

# Value-able lessons

**How the Government can promote a  
'high value' Higher Education system**

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## Executive Summary

The debate over ‘low value’ HE has reached a stalemate. Numerous government ministers both past and present and the independent review of post-18 education chaired by Philip Augar (the ‘Augar Review’) have criticised universities for delivering degree courses that do not offer sufficient ‘value’ – primarily in the form of higher graduate salaries and better employment prospects. After all, graduates who do not secure a job with a sufficiently high salary after completing their studies will not repay much (if any) of their student loan, leaving other taxpayers to foot the considerable bill. The level of outstanding student loan debt was an eye-watering £161 billion at the end of 2019/20 and is set to grow by £15-20 billion every year for the foreseeable future. It is no wonder, then, that the Government is keen to reduce the cost to taxpayers of the Higher Education (HE) system, which is why bearing down on supposedly ‘low value’ courses is a tempting proposition.

The concerns aired by politicians and policymakers about ‘low value’ HE inevitably raise the question of what ‘value’ means in the context of HE. In fairness, it is difficult to see how an HE institution (HEI) can confidently identify, let alone reduce, the provision of ‘low value’ courses if they are not privy to how ‘value’ is being defined. This may explain why HEIs have largely dismissed the accusations of ‘low value’ degrees while also questioning the metrics and approaches being employed to justify such criticism. In doing so, the HE sector has inadvertently given the impression that they are keener to defend the status quo than they are to put forward any alternative solutions to the Government’s financial predicament.

This report starts from the premise that determining the ‘value’ of an institution or course is ultimately a subjective judgement, which is why students, ministers, employers, parents and HEIs are always likely to hold differing views. The measures currently used by government to assess the ‘value’ of different degrees and HE providers therefore warrant further investigation, as do the other options available to ministers regarding how they might try to increase the ‘value’ of HE in future. Given that politicians, policymakers, university leaders and commentators are unable to agree on what should be labelled as ‘low value’ HE, this report explores the merits (or otherwise) of their respective positions to understand whether there is indeed a problem with ‘low value’ HE and, if so, what should be done about it.

### What is the purpose of Higher Education?

When seeking to determine the ‘value’ of an institution or course, there needs to be some agreement on what the institution or course is trying to achieve. Discussing the purpose of HE is thus a surprising omission from most debates on ‘low value’ courses. Major reviews of the HE sector such as the Robbins Report in 1963 and the Dearing Review in 1997 as well as

the Augar Review in 2019 share the view that HE serves a number of purposes within the education system and in wider society:

- Preparing students for the world of work
- Providing intellectual stretch and challenge
- Improving social mobility and widening participation
- Supporting civic engagement and local communities
- Promoting lifelong learning
- Contributing to research and development
- Supporting the UK's position in global education

Although politicians largely support these purposes for the HE sector as a whole, it is legitimate to question whether individual HE providers can deliver all of these purposes. Past initiatives such as Colleges of Advanced Technology in the 1950s and polytechnics from the 1960s sought to expand the provision of more specialist technical courses and programmes, but they both struggled for traction and were eventually absorbed into the university collective. More recently, the Dearing Review (published five years after polytechnics had disappeared from the HE landscape) found that the diversity of institutions and courses had been adversely affected by “the unintended pressure towards institutional homogeneity” because “institutions, whilst autonomous, are increasingly making similar choices in response to the range of funding options available to them.” As a result, HE institutions “perceive no explicit financial reward or incentive for pursuing a distinctive mission”.

The same problem exists today, as the current HE funding model makes little distinction between institutions as it merely funds the courses being provided. Coupled with the competitive nature of the HE system in which institutions vie with one another to attract students, it was always likely that institutions would ‘chase the cash’, as one vice-Chancellor recently noted. In truth, the pressure towards homogeneity has only intensified with every increase in tuition fees since the Dearing Review first proposed ‘graduate contributions’ in 1997. Without reasserting the value of institutions retaining a diversity of missions and purposes, which both Robbins and Dearing supported, it is hard to see how substantive progress can be made in reasserting the value of HE.

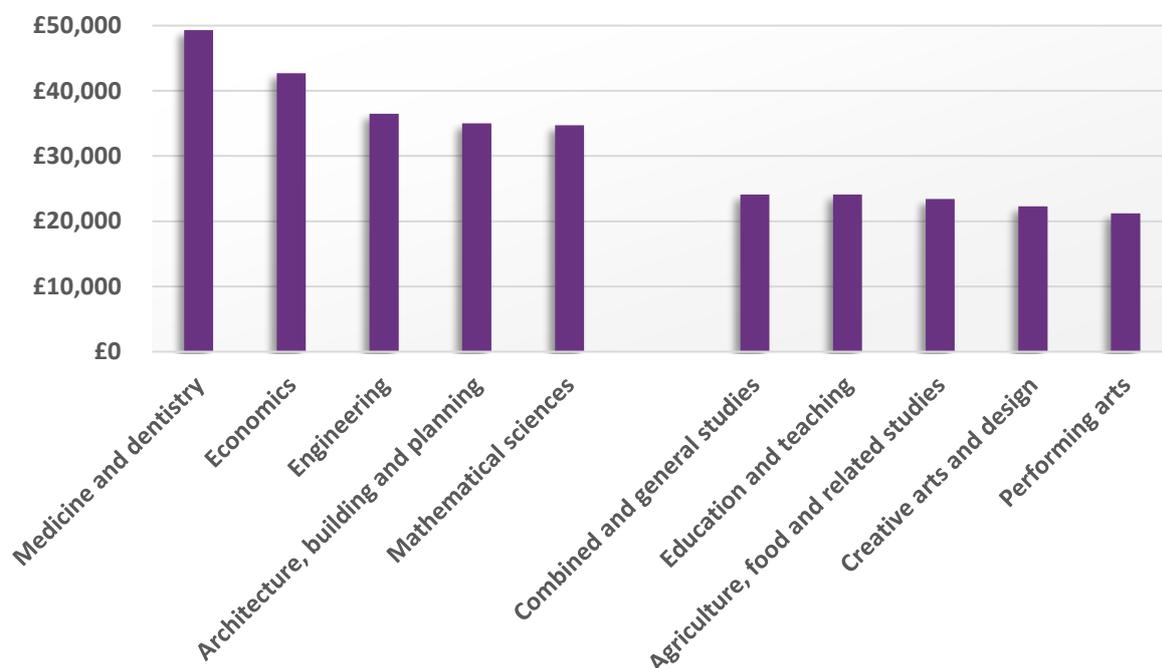
### How is ‘value’ currently assessed?

A recent review of the Teaching Excellence and Student Outcomes Framework (TEF) by Dame Shirley Pearce (the ‘Pearce Review’) stated that “the student interest is best met by using TEF to identify excellence and enhance the educational experience and outcomes that students receive”. The evidence suggest otherwise. A recent survey by UCAS found that only 22 per cent of applicants “actively used TEF to make decisions about where to study” and the TEF was “the least important factor out of 15 different decision-making factors that students

consider". Even applicants who had heard of the TEF and knew 'a lot' or 'a fair amount' about it still ranked the TEF as the least important factor in their decision-making process. In the end, the Review had no choice but to conclude that the evidence "appears to suggest that the most important factors cannot be reduced into a single rating." To make matters worse, another purpose of the TEF – meeting the needs of employers – was similarly dismantled when the Review accepted that "employers are largely unaware of the TEF". The Government's recent proposal to only update the TEF every 4-5 years rather than annually will add to the underlying doubts about the validity and usefulness of the TEF. In short, the TEF is of little value when seeking to identify 'low value' HE.

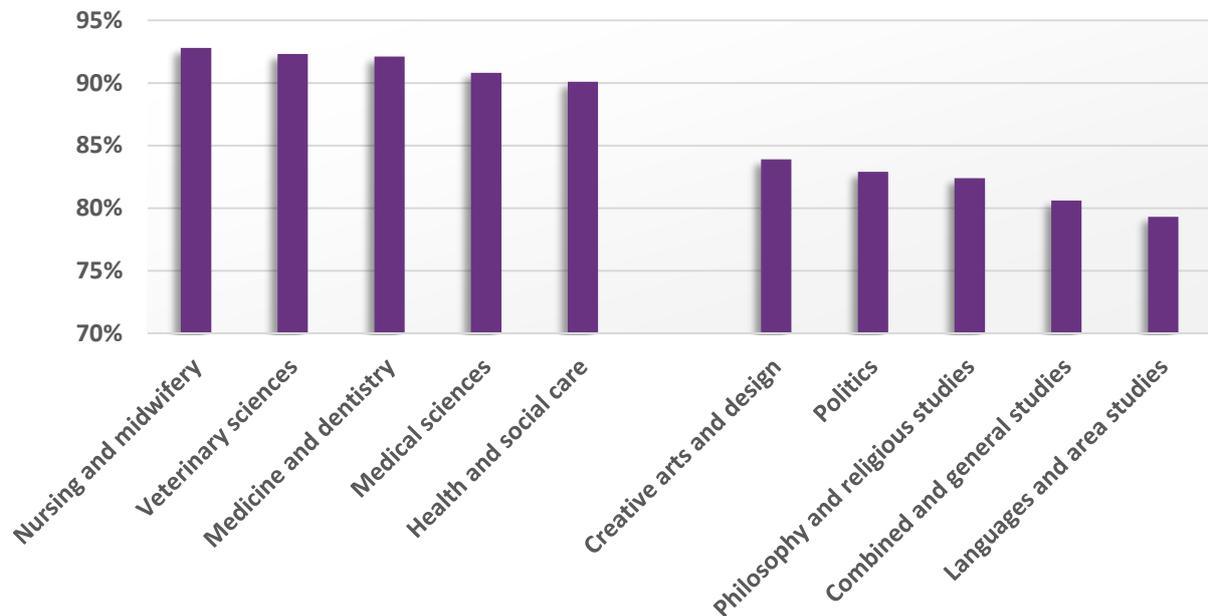
The most controversial method of trying to measure the 'value' of HE concerns the use of Longitudinal Education Outcomes (LEO) data, which records how graduates with degrees in different subjects from different institutions fare one, three, five and ten years after they graduated in terms of their employment and earnings. The most recent LEO data (covering the period up to the 2018/19 tax year) found that the median earnings of graduates five years after they finish studying is £27,400. However, this masks considerable variations by subject.

**The degree subjects with the highest (left) and lowest (right) median salaries of graduates five years after graduation**



Similarly, the LEO data shows that 86.7 per cent of graduates are in sustained employment, further study or both five years after completing their degree but there are significant variations between subjects on this metric as well.

## The degree subjects with the highest (left) and lowest (right) proportion of graduates in employment, further study or both five years after graduation



Variations in the salaries of graduates from different HE providers are also hard to ignore. If one looks at institutions with at least 1,000 students, the provider with the highest median salary is the University of Oxford (£42,100) and the lowest median salary is found at Bath Spa University (£21,900). The highest proportion of graduates in employment, further study or both at a provider with over 1,000 students is the University of Winchester (90.4 per cent) whereas the lowest proportion is from London Metropolitan University (79.3 per cent).

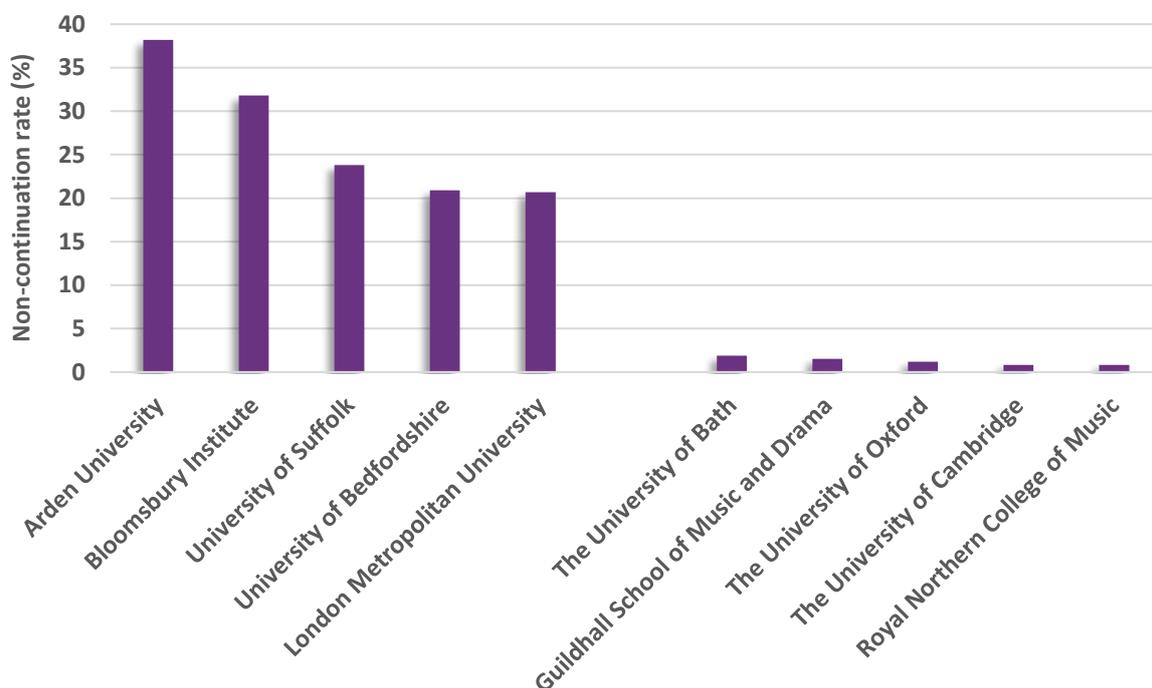
One may be tempted to draw conclusions about the 'value' of specific courses or institutions based on these figures. However, the statistical robustness of those conclusions would be highly questionable due to the long list of caveats associated with LEO data. These include:

- There is no geographical adjustment of the salary or employment data, meaning that universities in more prosperous areas are likely to perform better in terms of salaries and employment rates than those in less prosperous locations;
- Many graduates are not captured by the LEO data, such as those who have left the labour force or indeed left the UK (which could explain the low employment / further study rates of language graduates, for example);
- LEO data does not distinguish between full-time and part-time employment, so sectors with a larger proportion of part-time workers (e.g. creative industries / performing arts) could inadvertently look worse in terms of median salaries;
- It is not possible to use LEO data to make direct comparisons between courses and institutions in terms of how much they have 'added' to a student's earnings and employment because LEO does not directly account for their different social or educational starting points.

With such a wide array of caveats, it is no wonder that the potential use of LEO data to inform policymaking and even support regulatory action against HEIs who deliver ‘low value’ degrees has proved so acrimonious.

Other methods that seek to identify ‘low value’ HE have also encountered statistical obstacles. From 2014/15 to 2018/19, the mean non-continuation (‘drop-out’) rate for students was 6.7 per cent. Some providers were significantly above the average while others were well below it.

**The five highest (left) and five lowest (right) non-continuation rates of UK domiciled young full-time undergraduate entrants at HE providers with at least 100 students**



Again, one might try to use this data to judge institutions and courses but such an approach would be far from straightforward. For example, mature students and those with lower prior qualifications on entry have higher drop-out rates, which would work against any institution aiming to provide opportunities to under-represented groups. Moreover, there are large variations between subjects. *Medicine & Dentistry* and *Veterinary science* had a combined non-continuation rate of 1.4 per cent, with the next lowest being *Languages* and *Historical & philosophical studies* (4.3 per cent), while at the other end of the scale *Computer sciences* had 9.2 per cent and *Business & administrative studies* had 8.6 per cent. These stark variations are compounded by the lack of consensus over what counts as an acceptable non-continuation rate. Even so, the Department for Education (DfE) and the Office for Students (OfS), the HE regulator, seem determined to heap pressure on institutions with higher drop-out rates despite the failure to establish a direct link between this measure and the ‘value’ of a degree programme or HEI.

Many of the other options available to ministers are just as riddled with flaws. Introducing 'minimum entry requirements' to prevent applicants with low prior attainment from accessing HE would disproportionately restrict opportunities for those from more deprived backgrounds. Even the Augar Review recognised that this "would be a significant intervention", and that is before one considers the logistical barriers that may be caused by the likelihood of needing multiple exceptions (e.g. disabled students, care leavers, courses where admissions are based on portfolios or performances). Meanwhile, the prospect of the Government reintroducing caps on student numbers (most likely on particular courses and/or institutions) would involve making entirely arbitrary judgements on the relative 'value' of degree courses and institutions, which would be fraught with difficulty. Scrapping 'foundation years', as proposed by the Augar Review, would be an equally blunt tool. The Review was perfectly entitled to ask whether the expansion of foundation years – almost quadrupling from 2012 to 2019, with a questionable focus on 'Business and Administrative Studies' – has been in the best interests of students. Even so, the evidence seems to suggest that foundation years can be valuable for some prospective full-degree students, especially from less privileged backgrounds, so the complete withdrawal of funding for this route to a degree course would be contentious.

In the debate over the 'value' of HE, the growth in low-cost subjects has attracted considerable attention. As the Augar Review highlighted, "because funding increased at a much faster rate for lower cost subjects due to the near universal setting of fees at [£9,000], lower cost subjects have seen a larger percentage increase in spending". To illustrate the point, Leisure studies, Media studies, Design and creative arts, Humanities and Social studies saw funding increases of over 30 per cent after tuition fees were raised. The Review felt that this "potentially incentivises institutions to prioritise them because they provide a higher margin" rather than because they are 'high value' courses. To resolve this, the Augar Review proposed that tuition fees should be capped at £7,500 to allow for "better targeting of taxpayer investment" while reducing students' debt, with additional government funding going to universities that deliver high-cost subjects. However, the precise relationship between the level of tuition fees and the 'value' of degree courses was never explored in detail by the Augar Review, save for their concern at the expansion of cheaper courses. This means that even if tuition fees are lowered, there is no guarantee that the 'value' of HE would necessarily improve.

Leaving aside the cost to students of attending university, the cost to taxpayers of supporting the HE system has become increasingly visible in recent years. The seemingly endless ratcheting-up of the earnings threshold for repaying student loans (now at £27,295) has left the public finances in a perilous state due to the sheer volume of unpaid loans. Recent estimates suggest that the RAB charge (the proportion of fee loans that will not be paid back) stands at 54 per cent, with 88 per cent of students never repaying their student loan in full and 33 per cent never repaying *any* part of their loan. In this context, it would be unsurprising if

the Government considered altering the repayment terms of student loans to generate savings because any unpaid loans will have to be paid off by other taxpayers instead.

## Conclusion

The Dearing Review rightly underscored the importance of a “strong bond of mutual interdependence” between the HE sector and society. A quarter of a century later, this crucial bond appears to be fraying. The rapid growth of low-cost degrees, foundation years and overall enrolments has unwisely fed the narrative of ‘low value’ HE and raised serious questions about whether some parts of the sector are acting out of financial self-interest as opposed to the national interest. Universities and other HE providers can undoubtedly make a major contribution to local, regional and national prosperity, yet the behaviour of some institutions has led to a perception among policymakers and politicians that they are more interested in attracting tuition fee income than they are serving their students, local communities and society as a whole.

Neither the HE sector nor the Government are blameless in the debate over ‘low value’. The sector has been quick to criticise the Government’s stance on ‘low value’ courses and institutions without offering alternative solutions. At the same time, the Government has focused too much on what it *doesn’t* want from HE without explaining what it *does* want instead. If the Government continues to rail against ‘low value’ HE without describing a clear vision for what a ‘high value’ sector looks like, there can be few complaints from ministers if universities continue down their present path. What’s more, the notion that politicians and civil servants can judge the ‘value’ of any course or institution across the country based on little more than graduate salaries, employment outcomes or drop-out rates is not a tenable proposition from either a policy or statistical perspective. The DfE and OfS should acknowledge that the subjectivity surrounding the concept of ‘value’ is precisely why they must allow the choices of students, employers and other stakeholders to drive out ‘low value’ HE rather than trying to intervene themselves.

