fee and maintenance costs, and repayment of the loan after graduation on an income-contingent basis, i.e. according to the borrower's capacity to pay based on their income. These distinguish it from many other countries' arrangements for university funding and ensure that it encourages access and collects contributions in a broadly progressive way. The loan entitlement guarantees that students do not have to pay the substantial fees and maintenance costs in advance from their own pockets. The pay-as-you earn principle is designed to produce a fair balance of contributions between the taxpayer and students and to collect a contribution from high, medium and low earners in a progressive way.

The report endorses the principle that **students should not have to pay up-front costs** but states concern that **too high a proportion of borrowers repaying very little**: about 70 per cent of student borrowers are currently not expected to clear their loans (including the interest) before the 30-year end point, and overall only 55 per cent of the total value of loans will be repaid.[10]

The report recommends continuing the principle of loans to cover the cost of fees combined with income-contingent contributions up to a maximum, but it proposes changes to the terms of the loans.

Repayment thresholds

The report proposes:

- Set the contribution threshold at the level of median non-graduate earnings so that those who are experiencing a financial benefit from HE start contributing towards the cost of their studies. This should apply to new students entering HE from 2021/22.
- Adjust the lower interest threshold to match, with the higher interest threshold moving by the same amount. This should apply to new students entering the system from 2021/22.

Under this proposal the repayment threshold would fall from £25,000 to £23,000 in 2018/19 prices. It expected that when introduced (in 2021/22) the threshold would be around £25,000 -in effect freezing the cash value of the threshold. After then the report recommended that it should be increased annually in line with average earnings, as it is currently.

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The report also recommends retaining the principle that the real interest charged should be increased linearly between the repayment income threshold and an upper threshold in order to protect borrowers on relatively modest incomes while charging real interest rates to those on relatively high incomes.[11]

Contribution period

The report proposes increasing the repayment period on student loans from **30 year to 40 years**, based on research completed for DfE which showed that people would prefer a longer repayment period in return for lower fees and interest rates.[12]

Interest rate while studying

The report proposes **lowering the rate of interest on loans while students are still studying** from RIP +3% to RPI. This would apply to student entering courses from 2021/22.

The post-study variable interest rate mechanism from inflation to inflation plus 3 per cent would be retained.

Life-time cap on repayments

A new protection would be introduced for borrowers to cap lifetime repayments at 1.2 times the initial loan amount in real terms. This cap would be introduced for all **current Plan 2 borrowers**, as well for all future borrowers.

Renaming the student finance system

The report states that "it is widely recognised that the current terminology used to describe student finance (loans, debt, interest, liability etc.) can be unhelpful and misleading", it therefore proposes to rename the system as a "**student contribution system**".

5.2 Post – 18 maintenance system

The English higher education (HE) maintenance system provides financial support for living costs while an individual is studying - since 2016 when grants were abolished this funding has been entirely loan based.

The maintenance system is open to all full-time and some part-time degree level students attending an HE institution (HEI). Maintenance support is available for some Level 4/5 courses in the Office for Students (OfS) regime, however, approximately 20 per cent of Level 4/5 courses are not eligible.

The current system works well for most groups but debt is still a deterrent for the disadvantaged (p188)

In 2019/20, loans of up to £8,9447 per year are available for students living away from home and studying full-time outside London. The amount received is partially means-tested - students in households with income below £25,000 receive the maximum and students in households with income above £62,2129 receive the minimum of

[11] P171
[12] ibid

£4,168 with the amount scaled linearly in between. The premise is that for young students (aged 24 or below on the first day of the academic year) in households with income above £25,000, families will contribute on a sliding scale according to their income. This parental contribution has been misunderstood by many families who have not expected to have to pay towards their children's costs.

Under the current system disadvantaged students leave university with the highest debts and there are growing concerns about the cost of living – particularly about the increasing cost of student accommodation.

The report recommends among other things: bringing back maintenance grants of at least £3,000 for disadvantaged students, making the parental contribution clear and introducing support for level 4-6 qualifications. It said the actual level of the grant "…would be for government to determine in the context of public spending." It did not recommend specific household income levels that would qualify for a full grant. The maximum level of maintenance support (loan plus and grant and parental contributions) should be set in line with the National Minimum Wage for 21-24 year olds which is slightly lower than the current maximum.

Box 4: Maintenance system proposals

Recommendation 7.1

The government should **restore maintenance grants** for socio-economically disadvantaged students to at least **£3,000** a year.

