Augar Reviewed

Why post-18 education in England is still broken, and how to fix it

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About the authors

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Tom has spent two decades in the world of education. He began his career teaching A-level Psychology at one of the country's leading state schools, having gained a BSc in Psychology from the University of Birmingham and an MSc in Child Development from the Institute of Education in London.

After three years in teaching, he moved into politics to work on policy development and research across the education, skills and welfare sector. This included roles at think tanks such as Policy Exchange and the Social Market Foundation, Pearson, G4S and working for an MP.

He subsequently spent two years as an advisor to ministers at the Department for Education, first under Michael Gove and then Nicky Morgan, where he helped to design and deliver new policies as well as improve existing ones. After leaving the Department for Education, he spent two years teaching at a Sixth Form College before moving back into education policy and research, first at the Reform think tank and then at Policy Exchange before deciding to launch EDSK.

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About EDSK

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Executive summary

While media coverage of the financial challenges facing universities is understandable, the constant stream of dramatic newspaper headlines has reduced the space for discussion about how to put the whole post-18 ('tertiary') education system – including universities, colleges, apprenticeships and independent training providers – on a more sustainable path. The 2019 'Augar Review' had sought to deliver this goal but, thanks to the political instability that followed its publication, little progress has been made in the intervening five years. If the new Labour government wishes to avoid becoming embroiled in perpetual debates and disagreements about a supposed lack of funding then they must focus far more attention on *how* money is invested in tertiary education, not just *how much* money. To put it another way, without fixing the underlying imbalances, inconsistencies and inequities between Higher Education (HE), Further Education (FE) and apprenticeships, any new funding for universities would most likely vanish into the institutional landscape without necessarily delivering appreciable benefits for learners, and no doubt calls for even more funding would follow shortly afterwards.

Increasing the knowledge and skills of workers of all ages will surely be a critical component of improving economic growth and productivity in the years ahead. Although HE will undoubtedly play an important role in such efforts, FE and apprenticeships could (and should) play a central part as well. Consequently, this report from EDSK sets out a roadmap for creating an integrated and resilient tertiary education system in England that delivers the greatest possible benefits for all adults regardless of whether they are studying at lower or higher levels. This new approach, built around the Government's ambition for more devolution of public services, aims to deliver four objectives that would put the interests of learners at the heart of the new tertiary system: **coherence**, **collaboration**, **equity** and **sustainability**. To achieve these objectives, the report offers a detailed analysis of the barriers in the post-18 system that currently prevent these objectives from being achieved.

Funding for institutions

The dominance of HE in tertiary education is inescapable. The most recent annual data shows that around 530,000 undergraduate qualifications (Levels 4-6) were awarded to students in HE, whereas the number of courses completed in FE at Level 4 and above – including classroom, distance and e-learning courses and loan-funded provision – was a mere 5,470. The number of completed 'higher apprenticeships' (Level 4+) has grown from approximately 13,000 at the time of the Augar Review to around 44,000 in 2022/23, but this has done little to change the overall picture.

Financial inequity is a crucial factor in explaining these discrepancies. The tuition fee cap of £9,250 for universities is the figure that sticks in the minds of most policymakers, but many colleges and independent HE providers are only allowed to charge up to £6,000 or £6,165 (depending on which regulatory hoops they wish to jump through). This imbalance is further crystallised by HE qualifications such as HNCs (Level 4), HNDs (Level 5) and Foundation degrees (Level 5) giving students full access to tuition fee and maintenance loans, while students taking FE qualifications at Levels 4 and 5 do not receive the same financial support. Although this disparity may be corrected if the Government proceeds with the delayed 'Lifelong Learning Entitlement', it is a clear indication of how provision within HE settings has been prioritised above alternative options to date.

Not only are HE students given more financial support than their peers, but – as the Augar Review observed – the "incentives are stacked in favour of provision and take-up of three-year full-time undergraduate degrees". As a result, the number of students studying standalone Level 4 and 5 courses has plummeted by 40 per cent since 2015. According to the Augar Review, this was the result of a series of changes that led to "young people opting for full time degrees (Level 6) …to the near-exclusion of other options." Alongside this, "almost all" HE institutions set their fees at £9,000 (now £9,250) from 2012/13 onwards. This higher fee cap incentivised universities to put as many students as possible on low-cost degrees due to "the apparent overfunding of low-cost subjects and the underfunding of high cost subjects" regardless of their value to society or government's wider economic goals. Similarly, the Augar Review found that "apprenticeships remain heavily concentrated in a few sectors with low average [wage] returns" such as 'Business, Administration and Law', which are often cheaper and easier to deliver than apprenticeships in sectors such as Construction that continue to suffer from skills shortages. In other words, the apprenticeships that were most needed were not the ones being delivered.

The enduring prioritisation of HE also ignores the importance of lower-level qualifications such as literacy and numeracy. The dramatic collapse in funding for adult education (from £4.6 billion in 2003/04 to £1.34 billion today) is a stark illustration of the neglect suffered by this vital part of our tertiary system. For comparison, HE funding per student rose by around 20 per cent over this same period. Worse still, funding for adult education is not based on the volume of students, meaning that colleges and other providers cannot expand their courses even if there is more demand from local learners or employers, while universities face no such constraints and recruit as many students as they want. That the current Adult Education Budget (AEB) is made up of several funding pots, each with their own rules and regulations, does not help matters. Colleges must also spend their AEB funding in the year that they receive it, demonstrating how little flexibility colleges have compared to the considerable financial freedoms afforded to universities.