To align the interests of government and the HE sector when discussing ‘low value’ HE, a coherent narrative about the role and purpose of HE must be constructed. This report argues that the best way to build a positive and aspirational narrative while maintaining a strong and diverse HE sector is to introduce a new framework based on ‘local’ and ‘national’ universities. By giving ‘local’ and ‘national’ universities a distinctive mandate and set of responsibilities, the value of HE will become more apparent. This would put the whole sector on a more sustainable path by breaking away from the homogeneity that exists today. Some in the HE sector may be perfectly content with maintaining the status quo, but that would be a mistake. It is time for the HE sector to put forward a new agenda that aims to deliver ‘high value’ courses and institutions, and this report explains how it can be done.

## Recommendations

The subjective nature of ‘value’ inevitably makes it harder to quantify. Even so, the following recommendations seek to promote ‘high value’ provision in line with the seven main purposes of HE outlined earlier. In addition, to reflect the present national policy imperatives as well as the concerns of Robbins and Dearing about the absence of any coordinating principles for the HE sector, this new narrative will be underpinned by three objectives:

- **A place-based framework** that recognises the importance of the local areas in which many HEIs operate;
- **A stronger sense of purpose and clear objectives for different institutions;** and
- **A renewed emphasis on collaboration** instead of excessive competition.

### How universities can deliver better value

- **RECOMMENDATION 1:** By the 2023/24 academic year, all universities should be required to formally designate themselves as either a ‘local university’ or ‘national university’ to reflect their primary purpose as an institution.
- **RECOMMENDATION 2:** ‘Local universities’ will be the engines of local economic growth, social mobility and lifelong learning. They will be tasked with delivering courses at degree and sub-degree level that promote civic engagement with the local community and support employers. This will be achieved by working in close collaboration with the new ‘Tertiary Education Commissioner’ in each area as well as local FE colleges to create a ‘local tertiary ecosystem’.
- **RECOMMENDATION 3:** ‘National universities’ will take the lead in enhancing the national and international reputation of our Higher Education system. These universities will focus on providing degree-level courses and research programmes that are targeted at students with higher prior attainment from across the country as well as attracting international students.

	LOCAL UNIVERSITIES	NATIONAL UNIVERSITIES
Allowed to provide Level 4 and 5 courses	✓	✗
Able to offer ‘Foundation years’ to new students	✓	✗
Minimum entry requirements for prospective students	✗	✓
Maximum proportion of international students	10%	40%
Report into the new Tertiary Education Commissioners	✓	✗
Credit transfer agreements with local colleges	✓	✗
Focus of research activities	Applied	Discovery

## How government can get better value from HE courses

- **RECOMMENDATION 4:** The Government and the Office for Students should not use data on graduate salary or employment outcomes to judge the ‘value’ or ‘quality’ of HE courses, as the underlying LEO data cannot generate statistically valid conclusions on such matters. The use of salary and employment outcomes would also potentially undermine the Government’s ‘levelling up’ agenda by penalising universities based in areas of the country with the poorest employment prospects for graduates.
- **RECOMMENDATION 5:** The Teaching Excellence and Student Outcomes Framework should be scrapped as it does not provide meaningful or reliable information to prospective students about the value or quality of degree programmes.
- **RECOMMENDATION 6:** To improve the value of HE, the Government should introduce a new system of ‘accredited’ and ‘non-accredited’ degree courses. To be ‘accredited’, a degree must either:
  - Get approval by a Professional, Statutory and Regulatory Body;
  - Receive letters of support from one large or five small employers;
  - Use external exams designed by an awarding organisation; or
  - Be signed-off by a local Tertiary Education Commissioner.

Tuition fees will remain the same for accredited and non-accredited degrees but non-accredited degrees will have their government funding reduced by £1,500 per student.

- **RECOMMENDATION 7:** To discourage Higher Education institutions from recruiting students who are not suitable for their course, the Office for Students should fine institutions who record excessively high non-continuation rates relative to a benchmark set for individual institutions.
- **RECOMMENDATION 8:** Instead of banning foundation years, the Government should restrict their provision to ‘local universities’. In addition, the tuition fee cap for foundation years should be set at £6,000 to reflect their position between an ‘Access to HE’ Diploma and a full undergraduate degree course.

## How students can promote better value in HE

- **RECOMMENDATION 9:** To encourage students to seek out the courses and institutions that will offer them the greatest value, the repayment of student loans should be based on a new ‘tiered’ set of repayment thresholds:
  - Earnings up to £12,570 – 0%
  - The next £5,000 of earnings (£12,570-17,570) – 3%
  - The next £5,000 of earnings (£17,570-22,570) – 6%
  - The remaining amount (above £22,570) – 9%

The new tiered repayment thresholds should be incrementally introduced over a period of 10 years, beginning with lowering the 9% threshold and then creating the lower tiers.

- **RECOMMENDATION 10:** The repayment period for student loans should be extended from 30 years to 40 years to reflect the long careers that those graduates will have over their lifetime.
- **RECOMMENDATION 11:** By 2030, the Government should introduce a post-18 funding model based on 'Individual Education Budgets'. The Government should place up to £20,000 into every learner's 'Budget' account, and learners would then be free to choose the course (university degree, college course or apprenticeship) and mode of learning (full-time or part-time; whole course or a course unit) that suits them. All learners should also be given access to a new 'lifetime loan limit' of £75,000.

## 1. Introduction

*“We believe that an adaptive, proactive higher education community will serve the UK well. By continuing to address cost and quality, it can make a major and recognised contribution to national competitiveness, which can in turn justify continued expansion. Reciprocally, higher education must be able to look to society for respect for its purposes, for recognition that funding to maintain quality provision reflects the national interest, not just the self-interest of institutions, and for recognition that the purpose of higher education goes beyond the economic to embrace all of life. We think in terms of a compact between higher education and society which reflects their strong bond of mutual interdependence.”<sup>1</sup>*

These observations by Sir Ron Dearing in his landmark review of the Higher Education (HE) system in 1997 (the ‘Dearing Review’) rightly underscored the importance of a strong bond between the HE sector and the society in which it operates. That HE can make a significant contribution to local, regional and national prosperity was not in doubt (nor is it in doubt today), yet this would only be achieved if the cost and quality of provision was driven by delivering what is best for society rather than what is best for individual institutions. A quarter of a century later this crucial bond between HE and society appears to be fraying, as suspicions have grown that the changes made by government to HE funding in 2012 have resulted in the financial self-interest of institutions taking precedence over ensuring that they add value to their students and to society as a whole.

Criticism of the ‘value’ of some HE provision has become ever more apparent. The commitment in the 2019 Conservative Party General Election manifesto to “tackle the problem of ...low quality courses”<sup>2</sup> (albeit undefined) was not the first time that concerns have been aired about what was happening in the HE sector. In May 2019, the major review of post-18 education led by Dr Philip Augar (the ‘Augar Review’) called on universities to begin “bearing down on low value HE” that was being promoted through “certain courses at certain institutions”.<sup>3</sup> That same month, then Education Secretary Damian Hinds declared “it’s right that we challenge those institutions which could appear to be more focused on ‘getting bums on seats’ than getting students into high quality courses worth paying for”.<sup>4</sup>

More recently, Universities Minister Michelle Donelan stated in July 2020 that “too many [students] have been misled by the expansion of popular sounding courses with no real demand from the labour market”, adding that “quite frankly, our young people have been taken advantage of”.<sup>5</sup> Even Prime Minister Boris Johnson has got involved, declaring last year that “we have umpteen fantastic, globally outstanding universities and yet too many degree

courses are not now delivering value”.<sup>6</sup> The Office for Students (OfS) – the HE regulator in England – has also weighed in, with their Chief Executive saying in May 2021 that they “are determined to tackle poor-quality provision which offers a raw deal for students.”<sup>7</sup>

The growth of supposedly ‘low value’ HE provision has consequences beyond the world of education. Most notably, the Treasury (and thus future taxpayers) will be lumbered with a considerable financial burden, largely in the form of student loans that will not be repaid by borrowers because they do not secure jobs with a sufficiently high salary after completing their studies. The level of outstanding student debt has already reached eye-watering levels. At the end of 2019-20, the total student loan debt was £161 billion<sup>8</sup> – up from a mere £1.9 billion in 1995-96.<sup>9</sup> The increase in debt over the last year alone was more than £20 billion<sup>10</sup> and current projections suggest that in the coming decades annual loan outlays to current students will remain around £15-20 billion a year higher than the repayments from past borrowers.<sup>11</sup> As a result, the total value of the student loan book is forecast to reach more than £1 trillion in cash terms (£500 billion in real terms) by the mid-2040s.<sup>12</sup> For the Government to do nothing when presented with such a disastrous outlook would be careless and arguably negligent.

In the face of strong political pressure, the response from universities has been strangely muted. Some vice-Chancellors have seemed more willing to complain about the comments from ministers than they have been to come up with alternative solutions to the Government’s financial predicament. One of the few signs of acknowledgement that there may indeed be a problem with ‘low value’ courses came in November 2020 from Universities UK (UUK) – the umbrella body for the HE sector – as they developed a ‘charter’ to help institutions identify and potentially improve ‘low value or low quality courses’.<sup>13</sup> Although universities will be expected to follow the upcoming guidance that accompanies this charter, it is not clear what sanctions (if any) will be in place for those that do not fall into line. This strongly suggests that the charter may not be enough to persuade ministers to leave the sector to its own devices when tackling ‘low value’ provision.

The level of political discontentment with how the HE sector is behaving at present is palpable. Nevertheless, the concerns aired by numerous politicians and policymakers inevitably raise the question of what ‘value’ means in the context of HE. In fairness, it is difficult to see how an HE institution (HEI) can confidently identify, let alone reduce, the provision of ‘low value’ courses if they are not privy to how ‘value’ is being defined. The interchangeable use of ‘value’ and ‘quality’ compounds the lack of suitable definitions of both terms. This report must therefore begin with an attempt to clarify the concept of ‘value’, starting with a definition from The Collins Dictionary:

*“the desirability of a thing, often in respect of some property such as usefulness or exchangeability; worth, merit, or importance”*<sup>14</sup>

Based on this definition, the reasons why the Government and the HE sector are at loggerheads on the issue of 'low value' quickly become clear. Value is ultimately a subjective judgement about the 'desirability' of something – in this case, a degree course at a given institution – and how much someone thinks it is worth to them. It is possible, even probable, that different stakeholders such as government ministers, HEIs, students, employers and parents will attach differing levels of 'value' to a degree course. For example, a degree in a particular subject may be undesirable to government if it leads to low employment rates and thus has a detrimental impact on the public finances over time, yet an individual student may still attach value to the same degree if it relates to a personal passion or they believe it is useful or necessary in some way. That said, it should be recognised that the HE sector, as the 'producer' in this scenario, cannot be seen as an impartial judge of the value of their own provision. Instead, the verdicts of other stakeholders – namely students, employers, local communities and the government – should be the ultimate arbiters of what counts as 'high value' and 'low value' provision even if these 'consumers' of HE do not always agree.

Questions over the 'value' of HE are also appearing at a time when the political agenda is moving in a novel direction. The Prime Minister's overarching goal of 'levelling up' opportunities and investment across England's regions is a significant intervention, as is the Government's target for total research and development (R&D) investment to reach 2.4 per cent of GDP by 2027.<sup>15</sup> However, the way that these agendas are likely to interact with the disputes over what counts as 'low value' HE often goes unnoticed by policymakers. For example, if a supposedly 'low value' course or institution disappears from one part of the country where there are few (if any) alternatives available, it would be hard to argue that this represents 'levelling up' in terms of opportunities for learners.

Similarly, increasing R&D expenditure is a vital component of boosting productivity in the long-run and HE could be a central part of this agenda, but extra investment will not by itself lead to 'levelling up' or 'high value' HE – in fact, it could achieve the opposite if any additional research funding goes to the same universities and same regions that have benefitted from public R&D investment in the past. Bolstering the research capacity of less prosperous regions has the potential to support economic growth and expand the availability of graduate jobs in those areas, which could in turn reduce the strain that the HE system places on the public finances.

Other notable policy shifts are also underway. The movement towards a place-based approach to education – epitomised by the work of the 'Civic University Commission' – emphasises the opportunities and challenges at the feet of many HEIs. The Commission's final report in 2019 found that "under the pressure to grow student numbers and become global players, universities have lost some of the tangible connection to their places", adding that many universities "have been relatively dismissive of place [...as] they have seen themselves

as increasingly global first, national second, and local third.”<sup>16</sup> This chimes with a recent survey of more than 2,000 people for the UPP Foundation (who ran the Civic University Commission), which found that 59 per cent of respondents wanted HEIs to play a greater role in the local economy yet just 30 per cent agreed that HEIs are performing their civic responsibilities well. The Commission was concerned that “university policy in England remains almost wholly national”, leading to:

- *“A lack of recognition in recent policy and legislation that universities are anchor institutions in particular in ‘left behind’ places and their closure could have drastic effects on those areas;*
- *“Teaching funding that is nationally designed;*
- *“Research funding which is still almost wholly awarded on the basis of national and international excellence.”<sup>17</sup>*

The Commission “found many good examples of civic initiative and engagement [but] this has happened despite, not because, of government incentivisation or pressure.”<sup>18</sup> In their quest to curtail the provision of ‘low value’ HE, the Government must be wary of acting in a way that compounds these pressures rather than reducing them.

What’s more, the Government’s frustrated tone on the issue of ‘low value’ HE should not be generalised too readily to other politicians and policymakers. In June 2021, former Prime Minister Tony Blair and Lord Adonis called for the continued expansion of “courses which students perceive to be valuable” on the basis that growing the HE sector should be “a key part to play in the levelling-up agenda and a place-based approach to educational regeneration which has been too neglected in the past.”<sup>19</sup> They went on to note that 46 towns in England with a population of over 80,000 have no university of their own, including large and economically disadvantaged towns such as Hartlepool, Doncaster, Batley and Blackpool. As a result, the authors called for the establishment of new universities in such towns.<sup>20</sup>

Meanwhile, several Conservative MPs are vocal supporters of creating new HEIs in and around their constituencies. Paul Bristow, MP for Peterborough, has described the new Anglia Ruskin University (ARU) Peterborough – scheduled to open next year – as bringing “the opportunity to transform the life chances of so many young people” and “regenerate our city and generate a positivity about Peterborough and our future”.<sup>21</sup> Ben Everitt, the MP for Milton Keynes North, has urged the Government to fund the creation of ‘MK:U’ – a proposed higher technical institution led by Cranfield University – while Jesse Norman, MP for Hereford and South Herefordshire and a Treasury minister, has been a keen advocate of the New Model Institute for Technology and Engineering (NMITE) in his constituency.<sup>22</sup>

With politicians, policymakers, university leaders and commentators engaged in a tense and high stakes battle over the 'value' of HE across the country, it is necessary to explore the merits (or otherwise) of their respective positions in some detail. To unravel the various debates and disagreements over 'low value' HE, this report opens with a discussion of the purpose of HE and how this relates to discussions of its 'value'. The various measures currently used to assess 'value' (both directly and indirectly) are then critiqued in terms of whether they are likely to capture the value of HE in any meaningful sense. The Government's options for measuring or increasing 'value' in future will then be interrogated to determine if they would represent an improvement on existing arrangements. Finally, this report will put forward a set of recommendations that draw on the evidence and analysis accumulated throughout the different chapters to build a new approach to promoting 'high value' across the whole sector. It is therefore hoped that this report makes a useful contribution to deliberations over the future of HE in this country.

## 2. What is the purpose of Higher Education?

When seeking to determine the 'value' of an educational institution or course, it is necessary for there to be some agreement on what the institution or course is trying to achieve. Discussing the purpose of HE is therefore a surprising omission from most debates on what constitutes 'low value'. To address this oversight, this chapter will explore the variety of purposes that have been associated with HE in the past – particularly by the Dearing Review in 1997 and the seminal 'Robbins Report' in 1963 – as well as the Augar Review and other recent proposals.

### **Preparing students for the world of work**

The first objective of HE described in the Robbins Report was the "instruction in skill suitable to play a part in the general division of labour", which the Report felt was "sometimes ignored or undervalued".<sup>23</sup> Lord Robbins even went as far as stating that "we deceive ourselves if we claim that more than a small fraction of students in institutions of higher education would be where they are now if there were no significance for their future careers in what they hear and read".<sup>24</sup> The Dearing Review was more explicit about HE preparing students for their careers, as one of the four main purposes cited by the Review was "to inspire and enable individuals to develop their capabilities to the highest potential levels throughout life, so that they ...are well-equipped for work".<sup>25</sup> When discussing the purposes of the post-18 education system as a whole, the Augar Review also highlighted its ability to both "promote citizens' ability to realise their full potential, economically and more broadly" as well as underpin the "provision of a suitably skilled workforce".<sup>26</sup>

### **Providing intellectual stretch and challenge**

Although the Robbins Report was keen to promote the value of HE in improving the economic prospects of students, it was clear that "what is taught should be taught in a way to promote the general powers of the mind" because "the aim should be to produce not mere specialists but rather cultivated men and women".<sup>27</sup> The Dearing Review continued this same theme, as it observed that there is "a distinguished tradition of programmes in higher education which give students the chance to pursue, in depth, an academic subject in which they have a great interest, but which is not likely to be used directly in subsequent employment."<sup>28</sup> The Review wanted to see such programmes continue because "the development of the general powers of the mind underpins the development of many of the other generic skills so valued by employers, and of importance throughout working life."<sup>29</sup>

### **Improving social mobility and widening participation**

When assessing how many young people are likely to be able and willing to enter HE in future, the Robbins Report declared that "it is highly misleading to suppose that one can

determine an upper limit to the number of people who could benefit from higher education, given favourable circumstances.”<sup>30</sup> In addition, Robbins believed that “the reserves of untapped ability may be greatest in the poorer sections of the community”.<sup>31</sup> The Dearing Review largely shared these sentiments three decades later, stating that “the rapid expansion of higher education in the last few years has brought an increase in participation by those from socio-economic groups IV and V [and] we, like Robbins, believe that higher education should promote greater quality of social and economic opportunity.”<sup>32</sup> The Augar Review concurred, with one of its main principles for post-18 education being that “it plays a central role in enabling social mobility”.<sup>33</sup>

### **Supporting civic engagement and local communities**

Although the political imperative of ‘levelling up’ is a new term in the policy lexicon, the notion that HEIs should contribute to their local community and economy is a longstanding objective. The Robbins Report was adamant that “universities and colleges have an important role to play in the general cultural life of the communities in which they are situated”.<sup>34</sup> The Dearing Review went a step further, declaring that one of the core purposes of HE was “to play a major role in shaping a democratic, civilised, inclusive society”.<sup>35</sup> At a more local level, Dearing was enthused by the idea that HEIs “offer much to the cultural life of their localities and we see every advantage in further developing this contribution”.<sup>36</sup>

The Augar Review was equally convinced that “many universities make a considerable civic contribution, being torch carriers for economic, cultural, social and environmental development, often in partnership with communities and businesses”.<sup>37</sup> Augar believed that tertiary institutions more generally “play a core civic role in the regeneration, culture, sustainability, and heritage of the communities in which they are based.”<sup>38</sup> To build on this ambition, the 2019 Conservative Party election manifesto stated its desire to “strengthen universities and colleges’ civic role.”<sup>39</sup>