Recommendation 7.2

The expected **parental contribution should be made explicit** in all official descriptions of the student maintenance support system.

Recommendation 7.3

Maximum maintenance support should be set **in line with the National Minimum Wage** for age 21 to 24 on the basis of 37.5 hours per week and 30 weeks per year.

Recommendation 7.4

In delivering a maintenance system comprising a mix of grant, loan and family contribution, the government should ensure that:

- The level of grant is set as high as possible to minimise or eliminate the amount of additional loan required by students from disadvantaged backgrounds.
- The **income thresholds within the system should be increased in line with inflation each year**.

Recommendation 7.5

The **new post-18 maintenance support package** should be provided for all students taking **Level 4 to 6 qualifications**. The government should take steps to ensure that qualifications which are supported through the maintenance package are of high quality and deliver returns for the individual, society, economy and taxpayer.

Recommendation 7.6

The OfS should examine the cost of **student accommodation** more closely and work with students and providers to improve the quality and consistency of data about costs, rents, profits and quality

Recommendation 7.7

Funding available for bursaries should increase to accommodate the likely growth in Level 2 and Level 3 adult learners.

Recommendation 7.8

The support on offer to Level 2 and Level 3 learners should be made clearer by both the government and further education colleges so as to ensure that prospective learners are aware of the support available to them.

6. Impact

A summary of the intended impacts of the proposals are set out in Chapter 8 of the report on p201-203:

Impact on students

- No student to pay more for post-18 education than the reasonable cost of provision on any subject
- Consistent maintenance support for all approved higher technical and degree courses
- Reintroduction of maintenance grants for the most disadvantaged students on higher technical and degree courses
- Reduced debt from lower tuition fees at degree level and lower in-study interest rates for all students who borrow
- Lifelong learning loan allowance for Levels 4 to 6 to encourage part time study, retraining, modular and 'second chance' learning
- Renamed student contribution system with clearer explanations of how much students would pay and when
- Funding for adults 24 and over for first full Levels 2 and 3 qualifications

Borrowers

- An expectation of a higher proportion of loans being repaid through a lower repayment threshold and a longer repayment period
- The highest earners - on whose contributions the system depends - would continue to pay the most but less than now due to lower fees, reduced in-study interest and a lifetime cap
- More middle-earning graduates would repay their loans in full, with slightly higher contributions each year
- Some middle earners would pay less over their lifetimes, for example those completing 1 year higher technical courses
- Low earning graduates would remain protected by repayment threshold: nothing to pay if they did not earn above that threshold

Impact on taxpayers

- Increased control over and better value from public spending on tertiary education
- Public investment aligned with Industrial Strategy
- Socio-economic benefits from:
  - Fairer deal for those not attending university
  - National network of properly resourced FE colleges
  - More and better directed resources for disadvantaged student

Impact on providers

HE providers

- Existing freeze in overall funding extended to 2022-23
- All institutions expected to use resources more efficiently
- Change in mix between tuition fee and teaching grant by cutting fees from £9,250 to £7,500 and topping up with better-directed grant
- Funding more effectively targeted on cost of provision and characteristics of students:
  - Institutions providing predominantly high value and/or high cost provision likely to receive a boost in funding
  - Institutions providing predominantly low value and/or lower cost provision likely to see a reduction
  - Protection for high quality specialist institutions
  - Some providers might choose or need to diversify provision to adjust their market position.
  - Renewed focus and more resources for disadvantaged students while studying
- Academic autonomy remains protected

FE providers

- Restore prestige by clarifying mission, protecting title and refunding the sector
- Increased student numbers and funding through reformed Level 4/5 qualifications, full funding for first Level 2 and 3 qualification and increase in core funding rate for 18 year-olds
- Significant injection of capital funding
- Additional revenue funding and workforce reform to allow colleges to better train, recruit and retain staff
- Rationalised college network to address under-supplied rural areas, wasteful duplication in others and enable the strongest colleges to widen their influence

6.1 Detailed impacts

The panel published four annexes alongside the main report which looked at the impacts on graduates and the taxpayer in more detail.

Changes in repayments by graduate earnings.

Assessing the Impacts of higher education student finance systems by earnings dececile looked at HE students studying full-time. It estimated that average fee loans would be cut to around £6,700 per year and maintenance loans down from £5,800 to £4,000.[13] It analysed forecast

[13] Due to the reintroduction of grants.

repayment by lifetime income decile (10% band) of graduates and found that:

- The only groups to see a clear fall in repayments, compared to the current system, are those in the highest two deciles.
- Forecast repayments will increase for all the low and middle - earnings groups up to decile 7. The largest increases in absolute terms are for the middle earners, deciles 4-6

Higher earning graduates repay less under the proposals; middle-earners repay more

The report recommendations result in these patterns because among higher earners debt is repaid in full at the moment and the changes would mean lower loans and lower interest payments. Among middle earners, who currently do not repay their loans in full, these changes are outweighed by the lower repayment threshold and extension in loan period. These mean loans are repaid earlier, for longer and monthly repayments are slightly higher. The real cut in the repayment threshold is the main factor for the lowest earnings graduates who are only expected to make sporadic repayments and never come close to repaying their loans in full. This proposal means more lower earners are brought into repayment, even if their lifetime repayments are still very low.

The annex Estimating the lifetime contributions of example borrowers includes more detail of the earnings and debt profile of different example borrowers on different parts of the income distribution; borrowers on the 10th percentile[14], 25th, 50th, 75th, 90th and 95th percentiles. These examples are for example individuals and are in some cases slightly different from the analysis by income deciles which looks at the average for each 10% band.

This analysis found virtually no impact on the graduates on the 10th and 25th percentiles. Their earnings are never or only rarely above the repayment threshold. At the other end of the spectrum the graduates on the 95th and 90th percentiles see large reductions in their repayments of £18-19,000[15] or 33%. Their loans are smaller and repayments capped at 1.2 times their face value in real terms. In contrast the borrower on the 50th percentile see a substantial increase in lifetime repayments of around £12,000 or 80%.

Loan write-offs are much lower under the proposed system. Direct funding is much higher

6.2 Cost

The report gives costings of the recommendations on p204, it said:

> We believe that the proposed package of reforms would result in a system that delivered better education for students, a fairer sharing of costs, and supported a stronger economy and more high skills workforce.

The costs and savings it identified are:[16]

- **£1 billion cost** capital funding for FE colleges which would be spread out over multiple years

14 Lifetime earnings above 10% of all graduates
15 2018-19 prices deflated by average earnings
16 Costs and savings affecting the deficit in 2024-25 rather than the debt.

- **£0.5 billion savings** from changes to the student finance system and increased teaching grant.
- **£0.3-0.6 billion cost** of additional investment in tuition and maintenance for level 4 and 5 study.
- **£0.2 billion savings** from removal of funding for foundation years.
- **£0.5 billion cost** of extending entitlements at level 2 and 3.

The total costs for England are put at **£0.3-0.6 billion annually plus the one-off capital costs of £1 billion.** UK-wide costs are put at around £0.9 billion higher for the annual costs and £0.2 billion higher for the one-off capital funding. These estimates are subject to some uncertainty due to the inherent difficulties in predicting the reaction of students and institutions and forecasting graduate incomes up to 40 years in the future. In addition, the Office for National Statistics is expected to publish the results of their decision to reclassify student loans in the national accounts later this year.

Detailed costs

The proposals keep the taxpayer: graduate balance at around 50:50 of costs. Savings come from the fee freeze

The annex to the report Methodology for assessing costs of panel recommendations gives some information about the panel's general approach to its cost estimates. Estimating the changing cost of the English higher education system to taxpayers and students gives more detail on cost estimates per student.

Costs to the taxpayer are teaching grant, maintenance grant and loan costs[17]. This is expected to **fall from £7,000 to £6,500 per student per year**, or from £21,100 to £19,600 for a three-year course. The increased costs of teaching and maintenance grants are more than offset by the increased loan repayments.

Costs to the average graduate are said to fall from £7,400 per year at present to £7,100. The overall balance of funding between the taxpayer and graduate has not 'fundamentally' changed. Both have fallen somewhat due to the three-year freeze in tuition fees.

It is important to note that these are costs per student and the overall increase in costs of the reports recommendations come from expansion of the system of finance to levels 4 and 5.

London Economics have produced some initial detailed cost estimates for the taxpayer, graduates and higher education institutions. These are published on the WonkHE website on the day after the report was published. They concluded that the proposals would be fiscally neutral, male graduates would on average see a cut in loan repayments, female graduates would see and increase and the impact on institutions would be mixed depending on what type of courses they offered. Some of the main winners they identified were:

17 Face value of the loan multiplied by the proportion forecast to be repaid in current discounted terms. The RAB charge is the proportion forecast not to be repaid so the latter element in this calculation is 1 minus the RAB charge.