### **Promoting lifelong learning**

Although the Robbins Report did not talk about ‘lifelong learning’ per se, it recognised that “higher education is not a once-for-all process” and that “as the pace of discovery quickens it will become increasingly important for practitioners in many fields to take courses at intervals to bring them up to date in their subjects.”<sup>40</sup> The Dearing Review took this a step further by listing the need “to inspire and enable individuals to develop their capabilities to the highest potential levels throughout life” as one of the main purposes of HE.<sup>41</sup> Dearing added that HE provides “a basis for responding to social and economic change through innovation and lifelong learning”<sup>42</sup> while also predicting that “in the longer term, demand for higher education in the UK from the economy and individuals for initial qualifications and lifelong learning is likely to be higher than it is today.”<sup>43</sup>

The Augar Review was similarly enthusiastic about lifelong learning because “employment patterns are changing fast with shorter job cycles and longer working lives requiring many people to reskill and upskill.”<sup>44</sup> Indeed, one of the Review’s main principles was that the post-18 education system should support “a workforce able to respond to change and develop further skills throughout their lives”.<sup>45</sup> The Review went on to make numerous recommendations aimed at boosting opportunities for learning over a lifetime. This included a flexible ‘lifelong learning entitlement’ to four years of HE tuition loans, a more modular approach to learning (accompanied by tuition and maintenance support from government) and making ‘credit transfer’ easier between HEIs.<sup>46</sup>

### **Contributing to research and development**

Phrases such as R&D did not appear in the Robbins Report, yet the report was convinced that “the search for truth is an essential function of institutions of higher education and the process of education is itself most vital when it partakes of the nature of discovery”, adding that “the world, not higher education alone, will suffer if ever they cease to regard it as one of their main functions.”<sup>47</sup> The Dearing Review was also in no doubt that “research in higher education contributes materially to the nation’s wealth creating capacity [as] it is important as a part of the research base, which generates much of the basic and strategic research for developments which are directly useful to industry, and public services and commerce”. What’s more, “higher education provides a supply of trained researchers, of the kind needed to sustain a UK presence of research-based and high technology companies”.<sup>48</sup> Dearing added that a benefit of this focus on R&D within HE was that “a strong research base which demonstrates international standards of excellence provides a powerful incentive for inward investment by overseas companies in the UK.”<sup>49</sup>

The Augar Review cited the need to “support innovation through research and development, commercial ideas and global talent” as one of the main principles of the post-18 education system, noting that “world class R&D is a fundamental driver of economic growth and the system needs strong links with business to transfer this knowledge and support innovation.”<sup>50</sup> The 2019 Conservative Party manifesto agreed that “the UK is home to leading universities, which attract students from all over the world, conduct vital research, and generate enormous benefits for our economy and our society” by, among other things, “producing globally renowned scientists, entrepreneurs and creators”.<sup>51</sup>

### **Supporting the UK’s position in global education**

As far back as the Robbins Report, the desire to attract international students to the UK was plainly apparent. Robbins commented that “the presence here in institutions of higher education of students from abroad is widely regarded as valuable, and rightly so in our judgment”,<sup>52</sup> which is why “we should greatly regret a dwindling in the number of overseas students in Britain’s universities”.<sup>53</sup> Likewise, the Dearing Review drew attention to the fact

that “the UK remains one of the most popular destinations for overseas students, who bring with them, not just the fees they pay to higher education institutions in this country, but more general spending power used in the UK economy.”<sup>54</sup> Dearing also declared that “the presence of overseas students, and collaboration with overseas institutions, greatly enriches teaching, scholarship and research in this country” as these students “bring valuable alternative perspectives and experiences to the educational social and cultural life of higher institutions.”<sup>55</sup>

To demonstrate the political priority given to this agenda, a core message from the 2019 Conservative manifesto was that “in the next parliament we will work to maintain and strengthen our global position in higher education”.<sup>56</sup> This was most evident in the 2021 ‘International Education Strategy’ published by the DfE, which claimed that “the UK has long been recognised across the world for the quality of its education and research” and this makes the UK “a desirable partner for international collaboration and well-placed to engage on the world stage.”<sup>57</sup> In line with the Dearing Review, the Strategy stated that “the benefits to the UK of hosting international students go far beyond the immediate impact of tuition fees and local spending in university towns.”<sup>58</sup>

## The purpose of HE institutions

Despite the fraught debates over the ‘value’ of HE in recent years, no politician or policymaker has questioned the need for the HE sector to fulfil all the purposes outlined above. While support for these purposes is widespread, they nonetheless pose a fundamental question for the HE sector: which institutions can, and should, focus on each purpose? The Robbins Report touched on this issue almost sixty years ago:

*“Institutions of higher education vary both in their functions and in the way in which they discharge them. The vocational emphasis will be more apparent in some than in others. The advancement of learning will be more prominent at the postgraduate than at the undergraduate stage. The extent of participation in the life and culture of the community will depend upon local circumstances. Our contention is that, although the extent to which each principle is realised in the various types of institution will vary, yet, ideally, there is room for at least a speck of each in all. The system as a whole must be judged deficient unless it provides adequately for all of them.”*<sup>59</sup>

In other words, Robbins was certain that the totality of the HE system must provide all the necessary functions listed in his report (and reiterated in this chapter) yet it was not the case that every institution will need to deliver every purpose.

The Robbins Report devoted a considerable amount of time to exploring the variety of institutions that delivered academic and vocational courses at higher levels. In 1956, 'Colleges of Advanced Technology' (CATs) emerged as a new category of institution that focused on advanced technical courses such as Diplomas in Technology.<sup>60</sup> Birmingham College of Advanced Technology (which later became Aston University) was the first of 10 CATs to be established through this initiative.<sup>61</sup> Just six years later, these institutions had already attracted over 10,000 students – 90 per cent of whom were full-time students taking advanced courses, as these institutions began to move away from delivering lower-level provision.<sup>62</sup> In effect, CATs had quickly become a non-university element of the HE sector. However, rather than using these institutions to plot a new course for technical education at degree level, Robbins's enthusiasm for CATs meant that they were awarded university status in 1966<sup>63</sup> - bringing an end to this short-lived experiment with a distinctive technical brand within HE. That said, the HE sector did not have to wait long before another brand appeared.

The first 'polytechnics' had been created in the 19<sup>th</sup> century, but it was not until the 1960's that most of them were formed. Following Labour's general election victory in 1964, a White Paper titled *A Plan for Polytechnics and Other Colleges* recommended that colleges with the most potential should be designated as 'regional polytechnics' to form a nationwide network for technical education.<sup>64</sup> These tertiary institutions subsequently offered diplomas, undergraduate degrees and postgraduate courses, with a stronger focus on professional and vocational training than found in many universities at the time (albeit with less emphasis on research).<sup>65</sup> Although polytechnics could offer degree courses, their academic degrees had to be validated by the UK Council for National Academic Awards – meaning that polytechnics did not have the same independent awarding powers as a university, even though their degrees were supposedly recognised as being equivalent to a university degree.

This 'binary divide' between universities and polytechnics remained in place for almost 30 years, until the *Further and Higher Education Act 1992* enabled the polytechnics to obtain degree-awarding powers and acquire the title and status of a 'university'. Woolwich Polytechnic – one of the oldest polytechnics – became the University of Greenwich, Hatfield Polytechnic became the University of Hertfordshire, Oxford Polytechnic became Oxford Brookes University, City of London Polytechnic became London Metropolitan University, Trent Polytechnic became Nottingham Trent University, Sheffield Polytechnic became Sheffield Hallam University, and so on. In doing so, polytechnics – like CATs before them – had been absorbed by the university collective, making technical education a less conspicuous part of the HE sector yet again.

In recent years, the decision to dissolve polytechnics has been revisited by various stakeholders. In June 2021, former Prime Minister Tony Blair and Lord Adonis called for the polytechnic brand to be revived by promoting Further Education (FE) colleges that offer

vocational excellence and high-quality teaching.<sup>66</sup> This was not the first time that Lord Adonis had voiced his concerns about converting polytechnics to universities, having previously described the decision as “a mistake” because “we lost a very big technical higher education capacity by every university trying to ape every other university.”<sup>67</sup> Professor Edward Peck, vice-Chancellor of Nottingham Trent University and a member of the Augar Review expert panel, has called for post-1992 universities to move away from ‘low quality degrees’ and go back to their polytechnic roots by championing vocational courses.<sup>68</sup> That said, his comments fell short of calling for his university and others to be converted back into polytechnics.

## Hierarchical and homogenous HE?

Well before the disappearance of polytechnics, the hierarchical nature of HE in this country was clearly visible. The Robbins Report recognised that “the status accorded by the world to a degree from an institution of long standing and established reputation may well be higher than the status of a degree earned in an examination of comparable severity in an institution of more recent foundation.”<sup>69</sup> Nevertheless, Robbins wanted to see “the removal of any designations or limitations that cause differentiation between institutions that are performing similar functions [because] distinctions based on adventitious grounds, whether historical or social, are wholly alien to the spirit that should inform higher education.”<sup>70</sup> For Robbins, distinctions between institutions were vital so long as they related to fundamental differences in their role and emphasis:

*“Within the wide field of higher education there is a need for a variety of institutions whose functions differ. There must, therefore, be distinctions between institutions which, though they are all engaged in higher education, have differing functions and a different emphasis. Our concern is that such distinctions should be genuine, based on the nature of the work done and the organisation appropriate to it, and that nobody should think that in recognising the existence of such distinctions by function we are implying that one kind of institution is more important and valuable to the nation than another. All are needed to provide appropriate educational opportunities and to supply national needs.”<sup>71</sup>*

Robbins accepted that “within these various categories it is inevitable that some institutions will be more eminent than others” but nevertheless demanded that “there should be recognition and encouragement of excellence wherever it exists and wherever it appears.”<sup>72</sup>

The creation of a new wave of polytechnics shortly after the publication of the Robbins Report indicated that this expectation of different functions for different institutions would indeed be maintained. The dissolution of polytechnics in 1992 undermined this longstanding feature of the HE system. By the time that the Dearing Review returned to this issue over thirty years

later (and five years after polytechnics disappeared from the HE landscape), it was becoming apparent that the diversity of institutions and courses had been adversely affected by “the unintended pressure towards institutional homogeneity.”<sup>73</sup> The Review was told by those leading and working in HEIs that the funding arrangements were “tending to promote homogeneity, and that institutions, whilst autonomous, are increasingly making similar choices in response to the range of funding options available to them.”<sup>74</sup> The driving forces behind this pressure towards homogenous provision were listed as follows:

- *“the availability of significant amounts of funding for research on a competitive basis and the high value placed on it have together encouraged institutions to seek to engage in research to attract these funds, sometimes at some expense to other activities;*
- *“financial uncertainty has encouraged institutions to spread their risks and therefore to dilute the distinctiveness of their missions;*
- *“Funding Bodies, in seeking to be even-handed in their funding methodologies, are unconsciously reducing the scope for diversity;*
- *“institutions perceive no explicit financial reward or incentive for pursuing a distinctive mission. The increasing range of society’s expectations of higher education carry with them the danger of institutional ‘mission overload’ rather than a mission which is distinctive yet manageable. It was suggested that: ‘one of the biggest dangers is that institutions are being over-loaded with an ever increasing and ultimately unmanageable list of competing economic and social objectives’.”<sup>75</sup>*

The Dearing Review was not able to establish the extent to which these concerns applied across the entire HE sector, although it observed that “there is clearly a perceived danger that competition could lead to conformity of mission”.<sup>76</sup> The Review went on to recommend that “diversity of institutional mission, consistent with high quality delivery and the responsible exercise of institutional autonomy, should continue to be an important element of the United Kingdom’s higher education system; and that this should be reflected in the funding arrangements for institutions.”<sup>77</sup>

It is hard to find evidence of Dearing’s laudable ambitions in the present day. Since the advent of tuition fees (which were originally proposed by the Dearing Review), there has been a conspicuous shift away from institutions being funded by government and towards institutions being funded by students. Aside from the additional government funding available for delivering ‘high cost’ subjects, the current HE funding model makes little or no distinction between institutions as it merely funds the courses being provided. Coupled with the competitive nature of the HE system in which institutions vie with one another to attract students, it was always likely – perhaps inevitable – that institutions would gravitate towards the provision that offers the greatest financial rewards. In other words, as Professor David

Phoenix, vice-Chancellor of London South Bank University (LSBU), recently put it, part of the problem is that a lot of HEIs have simply “chased the cash” in response to funding pressures.<sup>78</sup>

With a single funding model that applies to all HE providers in England, there is no obvious rationale for any institution to pursue a distinctive mission in the face of powerful financial incentives to deliver (and expand) low-cost high-margin courses. Some providers have valiantly sought to maintain their distinctiveness since 1992. Last year, Sunderland University – another former polytechnic – announced that it was closing several departments and ceasing teaching modern foreign languages, history and politics. This was part of a wider plan to refocus the University on health, education, business, engineering, computer science, the arts and creative industries – courses described by their vice-Chancellor Sir David Bell as “areas of key strength and growth”.<sup>79</sup> Similarly, in May this year LSBU decided to no longer teach history and geography to focus resources on key areas of expertise and courses that delivered the best outcomes for students.<sup>80</sup> Despite such attempts by some institutions to retain a distinctive purpose, the evidence suggests that they are the exceptions rather than the rule.

The absence of substantive discussions about the purpose of the HE sector appears to be partly driven by the financial pressure on universities to deliver whatever is most lucrative within a high-stakes competition for tuition fee income from students. In truth, the pressure towards homogeneity has only intensified with every increase in tuition fees since the Dearing Review first proposed ‘graduate contributions’ in 1997. In many respects, HEIs have responded to the incentives created by successive governments, so one can reasonably assume that halting, let alone reversing, this drift towards institutional uniformity will not happen without a deliberate and substantive change in policy direction. Moreover, without reasserting the value of institutions retaining a diversity of missions and purposes, which both Robbins and Dearing openly supported, it is hard to see how substantive progress can be made in reasserting the value of HE as a whole.

### 3. How is 'value' currently being assessed?

Perhaps the most contentious debates over 'low value' HE have centred on the ways in which the Government has sought to quantify the concept of 'value'. This chapter will explore the different approaches currently in use to assess whether they do indeed measure 'value' in a way that is meaningful to students, parents or ministers.

#### The Teaching Excellence and Student Outcomes Framework

In November 2015, the Government announced that they were developing a 'Teaching Excellence Framework' (TEF) to "identify and incentivise the highest quality teaching to drive up standards in higher education, deliver better quality for students and employers and better value for taxpayers."<sup>81</sup> This was a response to concerns that the information available to students regarding teaching quality was unclear, difficult to find and did not allow them to make reliable comparisons between HEIs.<sup>82</sup> The 'awards' given to each provider, in the form of a Gold, Silver or Bronze rating, are judged by an independent panel of students, academics and other experts that evaluates each provider's undergraduate courses against ten criteria, including data on how many students complete their studies, student satisfaction ratings and employment outcomes. The panel also assess written evidence submitted by the provider. The overall TEF rating for each institution measures their performance against benchmarks based on their student intake rather than relying solely on absolute judgements. At the time of writing, 77 providers have a Gold rating, 136 have Silver and 61 have Bronze.<sup>83</sup>

A recent review by Dame Shirley Pearce (the 'Pearce Review') was keen to proclaim the value of the TEF, noting that its four purposes are to better inform students' choices about what and where to study, raise esteem for teaching, recognise and reward excellent teaching and better meet the needs of employers, business, industry and the professions.<sup>84</sup> Moreover, 75 per cent of respondents to the Review's call for evidence supported the underlying aim of having an assessment of the quality of provision, leading the Review to assert that "respondents perceive public value from having such an exercise".<sup>85</sup> The Pearce Review also stated that "the student interest is best met by using TEF to identify excellence and enhance the educational experience and outcomes that students receive",<sup>86</sup> yet this goal was a subtle but crucial shift away from the original (and grander) aim of the TEF providing 'better quality' to students and employers as well as 'better value' for taxpayers.

The evidence in the Pearce Review makes it hard to conclude that the TEF is delivering its four purposes. On supporting student choices, the Review acknowledged that the latest UCAS survey found only 22 per cent of applicants "actively used TEF to make decisions about where

to study” and it was “the least important factor out of 15 different decision-making factors that students consider.”<sup>87</sup> The focus groups undertaken by UCAS had also found that students “were unsure about the added value of the TEF, stating that it uses existing data and they already had access to information databases such as Unistats.”<sup>88</sup> For the Review to suggest that this feedback might be because “it is early days for TEF”<sup>89</sup> was a weak response, not least because UCAS also found that applicants who had heard of the TEF and knew ‘a lot’ or ‘a fair amount’ about it still ranked the TEF as the least important (15th) factor in their decision-making process.<sup>90</sup> In the end, the Review had no choice but to conclude that the evidence “appears to suggest that the most important factors cannot be reduced into a single rating.”<sup>91</sup>

Another purpose of the TEF – meeting the needs of employers – was similarly dismantled as the Review accepted that “employers are largely unaware of the TEF”, adding that “we have only been able to speak to a limited sample of employers, but the message was consistent.”<sup>92</sup> Furthermore, the notion that the TEF’s purpose is ‘recognising and rewarding excellence’ has always been doubtful seeing as the TEF is a bureaucratic exercise that does not involve any visits or inspections of providers, nor does it offer a rigorous system for accurately and reliably describing what ‘excellence’ looks like across the HE sector. For example, the Pearce Review wanted the TEF to assess ‘educational gains’ while simultaneously admitting that “there is no single nationally comparable metric of ‘learning gain’.” Instead, “each provider would be expected to demonstrate how they articulate and measure (quantify if possible) the educational gains that they aim to provide for their students”<sup>93</sup> – an approach that lacks any robust statistical foundation. More broadly, it is hardly encouraging that the framework is titled ‘Teaching Excellence’ when it “includes no direct measures of teaching [as] there are as yet no generally agreed metrics which can be used to assess the quality of teaching across different subjects and different institutions”.<sup>94</sup>

Doubts over the value of the TEF were already evident in 2019, when the Royal Statistical Society voiced “serious concerns” in their response to the Pearce Review’s call for evidence:

*“The TEF is in large part a statistical artefact, and we are concerned that it does not meet the standards of trustworthiness, quality and value that the public might expect. Indeed, the statistical issues are so major that, in our view, the TEF is likely to mislead the public and, in particular, mislead students who use TEF to inform their university choices.”*<sup>95</sup>

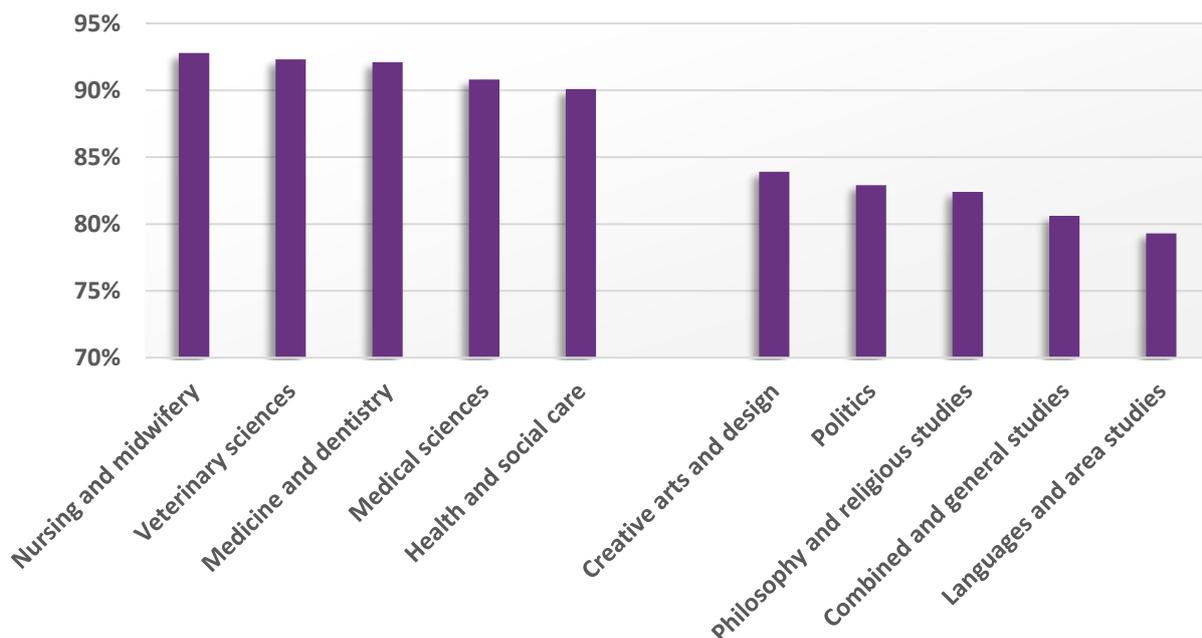
The Pearce Review agreed that “statistical improvements are needed” in the way that the TEF calculates and communicates its verdicts on providers and conceded that the Office for National Statistics had made 33 recommendations for improvements.<sup>96</sup> Aside from the decision to drop plans for a subject-level TEF rather than a provider-level TEF, it is difficult to detect any substantive changes despite these pervasive concerns. As if the statistical validity of the TEF was not already questionable, the DfE has now decided to “end the current

approach of TEF running each year” in favour of “a periodic exercise” every 4 or 5 years”<sup>97</sup> – making it even less useful for students and employers. It would be wrong to say that the TEF has achieved nothing at all, as some respondents to the Review felt that it had helped raise the profile of teaching and learning within their institutions.<sup>98</sup> That said, the evidence suggests that the TEF is of little value when seeking to reduce or remove ‘low value’ HE.