> High earning (predominantly male) graduates, who would repay less, and pay off the lower loans more quickly;
>
> Students from less well-off backgrounds receiving maintenance grants;
>
> Higher education institutions offering a substantial component of high-cost Medicine, Dentistry and STEM subjects; and
>
> On the flip side, the main losers under Augar are:

And some of the losers:

> Graduates (predominantly female) with moderate earnings, who are likely to end up repaying more over the extended repayment period than is currently the case – though we have not modelled the impact of the proposed cap on loan repayments;
>
> Higher education institutions offering a substantial component of Arts, Humanities and Social Sciences degrees (especially those that are not perceived as "high value" or "high priority");
>
> Higher education institutions outside of England – and especially Wales (who face the unenviable position of English-domiciled students paying lower fees than their Welsh contemporaries), and

6.3 Next steps

An implementation plan is set out in the report on p177.

The report states that the new system could be **introduced for 2021/22 entrants**:

> If accepted, these student finance proposals should be implemented as a package, with the exception of the 1.2 times real terms cap on repayments, which we are keen to see introduced immediately.
>
> This would be a new plan type, defined by new regulations within the framework of existing primary legislation, but as proposed above, we urge the government to rebrand the system and adopt a new terminology. We expect the government to be able to introduce the new system for 2021/22 entrants, synchronised with the introduction of lower fees and the improved arrangements for maintenance to avoid any one cohort of students being particularly advantaged or disadvantaged.[18]

6.4 Devolution

The report makes the following comment on the devolutionary aspect of the proposals:

> Education policy, including student loan repayment terms, is devolved. However, England and Wales have set the same repayment terms for their loans since 1998. All student loans in the UK are administered by the Student Loan Company. The majority of loan repayments from UK borrowers are collected by HMRC on behalf of England and the devolved administrations. Due to the commonality of loan terms, the Welsh Government in particular may wish to consider the implications of any changes made to repayment terms in England.[19]

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[18] P177
[19] ibid

It also states the following on cross border student issues:

> The English system retains enough similarities, and differences, with systems in Northern Ireland, Scotland and Wales that we do not anticipate any major change in cross-border student behaviour as a result of our proposals.[20]

[20] P203

7. Responses to the report

Association of Colleges

> In response to the Augar review published today, David Hughes, Chief Executive of the Association of Colleges, said:
>
> "Whoever becomes Prime Minister has a tough task ahead with widening skills gaps and stagnating social mobility. The recommendations in this report tackle both head on and should be a priority from day one in the job.
>
> For too long, we've had a system that works for half the population whilst neglecting the other half. We live in a country with 9 million adults with poor basic skills, even more lacking strong digital literacy, skills gaps widening particularly in intermediate skills, employers struggling to recruit in many roles and enormous demand for tech experts to help reap the benefits of digital transformation. Our education and training system is not delivering to meet these needs now, so changes and fairer investment are vital.
>
> We must not let this report be diminished to just a debate about tuition fees. It is more important than that. Universities are vitally important, but many people seem to need reminding that they are not the only part of the post-18 education and training system. In fact, more than half of the population have never been and never will go to university. Their education and life chances have been ignored for far too long.
>
> Few jobs will be unchanged from technology and very few people will be able to thrive without frequent opportunities to learn, train and pick up new skills. Focusing only on universities and tuition fees does not do justice to those challenges, nor recognise the opportunities we have as a country if we get this right.
>
> The Post-18 Review report attempts to balance the needs, aspirations and opportunities for every adult and proposes meaningful changes across universities, colleges and skills which are vital to set the country up for the future – including welcome recognition for the vital role of further education colleges, a boost to intermediate level skills funding and new rights for all adults to be able to get the support they need to progress in learning.
>
> We need a diverse and thriving post-18 education sector, led by universities and colleges, working closely with employers and communities. The post-18 review report helps us start building that system and supporting everyone throughout their lives."[21]

Sutton Trust

> Sir Peter Lampl, founder and Chairman of the Sutton Trust, said:
>
> "Our student finance system is in serious need of reform. A graduate from the lowest 40% of earners will graduate with debts of £52,000. Most will be paying them off well into middle age.
>
> "While it is good that the Augar Review recommends reinstating maintenance grants, its proposal to reduce tuition fees from £9,250 to £7,500 just tinkers around the edges of a grossly unfair system. If we are serious about creating an equitable student

[21] Association of Colleges, Post-18 Review: AoC response, 30 May 2019

finance system, fees should be means-tested so that those from low income families incur the lowest debts.