## Longitudinal Education Outcomes data

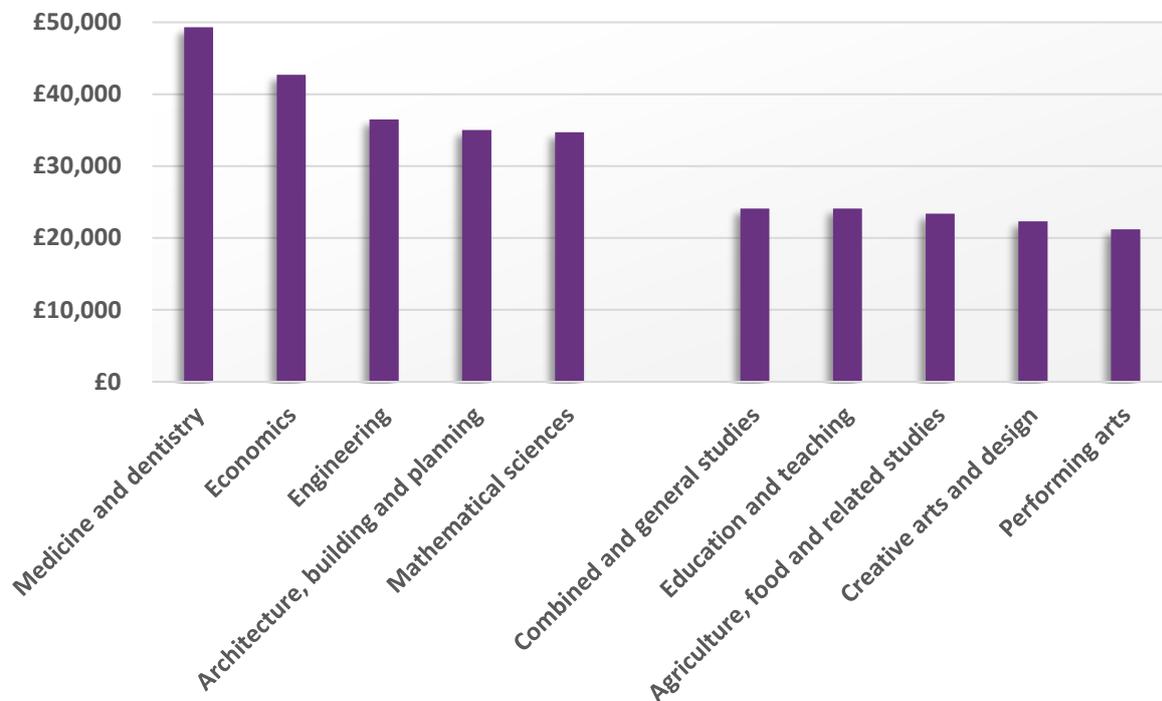
Until recently, the most common methods for capturing the employment and salary outcomes of graduates were self-reported surveys, but these were limited by the quality and quantity of data that they could collect as well as the short post-graduation timeframes that they typically covered. This all changed in 2016 with the release of the first experimental batch of Longitudinal Education Outcomes (LEO) data. By linking government datasets on tax, benefits and student loans, it was possible to look at how graduates with degrees in different subjects from different institutions were faring one, three, five and ten years after they graduated in terms of their employment and earnings. The most recent LEO data published in March 2021 – covering the period up to the 2018/19 tax year – found that the median earnings of graduates five years after they completed their course is £27,400, with 86.7 per cent of graduates in sustained employment, further study or both five years after completing their degree.<sup>99</sup> However, these overall figures mask large variations. Figure 1 shows that the gap in employment rates between different subjects is considerable.<sup>100</sup>

**Figure 1: Subjects with the highest (left) and lowest (right) proportion of graduates in sustained employment and/or further study five years after graduation <sup>101</sup>**



What’s more, the gaps in graduate salaries between different subject groups are equally stark, as shown in Figure 2.

**Figure 2: The degree subjects with the highest (left) and lowest (right) median salaries of graduates five years after graduation <sup>102</sup>**



Variations in the salaries of graduates from different HEIs are also hard to ignore. According to the latest LEO data, the median salary of a graduate five years after leaving Imperial College London was £47,800 compared to £16,900 for a graduate from the Conservatoire for Dance and Drama (based in Hackney, London). Meanwhile, the highest proportion of graduates in sustained employment, further study or both five years after graduation was 93.5 per cent at The Royal College of Music (albeit with only 45 graduates included in the LEO data) compared to 71.3 per cent at The University of Buckingham (from 110 graduates).<sup>103</sup> If one only looks at HEIs with at least 1,000 students in the LEO data, the provider with the highest median salaries is the University of Oxford (£42,100) and the lowest median salaries are found at Bath Spa University (£21,900). The highest proportion of graduates in employment, further study or both at a provider with over 1,000 students is the University of Winchester (90.4 per cent) whereas the lowest proportion is from London Metropolitan University (79.3 per cent).<sup>104</sup>

In discussions of the ‘value’ of HE, one may be tempted to draw conclusions about specific courses or institutions based on these datasets. However, the statistical robustness of those conclusions would be highly questionable due to the long list of caveats associated with both the employment and salary outcomes:

- LEO draws on 'raw' data that is not adjusted for the region in which a student lives or works, meaning that a university based in a large urban area is likely to be able to produce higher employment rates and salaries among their graduates irrespective of the 'value' of their degree courses. That five of the top seven HEIs in terms of graduate earnings and six of the top seven HEIs in terms of graduate employment are based in London is unsurprising in this context. The LEO data now includes regionally adjusted earnings outcomes, although this approach further emphasises how HEIs based in wealthier urban areas are often made to look more favourable by the raw data.
- The outcomes of many graduates are not captured by the LEO data, such as those who have left the labour force or indeed left the UK. As noted above, the University of Buckingham has the lowest employment / further study rate, yet over a quarter of their graduates are recorded as 'activity not captured' (by far the highest figure for any HEI).<sup>105</sup> This explains, at least in part, why the proportion of their graduates recorded as being in employment / further study seems so low. Similarly, 'Languages and area studies' courses have the highest percentage of graduates recorded as living overseas five years after graduation (3 per cent),<sup>106</sup> which could explain why these courses appear to have a low employment / further study rate (Figure 1). Graduates who are known to have left the country are removed from the LEO analysis, but 3 per cent is still likely to be an underestimate of the true number of graduates living abroad.
- LEO data does not distinguish between full-time and part-time employment when looking at salary outcomes. As a result, industry sectors with a larger proportion of part-time workers could inadvertently look worse off due to the lower median salaries in that sector. A recent survey of over 20,000 creative arts graduates found that 20.6 per cent were in part-time employment compared to 10 per cent of all graduates,<sup>107</sup> which might decrease the median salary of creative arts students in the years after graduation even if a positive outcome has been achieved. In addition, creative arts graduates are far more likely to be self-employed or freelance,<sup>108</sup> which may also explain their preference for part-time employment even if this means they earn less than other graduates (particularly in the early stages of their career).
- The LEO data is published with a time lag stretching back as far as 10 years, but this raises questions about its value to current and future students. For example, some subjects showed large increases in median earnings between the 2014/15 and 2018/19 tax years including 'Architecture, building and planning' (+19.9 per cent), Economics (+17.0 per cent) and Politics (+14.8 per cent). Over the same period, some subjects showed a decrease in median earnings such as Veterinary sciences (-6.2 per cent) and 'Pharmacology, toxicology and pharmacy' (-2.1 per cent).<sup>109</sup> Only looking at the most recent LEO data or data from the past year or even three years could easily miss these nuances.

- HEIs recruit students from a wide range of socioeconomic backgrounds as well as students with different levels of prior attainment. On that basis, it is not possible to use LEO data to make direct comparisons between courses and institutions in terms of how much they have ‘added’ to a student’s earnings and employment prospects because LEO does not directly account for their different social or educational starting points. The LEO data includes some contextual information about students to give additional context to each provider’s outcomes, but this alone cannot overcome such a significant issue.
- Making assumptions about ‘value’ from the LEO data on salaries risks labelling careers such as teaching, nursing and agriculture as ‘low value’, even though these occupations are vital to economic and social prosperity in many parts of the country. For example, any HEI that focuses on training graduates for public sector careers in their local area is at risk of creating the impression that they deliver poor outcomes for their graduates, even though such careers are unlikely to be considered ‘low value’ by government – let alone students and local communities.

With such a wide array of caveats, it is no wonder that the potential use of LEO data to inform policymaking or even support regulatory action against HEIs has proved controversial. If the data do not deliver a fair, accurate and reliable basis for making comparisons between courses and institutions then the use of this data by the DfE, OfS or even students and careers advisors could lead to poor decision-making. As will be described in the next chapter, these concerns do not seem to have deterred ministers from pursuing a LEO-based approach to determining what counts as ‘low value’ HE.

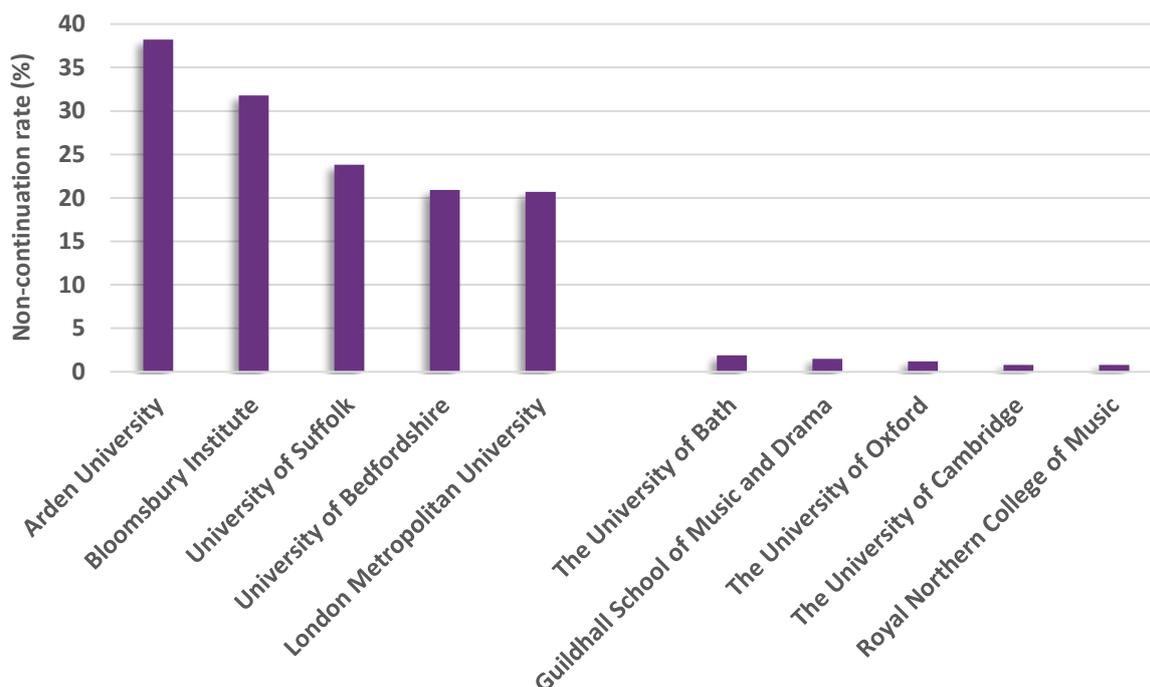
### Non-continuation (drop-out) rates

To identify ‘low value’ courses and institutions, one might consider using the number of students who fail to complete their chosen course as a possible indicator. The Higher Education Statistics Agency (HESA) collects and publishes information on, among other topics, the ‘non-continuation’ of students who enrol on HE courses. They track the number and proportion of students who start a course but are later recorded as ‘absent’ from any HE provider as well as the number and proportion of students who are still in HE (either at their original institution or a different one) one year or two years after starting a course. Students who are recorded as leaving within 50 days of commencement of their first academic year are removed from the non-continuation figures for each institution as it is assumed that they could have left for reasons unconnected to the institution itself.<sup>110</sup>

Figure 3 (overleaf) shows the gulf between different institutions when it comes to non-continuation rates over the period 2014/15 to 2018/19. Across all the institutions included in

the HESA data, the mean non-continuation rate (the percentage of young entrants who were no longer in HE a year after starting an HE course) was 6.7 per cent, yet some providers were well above this rate while others remained well below it.

**Figure 3: The highest (left) and lowest (right) non-continuation rates of UK domiciled young full-time undergraduate entrants at HE providers with at least 100 students <sup>111</sup>**



To build a complete picture of non-continuation rates, it is also necessary to consider the types of students entering HEIs. For example, the non-continuation rate for mature students is much higher (13.5 per cent) than for younger students. Even when looking solely at young students, the non-continuation rate varies depending on their entry qualifications. A student who enrolls at an HEI with at least 3 A's at A-level has a non-continuation rate of 1.7 per cent compared to 4.3 per cent for those with three C's or higher or 11.8 per cent for those entering with BTEC qualifications.<sup>112</sup> The non-continuation rate also varies by subject. *Medicine & Dentistry* and *Veterinary science* had a combined non-continuation rate of 1.4 per cent, with the next lowest being *Languages* and *Historical & philosophical studies* that both had a rate of 4.3 per cent. At the other end of the scale, *Computer sciences* had a non-continuation rate of 9.2 per cent and *Business & administrative studies* had a rate of 8.6 per cent.<sup>113</sup>

Given these substantial variations, HESA calculate a 'benchmark' non-continuation rate for HEIs that accounts for students' entry qualifications and subject areas. Even so, the worst-performing providers shown in Figure 3 do little better when judged against their

benchmarks. Arden University has a benchmark rate of 20 per cent yet its actual non-continuation rate is still 38.2 per cent. Likewise, London Metropolitan University has a benchmark of 11 per cent but a non-continuation rate of 20.7 per cent. Meanwhile, HEIs such as the University of Oxford (benchmark of 2.1 per cent) and the University of Cambridge (1.9 per cent) manage to deliver a non-continuation rate below what would normally be expected given their student intake.

The full breadth of circumstances that would make an individual student leave an HE course is clearly vast, and some students who have left their course manage to return at a later date. Undeterred by such complexities, the OfS has already set a target for the whole HE sector of eliminating the gap in non-continuation rates between the ‘most and least represented groups’ alongside publishing the ‘continuation’ data for each provider.<sup>114</sup> Nevertheless, there is still no consensus among policymakers, regulators or the HE sector over what counts as an acceptable non-continuation rate and there does not appear to be any pattern in terms of the types of institutions that are able to deliver higher or lower non-continuation rates. What’s more, recent analysis by the Higher Education Policy Institute (HEPI) found that the UK has the lowest drop-out rate of any OECD country.<sup>115</sup> In the absence of a collective agreement on what non-continuation rates truly represent and the extent to which universities are responsible for them, the question of whether non-continuation rates can help identify ‘low value’ HE remains unanswered.

## The Quality Assurance Agency

Another way of trying to ascertain the ‘value’ of HE is to look at whether the procedures used within universities to monitor their own provision can be trusted to deliver high-value courses. The Quality Assurance Agency (QAA) was established in 1997 and is funded by membership fees from HEIs and through contracts with funding bodies across the UK (including the OfS in England). The QAA conducts regular visits to HEIs to assess their procedures for monitoring and assuring academic standards and to make recommendations for improvement. The foundation of the QAA’s work is the *Quality Code*, which they describe as “a key reference point for UK higher education, protecting the public and student interest”.<sup>116</sup> The Code consists of ‘expectations’ (outcomes that providers should achieve in setting and maintaining the standards of their awards and managing the quality of their provision), ‘core practices’ (effective ways of working to meet those expectations) and ‘common practices’ (creating a focus on enhancement). HEIs across the UK can use the Code to design degree courses as well as their broader policies for maintaining standards. In addition, a range of ‘Subject Benchmark Statements’ form part of the *Quality Code* as they “describe the nature of study and the academic standards expected of graduates in specific

subject areas” and “show what graduates might reasonably be expected to know, do and understand at the end of their studies.”<sup>117</sup>

In the debate over ‘low value’ HE, it is important to recognise that the QAA is not an inspectorate (like OFSTED for schools) or a regulator, nor do they have statutory powers to direct HEIs to act on anything that the QAA identifies through its work. Instead, the focus of the QAA is on the processes that an HEI uses to assess their own provision, with the QAA restricted to evaluating institutions rather than courses. In a rare parliamentary investigation of universities in 2009, the role of the QAA came under considerable scrutiny. Professor Geoffrey Alderman told the Committee that “it is possible to come out of the QAA with a glowing report but in fact have poor standards”.<sup>118</sup> Other witnesses highlighted that “[the QAA’s] notion of how to square academic freedom with quality assurance is to avoid making any judgment about the content of courses”.<sup>119</sup> Dr Fenton, an academic, said that the QAA was “another bureaucratic, administrative burden that you learn to play the game of”.<sup>120</sup>

More recently, the QAA was appointed by the OfS as the ‘Designated Quality Body’ for the HE sector to formalise its role within the new regulatory system that accompanied the creation of the OfS in 2018. As the QAA still does not have the power to directly intervene if an HEI is delivering a degree course that fails to meet the *Quality Code*, it is not logical to place much faith in the QAA to guard against ‘low value’ provision. The *Quality Code* is a useful tool for HEIs in helping them design and deliver their courses, yet it would be unwise to assume that just because the QAA provides support and challenge to HEIs it is somehow able to pinpoint or eliminate ‘low value’ HE. In other words, the subjective views of students, employers and government about the value of courses are not given much weight within the QAA’s work, so the only logical conclusion is that ‘value’ is not captured in any substantive way.

## Professional, Statutory and Regulatory Bodies

If the goal is to promote ‘high value’ HE, it is worth considering the role that external bodies might play in identifying and promoting the best provision. The broad concept of Professional, Statutory and Regulatory Bodies (PSRBs) is used to describe the diverse group of organisations that engage with HEIs, including many professional bodies, regulators and organisations with statutory authority over a profession or group of professionals. Examples of PSRBs include the General Medical Council, the Royal Society of Chemistry and the Bar Standards Board. Perhaps surprisingly, there is no central register of PSRBs, although it was previously estimated that there were about 130 such bodies working in the HE sector.<sup>121</sup>

One of the main functions of many PSRBs is to describe the curriculum content, professional knowledge and competencies that must be taught within degree courses.<sup>122</sup> In addition, some

PSRBs have the authority to confer a 'licence to practise' in the area it regulates (e.g. solicitors).<sup>123</sup> Another function of some PSRBs is to offer 'accreditation' i.e. approving or recognising specific courses,<sup>124</sup> which lets graduates operate as professionals in their field or provides access to membership of a professional association or learned society. This accreditation can allow HEIs to benchmark their programmes against other institutions as well as the standards agreed by the professions. The accreditation process often involves formal on-site visits as well as the submission of documentation to the PSRB in order for them to make an informed judgement about an HEI's suitability.<sup>125</sup>

Although research evidence on the overall effectiveness of PSRBs is sparse, it is generally positive in terms of their impact. In 2011 the Business, Innovation and Skills Select Committee in Parliament heard from many witnesses about the value of accreditation by professional bodies as a signal of degree quality for students and parents alike.<sup>126</sup> Another report in 2015, prepared for the HE funding bodies across the UK, found that "most stakeholders spoke positively of the role currently played by PSRBs in providing input for the assurance of academic standards, with some arguing that academic institutions should work more closely with PSRBs".<sup>127</sup> Furthermore, some respondents "also felt that PSRB accreditation serves to give employers confidence in academic output standards."<sup>128</sup>

The layer of external assurance provided by PSRBs evidently sends a strong signal to students and employers about the value of a particular course. That said, not all degree courses have an associated PSRB, and not all PSRBs carry out the same functions or role for a given profession or discipline. Creating PSRBs from scratch would clearly be a major undertaking and would take a considerable period of time, meaning that this is not a viable option in the current political climate. Nevertheless, if PSRBs can use their expertise and experience to publicly identify the best HE courses then they may have an important role to play in the context of the debate over 'low value' HE.

## 4. How might the Government tackle ‘low value’ HE in future?

The Augar Review was clear that if the HE sector fails to reduce low-value courses, which they define as having “poor retention, poor graduate employability and poor long-term earnings benefits”,<sup>129</sup> then the Government is entitled to intervene. At the time of writing, ministers have yet to finalise their plans in terms of what form this intervention might take. There are numerous tools at their disposal for influencing the types of courses available in HEIs, each of which come with benefits and drawbacks. This chapter will therefore explore the most likely candidates for government intervention and whether they could make any contribution to promoting a ‘high value’ HE system.

### Minimum entry requirements

The Augar Review was concerned that HEIs were recruiting “too many students who will not benefit from a degree”.<sup>130</sup> In the 2016/17 cohort “as many as 12.8 per cent of students with UCAS tariff points between 0 and 100 (the equivalent of D and E at A-level in the old tariff scheme), and 11.6 per cent of students with BTECs at any level, did not progress past their first year of a degree”.<sup>131</sup> In contrast, the drop-out rate for the cohort as a whole was just 6.3 per cent. This led Augar to propose ‘minimum entry requirements’ so that applicants whose prior attainment was below a certain level would be ineligible for student loans at Level 6 (full degree), although they would still be entitled to student finance for studying at Level 4 and 5 that could be used to progress onto Level 6 in future.<sup>132</sup> To ensure that this policy addressed the problem of low-value degrees, Augar was clear that high-quality alternatives to a full degree had to be available at Levels 4 and 5.

Augar recognised that a minimum entry requirement would need to be implemented in such a way that disadvantaged students were not unfairly penalised. One way this could be done would be through contextualisation. Analysis by UCAS found that “the 20 per cent most disadvantaged applicants would need an average adjustment of three grades (e.g. from EEE to DDD to bring their attainment in line with more advantaged peers.”<sup>133</sup> Thus, contextualisation should mean that the impact of this proposal on disadvantaged applicants is minimised. Another issue that would need careful consideration is the exact entry threshold, which “would need to be both high enough to address the issues of drop-out and lower wage returns... and low enough to ensure that the impact could be managed across the sector and avoid disproportionate impacts on disadvantaged groups”.<sup>134</sup> Modelling by UCAS suggested that the threshold chosen could potentially result in thousands of young applicants becoming ineligible for student finance to cover the cost of a full degree. What’s more, Augar

predicted that there could also be a substantial impact on some HEIs that may force them to focus more on higher technical provision, which Augar felt would be a “positive outcome”.<sup>135</sup>

Although the Review recognised that minimum entry requirements “would be a significant intervention into what has been designed as a competitive autonomous market”,<sup>136</sup> it described a contextualised minimum entry threshold as “feasible” with the potential to “address the problem of low returns for graduates in a socially progressive way”.<sup>137</sup> Critics have since argued that because minimum entry requirements would not ban applicants from attending university entirely but rather make them ineligible for student loans, “we are in danger of access to university being driven by the financial position of parents to pay, not the potential of a prospective student to benefit from a programme of study”.<sup>138</sup>

In addition, the logistics of entry requirements would be challenging due to the multitude of exceptions required, including care leavers, applicants with certain disabilities and courses where admissions are based on portfolios or performances.<sup>139</sup> Augar restricted his proposed entry requirements to applicants aged 25 and under, although no evidence was provided to justify this seemingly arbitrary age limit. The issue of how thresholds would be set for alternative Level 3 qualifications besides A-levels would further complicate matters.

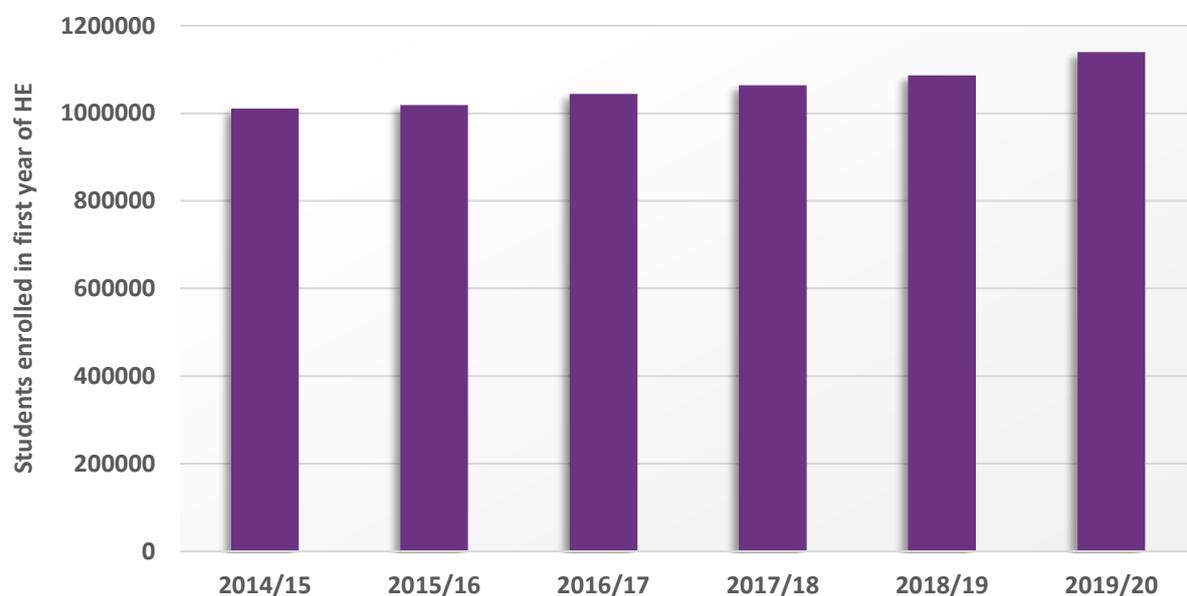
Education Secretary Gavin Williamson recently said that a minimum entry threshold based on GCSE (Level 2) results rather than Level 3 qualifications “is obviously something we’re going to be consulting on”,<sup>140</sup> which could be a tacit admission of the sheer complexity that minimum entry requirements at Level 3 would encounter. This proposal echoes a recent OECD report that found university graduates in England have weaker basic skills than graduates from many other countries, with around one in five young graduates in this country at Level 2 (GCSE standard) or below on literacy – roughly double the rate of better performing countries.<sup>141</sup> As a result, the OECD recommended that “those with low basic skills should not normally enter three year undergraduate programmes, which are both costly and unsuited to the educational needs of those involved, while graduates with poor basic skills undermine the currency of an English university degree.”<sup>142</sup> The explicit goal of this recommendation was to “send a clear message that the full value of university education depends on adequate preparation (including basic skills).”<sup>143</sup>

## Student number caps

Student number controls existed until relatively recently. Before 2015, HEIs were capped at the previous year’s enrolment plus or minus five per cent, with fines given to institutions who over-recruited. In 2013, there was a significant policy shift as the then Chancellor George Osborne announced that the cap for UK and EU-domiciled undergraduates at English HEIs

would be relaxed in 2014/15 and abolished entirely in 2015/16. It was hoped that by removing number controls, demand for HE would remain strong and more higher-level skills would raise economic performance.<sup>144</sup> Student enrolment rapidly expanded after the cap was lifted in 2015/16. By 2019/20, in the space of just four years, first-year student enrolments had increased by 12 per cent (Figure 4). As the current Government has previously made it clear they will not re-impose a cap on student numbers at a national level, the Augar Review suggested that for courses with persistent evidence of poor value, “the OfS would have the regulatory authority to place a limit, for a fixed period, on the numbers eligible for financial support who could be admitted to the course”.<sup>145</sup> Any affected institutions would be able to recruit students to other courses without restriction.

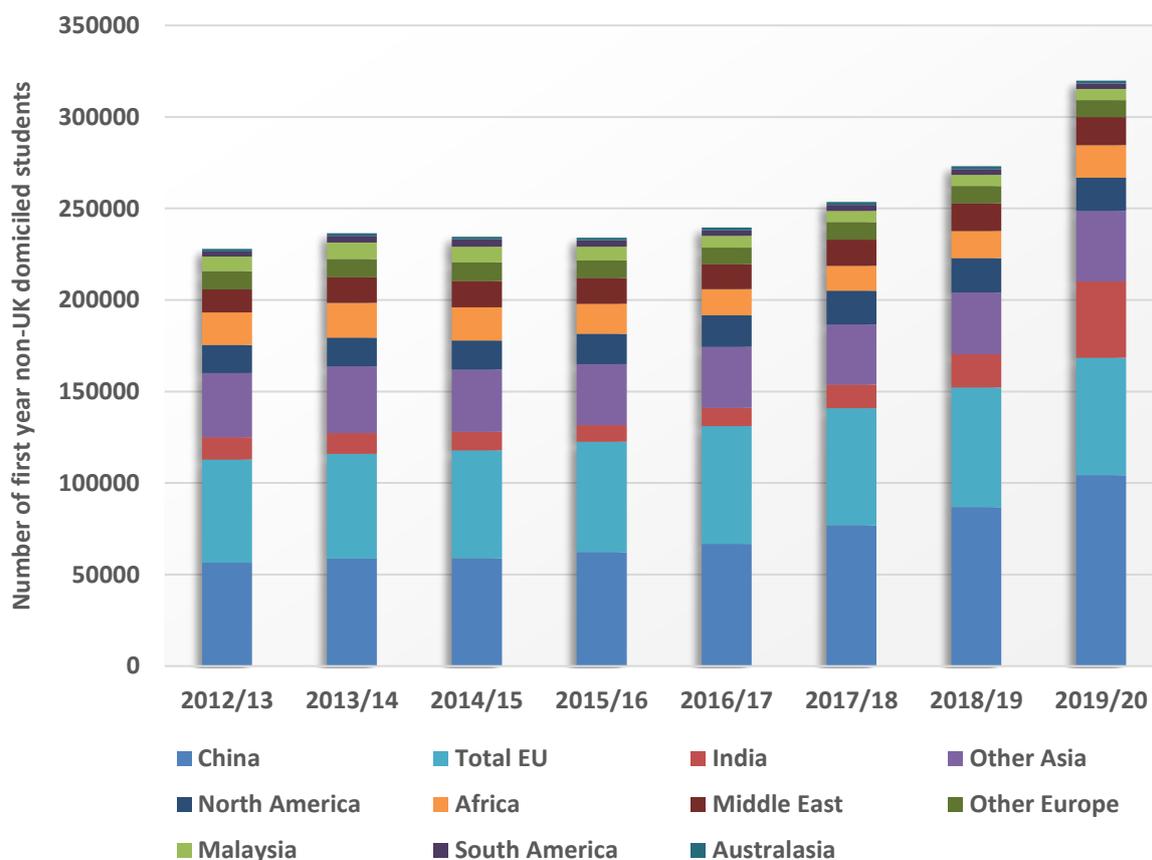
**Figure 4: First-year student enrolments in undergraduate and postgraduate courses at HEIs in the UK <sup>146</sup>**



Even if the Government seeks to make student number caps less restrictive by focusing on specific courses and institutions, several objections would remain regardless of the precise form of the caps. Iain Mansfield, now Gavin Williamson’s advisor, noted in 2019 that, while a numbers cap would benefit the Treasury as they would know “almost exactly how many students will be admitted and how much money will be paid out”, it would require the OfS “to make difficult choices as to the relative worth of different providers, determining which ones deserve to expand and, accordingly, which will have to shrink.”<sup>147</sup> He added that “any control of numbers is likely to see a proportionately (if not an absolute) greater reduction in those from lower socio-economic backgrounds”.<sup>148</sup> On a similar note, Nick Hillman, a former government advisor on HE, has stated that he would advocate “almost anything” before restricting the number of places available “given the growing demand for higher education, and the fact that having fewer places is likely to hit the most disadvantaged people hardest.”<sup>149</sup>

Not only has there been a rise in overall student enrolments in recent years, but the number of international students enrolling in UK HEIs has also markedly increased, with much of this expansion being driven by students from China and India (Figure 5). In the space of just one academic year, from 2018/19 to 2019/20, first year enrolments from India increased by 128 per cent, from 18,305 to 41,815. In the same year, the number of new students from China increased by 20 per cent, from 86,895 to 104,240.<sup>150</sup> This suggests that a significant proportion of the recent growth in overall student numbers is coming from international student recruitment rather than domestic students.

**Figure 5: First year non-UK domiciled students by domicile**



Some institutions appear to be recruiting particularly high numbers of international students. In 2019/20, there were five institutions with over two thousand students from India: University of Hertfordshire (2,565), University of East London (2,305), University of Bedfordshire (2,240), University of Northumbria at Newcastle (2,130) and BPP University (2,025). Meanwhile, 21 HEIs had over two thousand students from China, including six universities with over five thousand Chinese students: University College London (7,310), University of Manchester (6,490), University of Liverpool (6,025), University of Sheffield (5,990), University of Birmingham (5,080) and University of Leeds (5,050). Because there are

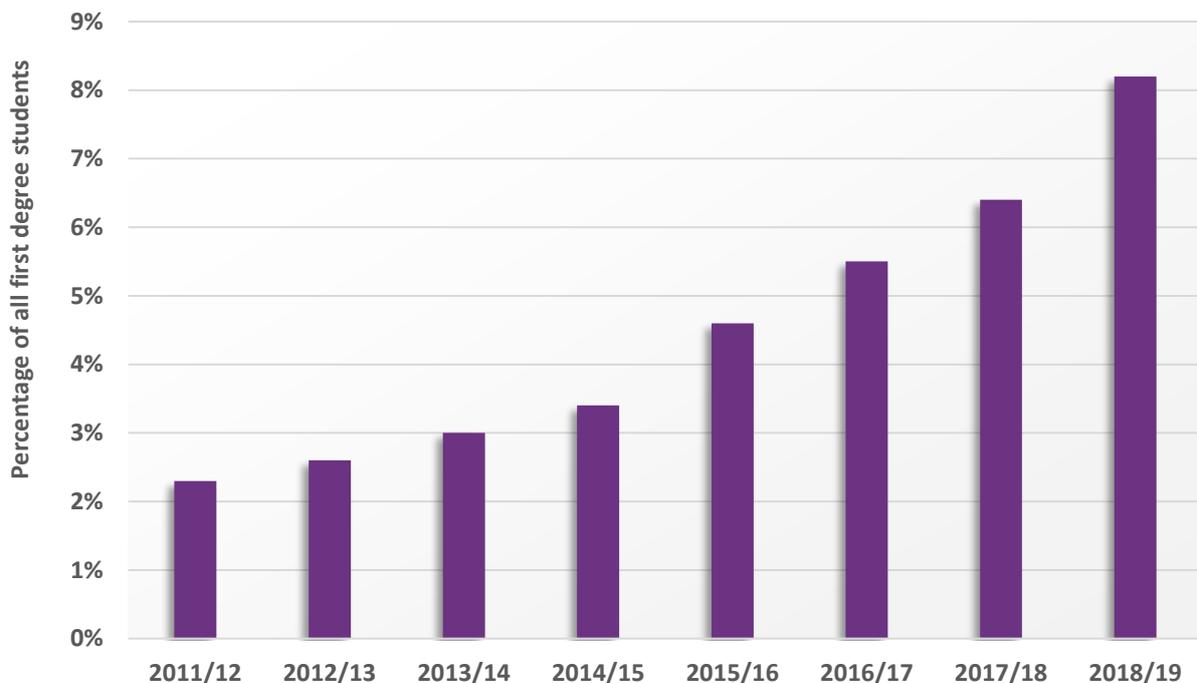
no caps on the fees that can be charged to international students, they have evidently become a major source of income for these institutions that can subsidise both teaching and research.

## Foundation years

Foundation years are “one-year courses offered by universities for students who do not have the prior attainment in the right subjects to enter the course of their choice, to teach them the knowledge they need to progress on to the first year of their chosen course”.<sup>151</sup> They can lead directly onto a undergraduate degree although they do not count towards it. Students can generally access the normal package of tuition fee and maintenance loans, while universities can charge up to the maximum tuition fee cap of £9,250.

The Augar Review found that “to our surprise, the number of UK-domiciled students entering integrated foundation years in England almost tripled between 2012/13 and 2017/18”.<sup>152</sup> Indeed, the national data on foundation year enrolments paints an astonishing picture of how quickly they have grown since tuition fees were tripled. As shown in Figure 6, the proportion of first-year students embarking on a foundation year rather than a full degree almost quadrupled from 2012 to 2019 to reach 34,000, with growth of almost two percentage points from 2018 to 2019 alone.