"However it is welcome that the Review proposes to introduce a flexible life-long learning loan. Skilling-up and studying later in life is a crucial second chance for many people. However, our research has shown the numbers of people studying part-time have been decimated in recent years. This is a very serious issue which requires far more resources than it gets." [22]

Office for Students

'Philip Augar has produced a thoughtful and important report on the future of further and higher education in England. We will now review his detailed proposals and will look forward to the government's response.'[23]

Russell Group

Today's report from the post-18 review panel led by Dr Philip Augar presents a detailed package of proposals to reform higher and further education funding. It will be up to the next Prime Minister and his or her Cabinet to determine the Government's response. Three key principles should guide them:

First, the primary objective should be a sustainable funding settlement across higher and further education. Additional support for further education and lifelong learning is long overdue and the panel's emphasis on boosting these routes is welcome. Equally, their report recognises the invaluable role universities play in our modern economy and is clear thatany reduction in undergraduate tuition fees should be fully compensated. Otherwise university students will suffer as the funding available for their teaching, equipment and services such as careers support is diminished. Businesses will also struggle to recruit the graduates they need if investment is reduced and student places have to be restricted. The Government's own Industrial Strategy predicts that 1.25 million additional graduates will be needed by 2024.

It is imperative the next Prime Minister provides students, businesses and universities with a cast-iron guarantee that, in the event of a fee cut, teaching grants will fully cover the funding shortfall and meet future demand for higher education places.

Second, the overall impact of any reforms to the student finance system must be fair and transparent. We welcome the panel's call for maintenance grants to be reintroduced for the most disadvantaged students and for the removal of real interest applied to loans during study. We also welcome the panel's recommendation to better communicate to students and their families the way the student finance system works and to move away from the language of "loans" and "debt", which we have been calling for in our work with the Money Saving Expert to redesign the student loans statement.

However, we are concerned that the overall impact of the proposed reforms will be to place a greater burden on graduates on low and middle incomes. Current student loan arrangements are broadly fair, with higher earners repaying more of their loans over the course of their lifetimes. The panel itself notes that its

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[22] Sutton Trust, Sutton Trust response to the Post-18 Education and Funding review, 30 May 2019

[23] Office for Students, Office for Students responds to Review of Post-18 Education and Funding, 30 May 2019

recommendations would result in lower and middle earners paying more for their degrees than under the present system, as they will need to start repaying earlier and for a longer period of time.

The comprehensive impact of these proposals on graduates of differing means must now be carefully assessed. The Government should proceed only with a package of reforms which enhances rather than undermines the progressive nature of student finance.

Third, any funding settlement should continue to support a full range of academic disciplines. The panel is right to recognise the importance of proper investment in higher cost and strategically important courses, such as science, technology, engineering and medicine, which will be central to future UK growth and prosperity. This is necessary for universities to continue delivering these high-level skills which the economy needs.

However, it is crucial that a comprehensive range of other subjects is also supported. Over half of students currently choose arts, humanities and social sciences degrees and these subjects are highly valued by business and public sector employers. The cost of teaching these to a high standard needs to be reflected in any funding settlement. It is vital for the UK that these subjects are sustainable to teach and courses remain open to students.

While it is right that, in the event of a fee cut, Government steps in to support high cost and "high value" subjects, we urge the Government to avoid deprioritising other disciplines which are vitally important to our economy, culture and society.

We hope the Government will now consult with a wide group of stakeholders including universities, other post-18 providers, student representatives and businesses to consider these detailed proposals. We remain dedicated to working with the Government to help find an outcome that truly supports UK higher education for the wider, national good. A vibrant higher education sector is an investment in our nation's future.[24]

MillionPlus

Professor Dave Phoenix, Chair of MillionPlus and Vice-Chancellor of London South Bank University, said:

"The Augar Report should be judged by its impact on students and on the educational experience they will receive if it is implemented. The aspiration in the report to look across post-18 education and to seek new additional investment is commendable but the risk remains that funding is reduced either due to a lack of government investment or due to the redistribution of funding via central government initiatives. Universities and their students need long-term, sustainable funding at least at their current levels and failure to deliver this would be detrimental to student experience and opportunity.

"MillionPlus has called for better support for students who wish to study flexibly, so new rules to enable 'modular' funding might go some of the way to address this by simplifying support for part time and accelerated routes. A return of maintenance grants would certainly be a positive step, helping those who might struggle with the daily living costs to achieve their aspirations."