**Figure 6: Percentage of UK domiciled full-time first degree starters who enrolled on a ‘foundation year’<sup>153</sup>**



'Access to HE Diplomas', which offer an alternative route into university, are different from foundation years as they are delivered in FE colleges and are a stand-alone qualification widely recognised by UK universities. Access Diplomas are more flexible than foundation years and can be done part-time across more than one year if necessary. They also cost far less than a foundation year, with prices typically around £3,000-5,000<sup>154</sup> (which can be financed through an 'Advanced Learner Loan' that is written off if a learner goes on to complete an approved HE course such as a full degree). As foundation years have become increasingly popular, Access Diplomas have seen a decline in enrolments from 36,880 in 2012/13 to 30,410 in 2017/18.<sup>155</sup>

The Augar Review was highly critical of the expansion of foundation years, particularly when Access Diplomas represent a viable alternative in their view:

*"It is hard not to conclude that universities are using foundation years to create four-year degrees in order to entice students who do not otherwise meet their entry standard criteria. Most recruiters to these programmes are medium or lower entry tariff institutions, typically universities with a high proportion of students from poorer backgrounds. These students are obliged to take out an additional fourth year of higher and non-cancellable fee loans. We question whether this is in their best interests.*

*"The taxpayer is entitled to ask why universities are not collaborating with FECs on enrolling these students onto Access Diplomas with lower fees, more advantageous loan terms, and a standalone qualification, or, if necessary, running such courses themselves, as a few universities already do. It is our view that the inequity in funding and support available for Access Diplomas compared to the package available for foundation years is resulting in poor value for money for both government and some students."*<sup>156</sup>

As a result, the Review recommended "withdrawing financial support for foundation years attached to degree courses after an appropriate notice period",<sup>157</sup> with potential exemptions for specific courses. Due to the "substantially lower fees for this type of provision", Augar hoped that this would "represent better value for money for students and taxpayers".<sup>158</sup>

In the same month that the Augar Review was published in 2019, the OfS published an analysis of foundation years and Access Diplomas that unearthed numerous differences between these types of provision. First and foremost, Access Diplomas are intended to support people without traditional qualifications for studying at university, whereas 82 per cent of students on a foundation year have previously achieved a Level 3 qualification such as A-levels.<sup>159</sup>

In addition, most Access course entrants are aged over 21, whereas the majority of those starting foundation years are 20 or younger.<sup>160</sup> Access courses are also almost entirely taught at FE colleges (60 per cent of Access students travel less than five miles), while integrated foundation years were predominantly taught at HEIs (almost half of foundation year students were at a provider more than 20 miles from home).<sup>161</sup>

Furthermore, the subject choices and progression rates for Access courses and foundation years are very different. 70 per cent of students continued from their foundation year straight into degree-level study, but only 47 per cent of students who took an Access course entered degree-level study within a year.<sup>162</sup> This is unsurprising, though, as foundation year students have already secured degree-level study whereas Access students will still need to gain a place on a degree course. This also explains why 97 per cent of Access students went to a different provider for their degree course, compared to only 16 per cent of foundation year students.<sup>163</sup>

The Augar Review took particular issue with the prevalence of foundation years in 'Business and Administrative studies', which generally have no entry requirements. The OfS analysis showed that one in four foundation year students are now on a Business and Administrative studies course – an increase of almost 10 percentage points since 2012/13 and more than double the proportion of any other subject group in 2018/19.<sup>164</sup> Augar was willing to offer exceptions to the withdrawal of funding for foundation years in the case of high-cost and competitive courses such as Medicine, but this same logic evidently would not apply to courses with low or no entry requirements.

Several universities have recently spoken out against the proposal to revoke funding for foundation years. The Policy Perspectives Network, a network of ten English universities, argued that the move would be "shortsighted" as foundation years are "providing a route to success for students who would otherwise not access opportunities", particularly students from more disadvantaged backgrounds, and "ensuring a greater likelihood of progression".<sup>165</sup> Similarly, Professor Nick Braisby, vice-Chancellor at Buckinghamshire New University, has claimed that 80 per cent of their foundation years students actively chose the additional year for reasons such as having to adapt to university after a break from education, updating their academic skills and addressing confidence issues.<sup>166</sup> These interventions suggest that foundation years can be valuable for some prospective full-degree students, yet this does not negate the Augar Review's assertion that too many foundation years are being provided in particular subjects and that they do not represent good value for money for students or taxpayers.

## Office for Students consultation on ‘quality’ and ‘standards’

In November 2020, the OfS began a consultation on its future approach to regulating HE ‘quality’ and ‘standards’ “to ensure that our approach to the regulation of quality and standards maintains and strengthens the English higher education sector and its international reputation.”<sup>167</sup> Among the objectives of this consultation were the OfS’s intention to make sure students “are protected from low quality courses” and also ensure students, the wider public and taxpayers “have confidence in the quality of the courses offered by English higher education and that they represent value for money”.<sup>168</sup> In addition, the OfS wanted to provide clarity about a “provider’s obligations for the quality and standards of all its courses”.<sup>169</sup> Within the consultation, numerous definitions of ‘quality’ and ‘standards’ were put forward across several domains, including:

- Access and admissions e.g. “Students admitted to a course have the capability and potential to successfully complete their course.”
- Course content, structure and delivery e.g. “The content and structure of a course allows students to develop intellectual and professional skills.”
- Resources and academic support e.g. “Academic support, including specialist support, is adequate and deployed effectively to meet the needs of individual students.”<sup>170</sup>

The most controversial proposals were regarding what should count as a ‘successful outcome’. The first two successful outcomes were defined by the OfS as follows:

- “Students continue from their first to second year at a rate above the OfS numerical baseline.”
- “Students complete their course at a rate above the OfS numerical baseline.”<sup>171</sup>

In other words, the OfS wants the same ‘minimum baseline’ to apply to all providers, as they would “not set lower regulatory requirements for providers that recruit students from underrepresented groups, or with protected characteristics.”<sup>172</sup> In response, UUK claimed that this would mean HEIs are “deterred from recruiting students who might be considered more at risk of not continuing, completing or progressing to the stated level of employment”, which in turn “threatens the encouragement of diversity, innovation and choice”.<sup>173</sup> Moreover, UUK pointed out that using numerical baselines for continuation and completion rates will struggle to cope with the likely expansion of part-time and more flexible learning, which will result in more students frequently moving in and out of HE provision.<sup>174</sup> The Russell Group of research-intensive universities has also expressed concern regarding numerical baselines, stating that “it is vital that the underpinning data is both statistically robust and reliable” if the OfS intends to take regulatory action on the basis of these figures.<sup>175</sup> The OfS consultation even admitted that poor continuation rates would merely “suggest that students *may* not have

been appropriately recruited"<sup>176</sup> (our emphasis), thus confirming that causal relationships between course quality and continuation rates are impossible to verify through these figures.

While the OfS's first two definitions of quality and standards related to continuation and completion rates, the other two definitions focused on employment outcomes:

- *"Students progress to managerial and professional employment (or employment appropriate to the qualification level) or to higher level study at a rate above the OfS numerical baseline."*
- *"Students have the right skills from their course once in employment and employers are satisfied with the graduates they employ."*<sup>177</sup>

As discussed earlier in this report, the numerous limitations with LEO data (e.g. failing to account for the substantial regional variations in graduate job opportunities) mean that it will not be possible to use graduate employment outcomes as an accurate measure of quality or standards in this instance. Furthermore, the OfS consultation contains yet another implicit recognition that their own proposal will not be rigorous enough to be suitable for regulatory purposes, as they admitted that low rates of progression into employment and higher-level study *"may suggest that a course has not equipped students with knowledge and skills appropriate"*<sup>178</sup> (our emphasis). Again, this falls well short of being able to draw definitive conclusions about a course or provider. UUK has also noted that defining success in terms of employment outcomes *"reinforces a problematic narrative that students who do not secure the stated level of employment have experienced 'failure'"*.<sup>179</sup> Curiously, the second definition above from the OfS – ensuring that employers are satisfied with the graduates they employ – was barely even mentioned within the consultation document, demonstrating why the OfS holding such a vague ambition is very different from being able to implement it in practice.

## Changing the funding rate for different subjects

In recent years, there has been a noticeable shift in the types of courses available in HE. The Augar Review found that in 2009/10 there were approximately 510,000 learners enrolled on a sub-bachelor (Level 4-5) course, but by 2016/17 this had fallen to only 190,000 learners.<sup>180</sup> The Review stated that this had been caused by changes to the funding system, which *"drives providers to Level 6 and disincentivise the provision of technical subjects at all levels"*, with the student finance system making *"a full Level 6 the obvious choice for students."*<sup>181</sup> As a result of the increase in tuition fees to £9,000 a year, *"undergraduate teaching after 2012 became a profitable activity"*.<sup>182</sup> Augar was convinced that the expansion of HE should be considered *"a success, bringing benefits to graduates, employers and society at large"*. Even so, the Review felt that *"the rising tide has not lifted all the boats"* – a reference to the fact that *"a minority – but a significant minority – of university students are left stranded with poor earnings and mounting 'debt'."*<sup>183</sup>

Almost all HEIs set their fees at the maximum level after 2012, despite then Universities Minister Lord Willetts believing the £9,000 fee would be for “exceptional circumstances”.<sup>184</sup> As the Augar Review highlighted, “because funding increased at a much faster rate for lower cost subjects due to the near universal setting of fees at the fee cap, lower cost subjects have seen a larger percentage increase in spending than higher cost subjects.”<sup>185</sup> To illustrate the point, subjects such as Sports science and leisure studies, Media studies, Design and creative arts, Humanities and language-based studies and Social studies saw funding increases of over 30 per cent in the five years after tuition fees were raised to £9,250.<sup>186</sup> Consequently, the overfunding of some courses relative to their cost of provision “potentially incentivises institutions to prioritise them because they provide a higher margin”.<sup>187</sup> Augar found that “some lower cost courses have seen very big increases in student numbers” as a result,<sup>188</sup> although this may partly reflect the need in some HEIs to cross-subsidise the delivery of more expensive programmes if government funding for high-cost subjects is insufficient.

To resolve the current funding discrepancies between courses, the Augar Review proposed that tuition fees should be capped at £7,500 to ensure “no student pays more than what could be considered the reasonable cost of their course” as well as allowing for “better targeting of taxpayer investment”<sup>189</sup> and reducing students’ debt. Crucially, the Review wanted this to be done in such a way that HE funding should be unchanged at sector level in cash terms because the Government should replace “in full the lost income by increasing the teaching grant”.<sup>190</sup> Some subjects would therefore receive little or no teaching grant from the OfS, reflecting the lower cost of delivering those courses and resolving the current issue of certain high-cost subjects being underfunded while low-cost subjects are overfunded.

Several HE leaders have argued against the proposed tuition fee cuts. Professor Chris Day, vice-Chancellor of Newcastle University, said such cuts would create “a bloody great big hole in our income”, potentially leading to departments delivering high-cost subjects such as science and engineering being closed down.<sup>191</sup> The Russell Group have stated that if a fee cut were to take place then “universities would need a cast-iron guarantee that teaching grants will fully cover the funding shortfall” to prevent certain courses from becoming financially unsustainable and impacting on HEIs’ ability to deliver high quality courses.<sup>192</sup> Nick Hillman has suggested that while tuition fees tend to be the focus of considerable debate, “students are more concerned about the day-to-day cost of living”, and there are more cost effective ways to reduce current public expenditure on HE.<sup>193</sup>

While it is still unknown whether the Government will choose to cut tuition fees, they have already shown a willingness to redirect funding away from supposedly ‘low value’ courses. In July 2021, the OfS confirmed an increase in funding for subjects supporting the NHS and wider healthcare policy, high-cost STEM subjects and/or those that meet specific labour market needs. At the same time, the OfS will reduce funding for high-cost subjects that the

Government does not consider to be as ‘strategically important’ as other high-cost disciplines and are therefore given lower priority.<sup>194</sup> This includes performing and creative arts as well as media studies.

The reduction works out at £121.50 per full-time student per year,<sup>195</sup> yet the symbolic nature of this funding change has proved controversial with several leading figures in the creative industries speaking out against them when they were initially trailed. Composer David Arnold said the proposal is “a short sighted, tin-eared, mean spirited idea made by people who cannot truly care about the cultural future of our country” and author Bernadine Evaristo described it as “catastrophic” and “an awful assault on the arts in universities”.<sup>196</sup> Moreover, an open letter signed by 300 art world figures was sent to the Education Secretary, urging the Government to reconsider this proposal – which it described as “a strategic misstep”.<sup>197</sup>

## Changing the student loan system

As noted in the introduction to this report, concerns over the repayment of student loans are a major consideration in the debate over ‘low-value’ HE. In 2000, shortly after tuition fees were first introduced, the earnings threshold for repaying student loans was £10,000, later rising to £15,000 in 2005.<sup>198</sup> The threshold remained at this level until 2012, after which it was increased in line with earnings for many years – reaching £19,390 in 2021.<sup>199</sup> However, this threshold only applies to students who began an undergraduate course before September 2012 (when the tuition fee cap tripled from £3,000 to £9,000). Those students who began an undergraduate course from 2012 onwards immediately faced a repayment threshold of £21,000.<sup>200</sup> In 2017 the Government said this threshold would be frozen in cash terms until 2021, only for then Prime Minister Theresa May to announce in 2018 that the threshold would be pushed up to £25,000 and rise in line with average earnings thereafter<sup>201</sup> (now at £27,295).

Far from being a mere technical adjustment, the increase in the repayment threshold in 2018 increased the proportion of graduates unlikely to fully repay their loans from 77 per cent to 83 per cent. Moreover, the proportion of the loan book that the Government does not expect to be repaid (known as the ‘RAB charge’) also increased from 31 per cent to 45 per cent.<sup>202</sup> This was criticised by the Institute for Fiscal Studies as being “a big (and expensive) giveaway to graduates” because it raised the long-run cost of providing HE by £2.3 billion per year.<sup>203</sup> The Augar Review was equally critical of the decision to raise the threshold to such a high level:

*“We question the justification for a system which excludes so much of a borrower’s earnings from any repayment and which helps to reinforce the “no win, no pay” element in student choice.”*<sup>204</sup>

The Review referenced a recent study by the DfE, which found that 52 per cent of people agreed that £15 per month paid by those earning £27,000 is too low, and that people would prefer higher repayments in return for lower fees and interest rates.<sup>205</sup>

Although there have been multiple changes to the repayment threshold, the repayment rate itself has remained relatively stable at 9 per cent of any earnings over the threshold for undergraduate courses and 6 per cent for postgraduate courses. Despite the repayment rate being consistent, the interest rate charged on student loans has been altered on numerous occasions. The interest rate on the new student loans is dependent on a graduate's earnings and what type of loan they have previously taken out. For loans taken out prior to 2012, the interest rate is set at, or close to, the rate of inflation – meaning that pre-2012 students are only paying 1.1 per cent interest a year.<sup>206</sup> In contrast, current students taking out loans for the first time face an annual interest rate of 5.3 per cent during their studies and 2.6-5.6 per cent thereafter depending on their earnings.<sup>207</sup>

The overall impact of the changes to the student loan system, particularly in recent years, has been significant. London Economics has estimated that the cost of the undergraduate cohort of English-domiciled students commencing their studies in 2020/21 will be approximately £10.7 billion. This is made up of £5.4 billion on tuition fee write offs, £4 billion on maintenance loan write offs and £1.2 billion on the residual teaching grant (paid by the OfS to institutions for high-cost subjects).<sup>208</sup> They also estimate that the RAB charge stands at 54 per cent, with 88 per cent of students expected to never repay their full student loan and 33 per cent never repaying any part of their loan.<sup>209</sup> These figures lay bare the difficult position facing the Treasury in terms of reducing the impact of the loan system on the public finances because any unpaid student loans will instead have to be paid off by other taxpayers.

A recent policy paper by HEPI modelled two proposals to reduce the cost of the student finance system:

- **Extending the repayment period from 30 years to 35 years:** At present, students must continue paying back their loan for 30 years after they finish their HE course, at which point any remaining loan debt is written off. Extending this period from 30 to 35 years would save the Treasury £860 million for each cohort of students and reduce the RAB charge to 50 per cent, with 85 per cent of students not repaying their loan in full and 33 per cent not paying back any of their loan. It would have no impact on graduates with the lowest incomes, as they would continue to repay nothing, nor would it affect those on the highest incomes as they would repay their entire loan balance before the original 30 years has passed.

- **Reducing the repayment threshold to match the repayment threshold for pre-2012 student loans (£19,390):** students who studied on the old loan system before the £9,000 fees and loans were introduced faced a lower payment threshold in 2020/21 of £19,390. If this same threshold was extended to students currently using the higher threshold, it would reduce the cost of one cohort of students by almost £3.8 billion. The RAB charge would fall to 33 per cent, with 75 per cent of students not repaying their loan in full and 16 not paying back any of their loan. <sup>210</sup>

Any changes to the repayment threshold or repayment period could prove divisive. Nick Hillman has suggested that changing the threshold or extending the repayment period “might not be popular but...could deliver savings if politicians are determined to find them.”<sup>211</sup>

## 5. Recommendations

This report began by outlining the purposes that HE should fulfil in our society:

- Preparing students for the world of work
- Providing intellectual stretch and challenge
- Improving social mobility and widening participation
- Supporting civic engagement and local communities
- Promoting lifelong learning
- Contributing to research and development
- Supporting the UK's position in global education

There is no reason to move away from any of these objectives, which remain as important as ever in the modern era. Nevertheless, the analysis in this report has encountered various aspects of the HE sector that paint an unflattering picture of how many (although certainly not all) institutions appear uninterested in fulfilling these purposes. Despite the best efforts of some institutions to retain a distinctive role, the increasing homogeneity of the HE sector has been an unwelcome development. The decision by some HEIs to expand courses that offered them the largest financial rewards may have improved their balance sheets, but it has unwisely fed the narrative of 'low value' HE as well as raising serious questions among policymakers about the motives of these institutions. Numerous actions by HEIs – particularly the rapid growth of cheap-to-deliver degrees, foundation years and overall enrolments – have undoubtedly led to a perception among policymakers that HEIs are more interested in attracting tuition fee income than serving their students, local communities and society. The national policy agenda has also changed dramatically, most notably through the emergence of a place-based approach to policymaking, yet the HE sector has been slow to embrace these new imperatives.

The subjective nature of 'value' inevitably makes it harder to quantify, yet this is no reason to avoid the issue altogether. To move the conversation forward, the recommendations in this report will describe a new vision for HE that is intended to promote 'high value' provision in line with the purposes of HE sector outlined above. To this end, the recommendations are broken into three sections: how **universities** can deliver better value; how **government** can get better value from HE courses; and how **students** can promote better value in HE.

In addition, to reflect the present national policy imperatives as well as the concerns of Robbins and Dearing about the absence of any coordinating principles or objectives for the

HE sector, the new vision articulated throughout these recommendations will be underpinned by the following objectives:

- The HE sector should be built around a **place-based framework that recognises the importance of the local areas in which many HEIs operate**;
- The drift towards a homogenous HE sector should be replaced by a **stronger sense of purpose and clear objectives for different institutions**; and
- The excessive competition between institutions both within and outside of the HE sector must be converted into a **renewed emphasis on collaboration**.

## How universities can deliver better value

### RECOMMENDATION 1

By the 2023/24 academic year, all universities should be required to formally designate themselves as either a 'local university' or 'national university' to reflect their primary purpose as an institution.

Although the demise of Colleges of Advanced Technology and polytechnics are rarely discussed in the present day, the implications of many HEIs failing to articulate a distinctive mission and purpose are profound. Too often, universities have focused on expanding the most lucrative courses rather than demonstrating a wider commitment to their community or society, yet there is no mechanism or framework that encourages them to do otherwise. As the Augar Review noted, this has contributed to a dearth of higher-level technical courses in this country, leaving students and employers with a set of largely homogenous institutions that are almost indistinguishable in what they offer. That said, it would be wrong to simply turn back the clock to the era of polytechnics, not least because the policy agenda in 2021 looks very different to the policy agenda almost thirty years ago.

To make the 'value' of universities as explicit as possible, the goal should be to revive the notion of each university having a clearly defined purpose, visible to all their stakeholders, that underpins their degree courses, recruitment activities and relationships with other institutions. Moreover, this must be achieved within the context of the emerging place-based agenda that prioritises the impact of universities on local areas as much as their national and international reach. This report recommends that universities should therefore be required to divide themselves into one of two types: a **local university** or a **national university**. As will be described in subsequent recommendations, each type of university will perform a different function within the HE sector to ensure that their roles and responsibilities are distinct from one another.

Many universities will be engaged in a range of teaching and research activities that have both a local and national/international element to them. For example, a small former polytechnic that works with many local employers may also offer a world-class degree course in a specialist area or subject. Conversely, a large research-intensive university that recruits many international students may also wish to support civic engagement and their local community more broadly. This recommendation will not prevent such activities either now or in future. Instead, the goal of separating universities into 'local' and 'national' institutions is to provide an overall framework within which logical decisions can be made about how, when and why the Government should fund universities to provide particular degree and sub-degree courses.

There are different ways in which this new distinction between 'local' and 'national' universities could be achieved. For example, the Government could enshrine the distinction in legislation to formalise this new approach, although this may be time-consuming and restrict the future flexibility of the model. An alternative approach would be to use the funding and regulatory system to implement the new division instead. As will be described in later recommendations, using funding and regulation to create separate roles and responsibilities for 'local' and 'national' universities will reflect what courses they deliver, and to whom, as well as the restrictions that Government will place on certain teaching and research activities. Either way, careful consultation with the HE sector would be required before determining the most sensible approach, which is why a two-year window is proposed for designing and implementing this change.

## RECOMMENDATION 2

'Local universities' will be the engines of local economic growth, social mobility and lifelong learning. They will be tasked with delivering courses at degree and sub-degree level that promote civic engagement with the local community and support employers. This will be achieved by working in close collaboration with the new 'Tertiary Education Commissioner' in each area as well as local FE colleges to create a 'local tertiary ecosystem'.

As their title suggests, 'local universities' will be almost entirely focused on meeting the needs of their local community and the employers based in their locality. To carve out a distinctive role for 'local universities' in promoting lifelong learning and social mobility among learners of all ages, there will be no minimum entry requirements for prospective students and these universities will continue to be able to offer 'foundation years' as a stepping-stone to further study. Nevertheless, to ensure that they focus relentlessly on their core purpose of supporting local growth and prosperity, local universities will only be allowed to recruit a maximum of 10 per cent of their students from abroad. The Dearing Review was in "no doubt about the

value of access to local institutions which are in close touch with local people and local needs”,<sup>212</sup> and this recommendation echoes these sentiments. Local universities will be required to work in close collaboration with FE colleges to meet the social and economic needs of their local area. In September 2020 EDSK published a major report on the future of FE in England,<sup>213</sup> which contained the following recommendations:

- In each area of the country – defined by Local Enterprise Partnerships (LEPs) or, where applicable, Mayoral Combined Authorities (MCAs) – a new ‘FE Director’ should be appointed by the sector as the representative for all the colleges within their geographical area. The FE Director (FED) will act as the convener and ambassador for their local FE institutions on both strategic and financial issues.
- The FEDs will be tasked with mapping and subsequently arranging college provision in line with local social and economic needs as well as eliminating duplication of courses and promoting specialisation.
- Institutes of Technology (IoTs) should be established in every MCA / LEP area so that all learners have access to higher-level technical education within reasonable distance. The operators of IoTs, which function as a partnership between FE and HE, should be chosen by FEDs in line with local economic needs (e.g. Local Industrial Strategies) as well as other government initiatives such as R&D spending.
- To promote greater collaboration between HE and FE, universities should not be allowed to offer standalone Level 4 and 5 technical qualifications unless they deliver them in partnership with local FE institutions.

This new report from EDSK builds on these recommendations by proposing that the FE Director described in our previous report is now converted into a ‘Tertiary Education Commissioner’ (TEC) who will oversee all higher-level provision (Level 4+) in each part of the country. The main responsibility of the TEC will be to ensure that the local universities and FE colleges are delivering the right mix of academic and technical courses to meet the needs of individuals and employers in their area, eliminating duplication and encouraging new provision wherever necessary. This includes local universities and colleges collaborating to implement the new ‘local skills improvement plans’, which will be led by employers and “shape technical skills provision so that it meets local labour market skills needs”.<sup>214</sup>

Local universities will continue to deliver Level 4 and 5 courses but only if they are offered in agreement with FE colleges and the TEC, particularly as the Dearing Review praised universities who were able “to reach communities where there is not a tradition of entry to higher or further education through local networks with partner colleges which facilitate progression.”<sup>215</sup>

Bringing local universities and FE colleges together under the watchful eye of the new TECs will be a vital component of creating a new ‘local tertiary ecosystem’ in which collaboration is prioritised over competition. Similar approaches have recently emerged in Manchester, Sheffield, Birmingham and London<sup>216</sup> but this will need to become more formalised if students around the country are to benefit from greater collaboration between FE and HE. What’s more, by putting all the local institutions under one policy roof, initiatives that are hard to realise in today’s competitive environment will become feasible. For example, ‘credit transfer agreements’ between local universities and colleges will now be compulsory to ensure students have multiple routes to progress through their local skills ecosystem – including part-time and modular courses that lead to full HE qualifications. Such initiatives are often scuppered by ‘institutional protectionism’ and concerns among universities over a loss of tuition fee income, but these barriers will no longer exist in a collaborative local ecosystem in which local universities and colleges are pulling in the same direction. In another boost to collaboration, IoTs will be set up by the new TECs in every area to promote local universities working with local colleges to enhance the quality and quantity of higher technical provision.

The introduction of ‘local universities’ also presents an opportunity to address concerns over inequalities in R&D funding. One of the key functions of HE is to contribute to R&D efforts across a range of activities, yet a recent report by NESTA showed that the UK’s regional imbalances in economic performance are exacerbated by regional imbalances in R&D spending. The report made numerous recommendations that sought to correct these imbalances, including the devolution of public R&D funding to cities and regions as well as establishing ‘translational research centres’ in local areas that would translate ideas and discoveries into new inventions and innovations to support economic development.<sup>217</sup> This approach, combined with the need to spread research funding more equitably across the country, chimes with this report’s drive for local universities to become the focal point for ‘applied research’ with employers (which aims to solve real-world problems facing different individuals and organisations). It would be unnecessarily extreme to ban local universities from engaging in long-range ‘discovery’ research (which seeks to acquire knowledge without any obvious commercial or practical value), but when determining how public R&D funding should be distributed in future local universities would ideally be funded to deliver applied research that benefits their local area.

	<b>LOCAL UNIVERSITIES</b>
Allowed to provide Level 4 and 5 courses	✓
Able to offer ‘Foundation years’ to new students	✓
Minimum entry requirements for prospective students	✗
Maximum proportion of international students	10%
Report into the new Tertiary Education Commissioners	✓
Credit transfer agreements with local colleges	✓
Focus of research activities	Applied

### RECOMMENDATION 3

‘National universities’ will take the lead in enhancing the national and international reputation of our Higher Education system. These universities will focus on providing degree-level courses and research programmes that are targeted at students with higher prior attainment from across the country as well as attracting international students.

With local universities now dedicated to boosting the prospects of local students and employers, ‘national universities’ will concentrate their efforts on the national and international level. Consequently, they will not be permitted to offer sub-degree level courses or foundation years, as these will be the domain of local universities instead.

To reflect the aspirational and academic elements of national universities, they will have minimum entry requirements set at a national level by the DfE. This report proposes that the performance of prospective students in GCSE English and maths offers the most appropriate form of minimum requirements, potentially using a Grade 4 (‘standard pass’) in both subjects as the threshold that all applicants must meet. This requirement could be raised to a Grade 5 (‘strong pass’) in both subjects if the Government felt that it would help to distinguish between the respective roles of local and national universities.

In line with their national and international role, it would not be appropriate for national universities to coordinate their courses and activities with the new TEC that oversees local universities and colleges. Instead, national universities will be free to pursue a more expansive offer that can attract students from all over the country who wish to pursue academic excellence and intellectual challenges. National universities will also be allowed to recruit a much larger proportion of their students from abroad (40 per cent) compared to local universities (10 per cent) to reflect their different purpose, although a cap of 40 per cent is still desirable to prevent HEIs from ignoring their wider responsibility to offer high-quality opportunities to young people in this country.

Given their wide-ranging emphasis on the national and international reputation of our HE system, national universities will concentrate on long-range discovery research that the Government wants to fund to allow researchers to “embrace the cutting-edge techniques and approaches needed to solve the most complex and difficult questions” as well as “supporting the most creative, innovative and radical ideas for the long term”.<sup>218</sup> Again, as with local universities, it would not be a case of banning national universities from pursuing more applied research, rather a matter of prioritising certain research activities within the different funding streams.

	<b>NATIONAL UNIVERSITIES</b>
Allowed to provide Level 4 and 5 courses	✗
Able to offer 'Foundation years' to new students	✗
Minimum entry requirements for prospective students	✓
Maximum proportion of international students	40%
Report into the new Tertiary Education Commissioners	✗
Credit transfer agreements with local colleges	✗
Focus of research activities	Discovery

## How government can get better value from HE courses

### RECOMMENDATION 4

The Government and the Office for Students should not use data on graduate salary or employment outcomes to judge the 'value' or 'quality' of HE courses, as the underlying LEO data cannot generate statistically valid conclusions on such matters. The use of salary and employment outcomes would also potentially undermine the Government's 'levelling up' agenda by penalising universities based in areas of the country with the poorest employment prospects for graduates.

From a policy perspective, the LEO data has provided fascinating insights into the workings of our HE system that were previously much harder to generate. These data have led to useful discussions about how, where and why HEIs can improve the prospects of their graduates, and in doing so it has given policymakers a rich seam of material for consideration. However, there is a crucial difference between discussing LEO data versus acting on the basis of LEO data – either through government intervention or regulatory action from the OfS.

This report has repeatedly demonstrated that the LEO data is riddled with caveats that reduce the accuracy of the whole dataset, making it virtually impossible to draw direct links between a specific course or institution and the impact it has on a graduate's future career. Furthermore, even if a course is known to deliver low salary and employment outcomes relative to other courses, it might still have offered a 'high value' programme to at least some learners given the subjective nature of 'value'. On that basis, this report has no hesitation in concluding that using salary and employment outcomes to judge 'value' or 'quality' would be at best misleading, and at worst simply meaningless.

## RECOMMENDATION 5

The Teaching Excellence and Student Outcomes Framework should be scrapped as it does not provide meaningful or reliable information to prospective students about the value or quality of degree programmes.

Despite being created with the best of intentions, the evidence described in this report leaves little room for doubt that the TEF is not a helpful or valuable exercise. As a purely desk-based bureaucratic endeavour, it was always likely to struggle to convince those within and outside of the HE sector that it could accurately pinpoint ‘high value’ or ‘low value’ provision. The notion of the TEF being able to identify ‘teaching excellence’ without witnessing any teaching taking place was equally fanciful.

Surveys of students show that they do not find the TEF useful, and even when students have heard of it, they don’t know what it means. Likewise, employers have no use for the TEF and are disinterested in its judgements. In short, the TEF was created to inform students’ choices, raise the esteem of teaching, reward excellence and meet the needs of employers, yet there is little evidence it has achieved any of these aims and considerable evidence to the contrary. As a result, this report recommends that the TEF is scrapped, and greater emphasis is instead placed on other methods of improving the ‘value’ of HE.

## RECOMMENDATION 6

To improve the value of HE, the Government should introduce a new system of ‘accredited’ and ‘non-accredited’ degree courses. To be ‘accredited’, a degree must either:

- Get approval by a Professional, Statutory and Regulatory Body;
- Receive letters of support from one large or five small employers;
- Use external exams designed by an awarding organisation; or
- Be signed-off by a local Tertiary Education Commissioner

Tuition fees will remain the same for accredited and non-accredited degrees but non-accredited degrees will have their government funding reduced by £1,500 per student.

Although the LEO data should not be used to judge ‘value’ or quality, the Government is still entitled to introduce new measures that promote the delivery of ‘high value’ degree courses. To ensure that degree courses across the country are viewed by consumers – both students and employers – as ‘high value’, this report recommends the introduction of a new accreditation system for university degrees. Accreditation will be a simple process by which universities must demonstrate that there is some form of external approval for each degree programme in order to receive the maximum funding available from government, even if this

is a relatively light-touch judgement. Various ways of gaining accreditation should be put in place to reflect the diversity of arts, humanities, science and social science degree programmes available at universities. Provisional suggestions for these accreditation routes include:

- **Being approved by a Professional, Statutory and Regulatory Body:** as described earlier in this report, numerous professional bodies take a close interest in the content, quality and rigour of degree courses in their particular occupation or profession. This means that current and future students can have greater confidence that they are acquiring skills, knowledge and understanding that will add value to their career.
- **Receiving letters of support from one large or five small employers:** in recent years, the Government has had considerable success in removing poor-quality academic and vocational qualifications from the secondary education system by insisting that the ‘end-users’ of these qualifications (for schools and colleges, this would typically be universities and employers) provide public letters of support for the qualifications. If these letters of support did not materialise, government funding was withdrawn. For vocational qualifications known as ‘Tech Levels’, requiring a letter of support from just five employers resulted in a decrease of over 90 per cent in the number of funded qualifications.<sup>219</sup> A similar approach, potentially using employers of different sizes, may yield considerable dividends in the pursuit of ‘high value’ HE.
- **Using external exams designed by an awarding organisation:** if the Government wishes to reassure itself about the value of different courses and institutions in the absence of support from a professional body or employers, another option would be to require a degree course to use externally designed and marked assessments for at least some proportion of a degree course. Degrees such as Medicine and Pharmacy already use national assessments that students must pass before entering their profession,<sup>220</sup> while large awarding organisations in the UK already have considerable experience in designing nationally comparable assessments.
- **Being signed-off by a local Tertiary Education Commissioner:** with the new Commissioners in place for local universities and FE colleges, they will be tasked with shaping the provision in their local area to make sure that it meets the needs of learners and employers. On that basis, they should be able to approve courses that deliver what is needed in their locality.

If there is no external organisation – be it a professional body, employer, awarding organisation or Commissioner – who is willing to approve any given degree course then it inevitably suggests that there is likely to be a problem with the ‘value’ of that course to students and employers. What’s more, this type of process would not stop new degree courses

from being designed and approved in response to demand from students or employers, as accreditation could be gained in advance of an HEI commencing delivery.

To encourage the provision of accredited degrees as opposed to non-accredited courses, this report recommends that non-accredited courses cannot attract the maximum funding available from government for that specific subject or discipline. That said, this recommendation stops short of banning non-accredited courses outright to protect institutional autonomy. In terms of how reduced funding for non-accredited courses could operate in practice, there are various options available to ministers that would allow them to keep tuition fees constant for students. These include:

- **A ‘negative’ teaching grant for non-accredited courses:** in this scenario, the total amount of government teaching grant allocated to an HEI by the OfS would be reduced based on the number of students that the institution admitted onto non-accredited courses – effectively reducing the unit of resource for students on those courses. The Government would distribute the teaching grant for accredited courses as they do now with tuition fees remaining unchanged, but the total teaching grant distributed to each HEI would be automatically reduced by £1,500 for every student admitted onto a non-accredited course.
- **Lower tuition fees to £7,750 and introduce a £1,500 ‘top up’ for students on accredited courses:** an alternative approach would be lower the fee cap for students to £7,750 from its current level of £9,250 and then have a ‘top up’ of £1,500 from Government to HEIs for every student that is enrolled on an accredited course. The simplest way to achieve this would be to cut fees to £7,750 and then add £1,500 onto the teaching grant for accredited courses across all subjects while maintaining the current (much smaller) teaching grant for non-accredited courses. This would ensure that HEIs would continue to receive the same amount of funding as they do now for any student on an accredited course but would see their unit of resource reduced by £1,500 for students enrolled on non-accredited courses. Unlike the previous scenario, this approach would require more up-front investment from the Treasury given the lower fee cap.

These two options, as well as numerous variations on the same themes, come with benefits and drawbacks and would require extensive consultation before being implemented. Even so, both scenarios would allow the Government to strongly incentivise HEIs to enrol students onto ‘high value’ courses without restricting student choice or making extensive changes to the existing funding system.

## RECOMMENDATION 7

To discourage Higher Education institutions from recruiting students who are not suitable for their course, the Office for Students should fine institutions who record excessively high non-continuation rates relative to a benchmark set for individual institutions.

As the OfS consultation on 'quality' and 'standards' rightly noted, there will always be a proportion of students who drop out of their course for unavoidable personal reasons. Even so, this report agrees with the OfS that persistently high 'non-continuation' rates are an indication that an HEI is not working hard enough to recruit the right students for their courses and / or they are not providing sufficient support to their students.

Where this report differs from the OfS is on the issue of a single numerical baseline for non-continuation rates that would apply to all students at all HEIs. Given how many other aspects of HE policy (e.g. contextual admissions, foundation years) are clear acknowledgements that students from more deprived backgrounds may need additional support to succeed at university, it is not logical to suddenly treat all students in the same way regardless of their background or chosen subject (particularly when drop-out rates vary enormously between subjects). As a result, this report endorses the continued use of 'benchmarked' non-continuation rates that are adjusted for each provider to reflect their students' demographic profile and subject choices.

Nonetheless, the evidence on non-continuation rates suggests that some HEIs are continuing to recruit students who are not suitable for their programmes. On that basis, we agree with the OfS's ambition to be more stringent in how it deals with high non-continuation rates. This report therefore recommends that the OfS issues fines to HEIs who surpass their benchmarked non-continuation rate by an excessive margin - say, 50 per cent above the benchmarked rate for each institution. For example, if an HEI had a benchmarked rate of 10 per cent of their students failing to complete their degree course, a 50 per cent margin above this rate would be 15 per cent. If, in reality, 20 per cent of their students failed to reach the end of their course, the HEI would be fined a sum equivalent to a proportion of the tuition fee income received for those 5 per cent of their students who were beyond that threshold of 15 per cent (i.e. beyond 50 per cent above their benchmarked rate).

Irrespective of whether 50 per cent above a benchmark rate is the correct point at which to start administering fines, this report is in no doubt that HEIs with an excessively high number of students failing to reach the end of their course should face a financial penalty. Otherwise, these institutions will have no reason to stop recruiting students who may perceive a degree to be 'low value' for them. That said, there is a case to argue that the benchmark non-continuation rates should only apply to students embarking on full courses and programmes

as opposed to individual units and modules, as it would not be sensible to fine institutions if their part-time students chose to take units and modules over an extended period of time in order to build up ‘credits’.

## RECOMMENDATION 8

Instead of banning foundation years, the Government should restrict their provision to ‘local universities’. In addition, the tuition fee cap for foundation years should be set at £6,000 to reflect their position between an Access to HE Diploma and a full undergraduate degree course.

Although the Augar Review made a forceful case that the recent rate of expansion in foundation years is unlikely to be in every student’s best interests, it would be wrong to swing to the other extreme and ban them altogether. Instead, the Government should refocus foundation years so that they have a more restricted role in helping local students attending local universities who may need additional time and support before embarking on a full degree course.

To deliver this new vision for foundation years, this report makes two recommendations:

- Foundation years should only be delivered by ‘local universities’, not ‘national universities’, as these local universities are dedicated to improving social mobility and lifelong learning as well as widening access to higher-level courses in each area. Student loans will thus be unavailable for foundation years at national universities.
- The tuition fee cap for foundation years should be set at £6,000 a year to prevent students and the Government from being burdened with unnecessarily high debts for this additional year. A fee cap of £6,000 reflects the fact that foundation years typically position themselves as programmes that sit between the academic skills and support gained from Access to HE Diplomas (fees of around £3,000 a year) and the full undergraduate content and experience offered by a degree course (£9,250 a year).

In line with the Augar Review, this report also recommends that exemptions could be made by the OfS – for example, national universities offering foundation years to support specific degree courses such as Medicine and Engineering – but only on a strictly limited basis for specific courses. This is intended to ensure that courses offering significant economic and strategic benefits to the UK economy are still supported by foundation years as part of wider efforts to plug skills gaps across the economy.

## How students can promote better value in HE

### RECOMMENDATION 9

To encourage students to seek out the courses and institutions that will offer them the greatest value, the repayment of student loans should be based on a new ‘tiered’ set of repayment thresholds:

- Earnings up to £12,570 – 0%
- The next £5,000 of earnings (£12,570-17,570) – 3%
- The next £5,000 of earnings (£17,570-22,570) – 6%
- The remaining amount (above £22,570) – 9%

The new tiered repayment thresholds should be incrementally introduced over a period of 10 years, beginning with lowering the 9% threshold and then creating the lower tiers.