Dr Greg Walker, Chief Executive of MillionPlus, said:

24 Russell Group, Post-18 funding review published, 30 May 2019

"Reduced investment in future generations of students would stifle our ability to rise to the challenge of boosting our productivity and creativity as a nation. It would undermine those universities, including many modern universities, that make the greatest contribution to creating high-level skills in the workforce and would be a major own goal for England in meeting the needs of industry and employers.

"The government should not take up proposals in the report to bar prospective students from taking a 'foundation' year at university. This pathway has helped thousands of people progress to higher education and study for a degree who might not otherwise have moved up and on. This route will not be easily replaced by other provision – all this would do is hit opportunities for social mobility for those with aspiration. The government should engage widely with higher education stakeholders and prospective students about the next steps."[25]

Universities UK

Universities UK welcomes proposals to encourage more people to undertake post-18 qualifications to enhance their lives and employment prospects. The review recommendations include some positive measures that UUK has been making a case for:

- a focus on encouraging more flexible learning with improved opportunity to ensure the most diverse range of learners can benefit from higher and further education
- addressing concerns about living costs with maintenance grants targeted to help those students most in need
- capping the rate of interest students pay while they are still studying

The panel has outlined in the strongest terms its view that the unit of resource – the investment needed to fund each student – must be protected. If fees are cut to £7,500, there is a considerable risk that the government will not make up the funding gap in full (around £1.8 billion a year) through teaching grant funding, which would be a bad deal for students.

Other recommendations and issues which concern universities include:

- the removal of loan funding for students on foundation years which is currently an important route for capable students from challenging or deprived backgrounds to make the step into higher education
- the knock-on impact of changes for universities in Scotland, Wales and Northern Ireland
- the inevitable confusion these proposals will cause for students, their families, schools and the higher education sector about what happens next and when
- potential restrictions on access and choice based on narrow conceptions of value
- whether the required replacement funding will be allocated in a way that allows universities to continue offering diversity and choice, or comes with strings attached

25 MillionPlus, MillionPlus comment on the Augar Review of Post-18 Education, 30 May 2019

- the likelihood of a more fragmented system for accessing funds for widening access and participation activities, which could impact social mobility

Alistair Jarvis, Chief Executive of Universities UK, said:

"On the face of it the fee-level recommendations may look good for students, but unless the government gives a cast-iron guarantee on full replacement funding, it could prove to be a wolf in sheep's clothing.

"I recognise there are difficult choices to be made on public funding, but cutting fees without replacement funding would be a political choice which hurts students, limits opportunity, damages universities, decreases the number of highly-skilled employees that business needs, and reduces our international competitiveness at a time when modern Britain needs it most.

"There are very welcome proposals to encourage flexible learning, to provide maintenance grants for those students most in need and to cap interest on student loans.

"The next prime minister must look at the full package to consider the impact of these recommendations and consult properly with students, universities, colleges and business."

Professor Dame Janet Beer, President of Universities UK and Vice-Chancellor of the University of Liverpool, said:

"Studying at university is a transformative experience that remains a good investment for graduates. Anyone with the will and potential to study at a UK university should have the opportunity to do so, whatever their background.

"These recommendations open up new avenues for more flexible study and lifelong learning, which employers and our economy need. But we need to ensure the government doesn't close the door on student choice by cutting funding and restricting access to university.

"With around 300,000 new places needed at universities over the next decade as the 18-year-old population rises, it is more important than ever to ensure we maintain investment in our world-leading sector.

"Further discussion must now take place across the sector and government, including the devolved administrations. We will consult with our members on the feasibility and impact of the recommendations and ensure they benefit students, employers and communities across all four nations of the UK." [26]

Further responses are available in an *FE Week* article, Sector Response to the Augar review of Post-18 education and funding, 30 May 2019

[26] Universities UK, Top-up guarantee needed from government if fees are cut, warns UUK, 30 May 2019

8. Comment

The following articles contain comment and analysis of the report:

- Higher Education Policy Institute, Lunchtime takeaways, 10 points to note in today's Augar report, 30 May 2019
- Wonkhe, Blink and you'll miss it: ten hidden treasures buried deep in Augar, 30 May 2019
- "University tuition fees 'should be cut to £7,500'", *BBC News*, 30 May 2019
- "Give worse-off students £3,000 to stay in education, says report", *The Guardian*, 30 May 2019
- "Post-18 education review: Introduce a 'lifelong learning loan allowance'", *FE Week*,30 May 2019

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