In all the debates and disagreements about ‘low value’ HE over the last few years, it is remarkable how little attention has been given to the role of students. The recommendations in this report thus far have concentrated largely on reducing the supply of ‘low value’ HE through, for example, introducing a new ‘accreditation’ process for degree courses. However, if the Government wishes to reduce or potentially eradicate ‘low value’ courses and institutions, it is just as important – if not more so – that they deal with the demand-side of this equation.

Policymakers should not be surprised when students choose undergraduate courses that generate low economic returns because government policy has strongly encouraged this sort of behaviour for years. In fact, successive governments have consistently sent out the message that students could and should be indifferent to the value of an HE course – particularly when politicians have repeatedly raised the repayment threshold for student loans. In this context, it is unrealistic to expect students to rationally evaluate all their options across different types of providers when they are constantly being told (erroneously, in many respects) that the most expensive course of action – a full-time, residential undergraduate degree – is essentially risk-free in terms of paying back their loan. It is therefore awkward for politicians now to complain that students are making bad choices that are costly for taxpayers when their own policies have encouraged such choices. Given the unsustainable nature of the student loan system, savings will undoubtedly need to be made. Nevertheless, rather than generating savings by trying to ban students from pursuing certain courses and institutions based on arbitrary salary or employment thresholds, it is more sensible to get students to generate the savings instead.

To this end, this report proposes that students should begin to repay their student loan as soon as they pass the income tax threshold – albeit at a low rate to begin with. This should encourage some if not all prospective students to seek out courses and institutions that will

deliver the greatest value to them depending on their own career goals and aspirations. That is not to say every student should necessarily aim for a highly paid job and career, but this proposal is designed to discourage students from selecting a course or institution that offers them no obvious benefits in the short or long term.

As discussed earlier in this report, one of the most detrimental aspects of the current student loan system from the Government's perspective is that 88 per cent of students never repay their loan in full and, crucially, 33 per cent never repay anything at all (largely thanks to the repeated increases to the repayment threshold). By ensuring that all graduates repay at least something once they pass the tax threshold as well as lowering the rate at which graduates repay 9 per cent of their income from £27,295 to £22,570, the burden on the public finances will be significantly reduced. Based on financial modelling commissioned by EDSK in 2019 on different student loan repayment thresholds,<sup>221</sup> it is estimated that the proposed lowering of the repayment threshold to £22,570 would save the Treasury approximately £2.5 billion for each cohort of students. Additional savings would then be generated for the Treasury by graduates earning between £12,570 and £22,570 who would now be repaying some of their loan too. These changes are designed to make the student loan system more sustainable but without restricting students' access to different degree programmes through more punitive measures such as number caps or universal minimum entry requirements.

In terms of implementing the new tiered repayment thresholds, this report proposes that it should be done over a period of 10 years to prevent any dramatic changes in policy direction that would be disruptive to past and present students. The example below illustrates how this could be delivered in practice:

- **Immediate:** 9% threshold decreases from £27,295 to £24,920
- **Year 2:** 9% threshold decreases from £24,920 to £22,570
- **Year 4:** new 6% tier introduced for earnings between £20,070 and £22,570
- **Year 6:** 6% tier lower threshold decreases from £20,070 to £17,570
- **Year 8:** new 3% tier introduced for earnings between £15,070 and £17,570
- **Year 10:** 3% tier lower threshold decreases from £15,070 to £12,570

## RECOMMENDATION 10

The repayment period for student loans should be extended from 30 years to 40 years to reflect the long careers that those graduates will have over their lifetime.

Another significant saving to taxpayers can be generated by adjusting the ‘repayment period’ over which graduates pay back their loan. At present, a graduate repays their student loan up to a maximum of 30 years after they leave university, at which point any remaining loan is written off by the Government. However, this presents two problems. First, it is the Treasury (and thus taxpayers) who yet again will be left facing the bill for any unpaid student loans. Second, it seems incongruous to have a repayment period of 30 years when most graduates are likely to be working for 40-45 years after they finish their degree. It is noteworthy that Australia and New Zealand, which operate similar income-contingent loan systems to England, do not have *any* term limit for student loans, meaning that students never stop repaying their loan until their balance is cleared.<sup>222</sup> London Economics has previously calculated that extending the repayment period for student loans in England from 30 to 40 years will save the government £1.71 billion for each cohort of students.<sup>223</sup> Consequently, this report recommends that the repayment period should be extended to 40 years to reduce the burden on taxpayers without unduly affecting student choice.

## RECOMMENDATION 11

By 2030, the Government should introduce a post-18 funding model based on ‘Individual Education Budgets’. The Government should place up to £20,000 into every learner’s ‘Budget’ account, and learners would then be free to choose the course (university degree, college course or apprenticeship) and mode of learning (full-time or part-time; whole course or a course unit) that suits them. All learners should also be given access to a new ‘lifetime loan limit’ of £75,000.

The concept of handing control of public funding to users – often referred to as ‘personal budgets’ – is not new. Other sectors, most notably social care, have been operating such models for many years. The last notable attempt to introduce a similar model in education was implemented in 2000-2001 by the previous Labour Government, only to end in ignominious fashion with accusations of fraud and millions in wasted taxpayers’ investment. That said, the problems faced by ministers and civil servants at the time (e.g. ineffective quality assurance systems) are eminently solvable in the present day. Other countries such as France and Singapore have already rolled out schemes of this nature in recent years accompanied by substantial financial backing from their respective governments.

Arguably the most underappreciated impact of the Augar Review is that it reopened the conversation about personal budgets for education and training by making three recommendations designed to “promote both uptake of higher technical qualifications and flexible study”:

- 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’ fulltime undergraduate degree funding.
- 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.
- [Equivalent Level Qualification] rules should be scrapped for those taking out loans for Levels 4, 5 and 6.<sup>224</sup>

The motivation behind these recommendations was clear: “the incentives faced by higher education institutions would change and, therefore, so would their behaviour”, meaning that “demand for Level 4/5 and for short courses should grow and be actively encouraged as demand from learners increased.”<sup>225</sup> What’s more, HEIs would revisit the fees they charge for each course because students “would be looking for institutions which could demonstrate that quality remained high, but charged below the fee cap”, which would in turn “strengthen demand for provision in further education colleges.”<sup>226</sup>

Some of the Augar Review’s proposals have already come to life, most notably the new ‘Lifelong Loan Entitlement’ that will enable people to access four years’ worth of student loan funding across HE and FE to study modular provision throughout their career and allow for more part-time studying.<sup>227</sup> The rollout date for this new entitlement has been set at 2025, making it less relevant for more immediate discussions about promoting ‘high value’ HE. Nevertheless, if the Government wants to drive out ‘low value’ HE then their long-term goal should be to introduce ‘personal budgets’ across the whole tertiary education system.

The psychological evidence strongly suggests that when someone owns something, regardless of how it came into their possession, they are much less willing to part with it and they need to be convinced that the benefits of doing so would substantially outweigh their desire to keep hold of it.<sup>228</sup> Giving money to students up-front in their own name in some form of ‘account’ would promote an entirely different mindset among learners of all ages. Using these insights to overhaul the way that students evaluate, and subsequently choose, education programmes such as degree courses is far from theoretical conjecture. Schemes in other countries that have put cash sums into ‘accounts’ for individual learners, such as the universal training accounts (*Compte personnel de formation*; CPF) in France that have been available to all workers since 2015, have typically led to a dramatic change in learners’ engagement with, and interest in,

further study. The potential for positive and lasting change is there – it is merely a question of whether politicians want to make the most of this opportunity.

A week before the Augar Review was published in 2019, [EDSK released a major report on the future of tertiary education](#)<sup>229</sup> that included the following proposals:

- At age 18, each learner in England can open an ‘Individual Education Budget’ (IEB). This IEB will act as a ‘learning account’ into which the government places up to £20,000, with the precise sum being dependent on a number of factors (e.g. whether or not a student is from a disadvantaged background);
- The funding can be spent on any approved qualification at a regulated provider, including university degrees, college courses and apprenticeships.<sup>230</sup>
- Adults who have left compulsory education but have not previously taken out a student loan will be able to open an IEB with a small opening contribution from government towards the cost of training courses and programmes. Adults who have already taken out a student loan will also be rolled into the new IEB system.
- All learners should be given access to a new ‘lifetime loan limit’ of £75,000, which they can use to engage in education and training at any time throughout their career after the initial funds in their IEB have been used up. This lifetime loan system would cover both tuition and maintenance costs for university, college and apprenticeships.

These proposals from EDSK, along with other reforms in that same report, were intended to bring about the following changes – all of which would meet the goals of the Augar Review:

- More informed choices and greater transparency about different education options;
- Better value for money for students and taxpayers;
- A strong emphasis on providing the most financial support to learners from the most disadvantaged backgrounds; and
- Promoting a greater diversity of provision, with the aim of reinvigorating part-time university and college courses as well as higher-level technical qualifications that are valued by employers.

In short, if the goal of politicians is to eradicate ‘low value’ HE while also promoting technical education and apprenticeships, it is hard to think of a more effective way of achieving this than using IEBs to encourage students to make informed choices about their learning both now and in future.

## 6. Areas for further consideration

### Using student surveys to identify 'low value' HE

The National Student Survey (NSS) is an annual UK-wide survey of final-year undergraduates. In September 2020, the Government launched a withering attack on the impact of the NSS on the HE system:

*“Since its inception in 2005, the NSS has exerted a downwards pressure on standards within our higher education system, and there have been consistent calls for it to be reformed. There is valid concern from some in the sector that good scores can more easily be achieved through dumbing down and spoon-feeding students, rather than pursuing high standards and embedding the subject knowledge and intellectual skills needed to succeed in the modern workplace. These concerns have been driven by both the survey’s current structure and its usage in developing sector league tables and rankings. ...Accordingly, the extensive use of the NSS in league tables may cause some students to choose courses that are easy and entertaining, rather than robust and rigorous.*

*The government shares concerns raised by some in the sector that, in its current form, the NSS is open to gaming, with reports of some institutions deliberately encouraging their final year students to answer positively with incentives or messaging about their future career prospects. Academics have also criticised the cost and bureaucracy the NSS creates, arguing that the level of activity it generates can be a distraction from more important teaching and research activities. ...Student perspectives do play a valuable role in boosting quality and value across the sector, but there is concern that the benefits of this survey are currently outweighed by the negative behaviours and inefficiencies it drives. Universities must be empowered to have the confidence to educate their students to high standards rather than simply to seek ‘satisfaction’.”* <sup>231</sup>

The Pearce Review of the TEF, which was released a few months after this intervention by ministers, noted that the NSS metrics are used as a proxy for measuring ‘Teaching Quality’ and the ‘Learning Environment’. However, what the NSS actually measures is students’ agreement with a range of statements including: the timeliness of feedback; how good staff are at explaining things; whether they have been able to contact staff when they needed to; and whether criteria used in marking have been clear in advance.<sup>232</sup> In addition, the Review recognised that the NSS measures satisfaction of final year students at the end of, usually, three years of study, which means the results are not necessarily representative of current students in years 1 and 2 or foundation programmes.<sup>233</sup>

In light of these numerous complaints and concerns, the OfS is currently embarking on a review of the whole NSS that includes examining all the survey questions “to ensure they remain fit for purpose and stand the test of time”, along with removing references to ‘satisfaction’ from any summative question.<sup>234</sup> Given that the ‘value’ of HE is a subjective judgement, a revised NSS could provide valuable insights into whether students are receiving a high-quality experience. At present, many of the NSS questions lack precision and focus on broad observations from students (e.g. ‘My course has challenged me to achieve my best work’; ‘Marking and assessment has been fair’; ‘The timetable works efficiently for me’). By moving towards a more targeted approach to identifying HE provision that offers an outstanding teaching and learning experience, the NSS would be valuable to all stakeholders – current and prospective students, parents, ministers and regulators. For example, the NSS could follow the lead taken by HEPI’s annual survey of students by collecting the following information:

- The **number of contact hours** that students receive on their course
- The **type of contact hours** that students receive (e.g. lectures, seminars, tutorials)
- The **quality of academic support and feedback** (e.g. the availability / helpfulness of personal tutors; the frequency and value of written or verbal feedback on assignments)
- The **quality of pastoral support and wellbeing services** (e.g. the availability / helpfulness of counselling; the safety of the learning environment)

The on-going review by the OfS will no doubt be assessing a wide range of possible questions for future iterations of the NSS, suffice to say that if the Government wants to crack down on ‘low value’ HE then a rigorous and robust NSS would be a more useful tool than any attempt to draw incorrect or inappropriate conclusions about courses and institutions by consulting the LEO data.

## Capital investment in new ‘local universities’ to ensure geographical coverage

One of the main tenets of the proposed ‘local universities’ in this report is that they will offer HE provision to learners of all ages and abilities, yet as former Prime Minister Tony Blair and Lord Adonis pointed out in their recent report there are 46 towns in England with a population of over 80,000 that have no university, including some large and economically disadvantaged towns. To underpin the new local/national university landscape, it will be necessary to ensure that local universities are accessible to everyone within a reasonable travel distance. Thus, capital spending may need to be realigned to this goal rather than simply distributing funding to universities for more general purposes. Most of the capital expenditure in HE comes from providers themselves. In 2020/21, capital spending is expected

to be around £2.2 billion,<sup>235</sup> but for the financial year 2020/21 the Government (via the OfS) only allocated £150 million in capital funding to the HE sector to invest in buildings, equipment and other teaching and learning facilities.<sup>236</sup> This means that the Government will need to provide significantly more resources for creating new HEIs if it is to eradicate the ‘cold spots’ of HE provision in England.

A good template is ARU Peterborough, which is set to open in 2022 and eventually cater for 12,500 students a year. In June 2021, this initiative was chosen as one of 45 projects that can bid for a share of the Government’s new £4.8 billion ‘Levelling Up Fund’.<sup>237</sup> Peterborough has above average levels of unemployment and child poverty, with only 32 per cent of the population having degree level qualifications as well as being 191st out of 324 local authority districts for social mobility. The development of ARU Peterborough – a partnership between Cambridgeshire and Peterborough Combined Authority, Peterborough City Council and Anglia Ruskin University – aims to address these issues by providing a high-quality HE offer for local residents. More projects of this nature, with an explicit focus on supporting local people and local businesses, could make a major contribution to this report’s call for a new wave of ‘local universities’.

## Online HE providers

Introducing a new framework of ‘local’ and ‘national’ universities poses an interesting question about the role of online HEIs such as the Open University. Having degree courses available online gives such institutions a local, national and international presence. However, the mission of the Open University is to “promote educational opportunity and social justice by providing high-quality university education to all who wish to realise their ambitions and fulfil their potential” as well as typically having no entry requirements for their courses<sup>238</sup> – which is more in tune with this report’s description of ‘local’ universities rather than their ‘national’ counterparts.

Given the small number of online-only HEIs, it may be easiest to deal with their future status on a case-by-case basis and possibly making some exceptions in the process depending on their specific mission and focus. Even so, this should not detract from the overarching aim of building the new local / national framework for universities in England.

## Conclusion

*“While traditional but still-relevant values must be safeguarded, higher education will need to continue to adapt to the needs of a rapidly changing world and to new challenges. In a period of discontinuous change, the future cannot be forecast from the past: what is clear is that a policy based on ‘more of the same’ is not an option.”* <sup>239</sup>

As noted in the introduction to this report, the Dearing Review rightly underscored the importance of a “strong bond of mutual interdependence” between the HE sector and society. HEIs can undoubtedly make a significant contribution to local, regional and national prosperity, yet this will not be achieved by institutions acting in their own self-interest and failing to prioritise the quality and value-for-money of their courses. The quote above from the Dearing Review was adamant that ‘more of the same’ was not an option in 1997, and the same applies today. The HE sector cannot and should not seek to hide away from the legitimate questions that policymakers are now asking about the value of some courses and institutions, nor should universities assume that their own proclamations of their ‘value’ will resonate with ministers, taxpayers or students and their families. While this report is clear that determining the ‘value’ of HE is ultimately a subjective judgement that will vary between stakeholders, this does not mean that the notion of ‘low value’ can simply be dismissed by vice-Chancellors.

The HE sector has been quick to criticise the Government’s stance on ‘low value’ courses and institutions without offering many alternative solutions. At the same time, the Government has been guilty of focusing too much on what it *doesn’t* want from the HE sector without explaining what it *does* want instead. If the Government continues to rail against ‘low value’ HE without setting out a clear vision for what a ‘high value’ sector looks like from their perspective, there can be few complaints from ministers if HEIs continue down their present path. This reflects a longstanding problem with government policy on HE. Both the Robbins Report in 1963 and the Dearing Review in 1997 recognised that the absence of an organising ‘framework’ ensured that HE would never reach its full potential due to a lack of coordination, vague objectives (if any), insufficient dialogue between stakeholders and competition trumping collaboration in many cases. Little has changed in the intervening years.

Evidently, neither the HE sector nor the Government are blameless in the debate over what constitutes ‘low value’. Although the financial predicament facing the Government means that some changes to HE funding are almost inevitable, the evidence in this report does not support the Government’s proposed approach to tackling ‘low value’ HE. Using salary and employment outcomes to judge the ‘value’ of a course or institution will lead to inaccurate

and unreliable comparisons as well as potentially misguided decisions about the provision of funding for those courses and institutions. Meanwhile, the Government's wider goal of 'levelling up' looks certain to collide with any attempt to reduce 'low value' provision based on the salaries and job prospects of graduates, particularly in less economically prosperous parts of the country.

This report is firmly of the view that to align the interests of government ministers and the HE sector, a coherent narrative about the role and purpose of HE must be constructed before any major policy decisions are made. The recommendations in this report are intended to lay the foundations for this new narrative. Central to this will be the acknowledgement that the homogeneity of the HE sector must be directly addressed because 'more of the same' will merely reinforce the impression that institutions are more concerned with boosting their tuition fee income than they are with creating a strong bond between them and the society in which they operate. Some institutions continue to push back against this prevailing view in Westminster by following their own distinctive mission and purpose, but it would be naïve to assume that isolated examples will be enough to persuade politicians and policymakers that all is well in the HE sector.

Instead, this report argues that the best way to build a positive and aspirational narrative around HE while maintaining a strong and diverse sector is to introduce a new framework in the form of 'local' and 'national' universities, with the explicit goal being to strengthen and safeguard the bond of mutual interdependence between HE and society – as emphasised by the Dearing Review almost 25 years ago. By giving local and national universities a distinctive mandate and set of responsibilities, the value of HE to all their stakeholders would become much more apparent. Crucially, as noted earlier in this report, the Robbins Report insisted that different institutions having different functions in no way implies that "one kind of institution is more important and valuable to the nation than another [as] all are needed to provide appropriate educational opportunities and to supply national needs."<sup>240</sup> With this in mind, a new cadre of local and national universities can put the HE sector on a more sustainable path by decisively breaking away from the homogeneity that exists today.

Once this new institutional framework is in place, the Government should acknowledge that the subjective nature of 'value' is precisely why policymakers must allow the choices of individuals, employers and local communities to drive out 'low value' HE instead of trying to intervene themselves. If a student believes that a degree course is valuable to them then there is no reason for ministers to stand in their way, but students must also recognise that if their chosen course and institution adds little or nothing to their career in terms of job prospects or earnings either now or in future then it is they who must shoulder that burden – not taxpayers. Moreover, rather than seeing a greater role for employers and professional bodies as a hindrance, HEIs should use their expertise and insights as an opportunity to

bolster the case for continued taxpayer support for the most 'valued' courses. This would in turn provide reassurance to ministers and taxpayers about what they are getting for their considerable annual investment in the HE sector.

Some in the HE sector may be perfectly content with maintaining the status quo. That would be a mistake. After all, the Dearing Review asserted that "higher education should be as ready to question conventions about what is desirable or possible in the way it operates, as it is to question established wisdom through academic enquiry."<sup>241</sup> When it comes to the debate over 'low value' HE, let us hope that Dearing was right.

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