Regulation and quality assurance

The regulatory landscape in post-18 education is bewildering. It includes, among others, the Office for Students (OfS) as the regulator of HE, the Institute for Apprenticeships and Technical Education (IfATE; part of the Department for Education (DfE)), the Education and Skills Funding Agency (also part of the DfE), Ofsted and the exam regulator Ofqual. When so many government bodies are operating in the same space, sometimes with overlapping responsibilities, it inevitably detracts from the coherence of the overall system. The OfS is the most high-profile of these bodies, having been created in 2017 to oversee a 'market' in HE based around competition between providers. However, a recent House of Lords inquiry delivered a damning verdict on its impact, claiming that the OfS "is not trusted by and does not have the confidence of many of the providers it regulates [but] it has arguably not acted in the real interests of students either." In addition, its actions as a regulator were characterised as "seeking to punish rather than support providers towards compliance, while taking little note of their views." The inquiry concluded that "the OfS' approach to regulation often seems arbitrary, overly controlling and unnecessarily combative". In short, its future role as the HE regulator is far from assured.

Compounding the regulatory problems within HE are the numerous issues at the interface between HE and FE. For example, if a standalone Level 4 or 5 qualification such as an HNC is delivered in a university then it will be quality assured by the OfS, but if the same qualification is delivered in a college then it will most likely be quality assured by Ofsted. 'Degree apprenticeships' also suffer from regulatory overload, with the OfS, IfATE, Ofsted, Ofqual and the ESFA all involved in monitoring their delivery. Such a poorly conceived approach helps explain why previous research from EDSK has identified serious weaknesses in the quality of apprenticeships, with half of apprentices now dropping out and seven in ten of those dropping out reporting at least one problem with the quality of their course. Excessive burdens generated by competing demands for data from the plethora of regulatory bodies also hamper providers, although the DfE has at least acknowledged this particular issue.

Student finance and widening access

The Augar Review was concerned that only 55 per cent of the total value of student loans was expected to be repaid. It appears that the previous government (or at least the Treasury) shared these concerns, leading to a sharp tightening of the repayment terms for student loans for future borrowers including a lower salary threshold for repayments of £25,000 and an extension of the repayment period to 40 years. Although these changes reduced the expected loss of future loans from 45 per cent to 29 per cent, this ultimately pushed more of the financial burden of supporting the HE system away from government and onto students instead.

Worse still, the changes were regressive, as the highest-earning graduates will repay considerably less money over time while lower-earning graduates will be much worse off.

Not only have student loans become more burdensome in relation to the cost of tuition, but the previous government's decision to not uprate maintenance loans with inflation means that maintenance support has decreased by 11 per cent in real terms since 2020/21. In addition, the £25,000 household income threshold for the maximum maintenance loan has remained unchanged in cash terms since 2008 - a real term cut of 39 per cent that has led to an estimated 30,000 fewer students from lower-income households being able to access the full loan. This helps explain why more than a quarter of universities operate a food bank, almost a third of students are skipping meals to save on food costs and half of students have missed classes to do paid work. In truth, problems with accessing maintenance support extend well beyond universities because students studying Level 4 and 5 courses in colleges are not even eligible for the maintenance support available to their peers in HE, even though many college students come from disadvantaged and vulnerable backgrounds. Likewise, adults studying in a college or independent provider at Level 3 and below cannot access HE maintenance support and must instead rely on bursaries of as little as £50 a month to cover costs such as books, travel and childcare. The financial bias towards HE could hardly be more obvious.

This same bias is evident in efforts to expand 'access and participation'. One of the key principles of the Augar Review was that "everyone should have the opportunity to be educated after the age of 18", yet all the political focus has been on getting more students from disadvantaged backgrounds into HE. A central pillar of this has been 'Access and Participation Plans', in which universities and other HE providers must agree with the OfS how they will help more disadvantaged students to access and 'succeed'. Remarkably, though, the activities in these Plans (e.g. summer schools, mentoring) are rarely subject to rigorous evaluation, and there are no penalties for a university that fails to meet the targets it agrees with the OfS. HE providers also receive £300 million of 'Student Premium' funding to support students from 'underrepresented' backgrounds, but colleges and apprenticeship providers receive no equivalent funding despite often dealing with adults who face significant barriers to their success, particularly at lower levels of education and training.

Regional factors

One of the major concerns expressed in the Augar Review was that "there are some areas, particularly large urban areas, where the number of [FE colleges] is still too high", leading to "colleges competing for learners in an inefficient and very unproductive way". Although there were some effective college collaborations cited in the Review, Manchester (9 colleges) and London (40) were highlighted as examples of what should be avoided because, as the

Review concluded, "further rationalisation is required". However, the same logic has not been applied to universities, even though the problem is equally as evident (if not more so), with 249 Business Management degrees available at universities in and around Liverpool, 223 History degrees available in London, 116 Law degrees in Birmingham and 47 Psychology degrees in Manchester. Such duplication reflects the self-interest that permeates the HE sector when it comes to choosing the degree programmes and other courses that they will provide.

In fairness, the apprenticeship system fares little better. The Augar Review found that "the low number of apprenticeships in the priority areas in the Industrial Strategy… indicates a clear mismatch between the economy's strategic demands and current apprenticeship starts". In terms of solutions, the Review called on the Government to "take a more proactive role" and "monitor closely the extent to which apprenticeship take up reflects the priorities of the Industrial Strategy, both in content …and in geographic spread." None of these proposals were enacted because, just as with HE, ministers are currently unable to influence provision in any meaningful sense, leaving apprenticeship providers to decide which courses and programmes are most suitable (or, perhaps, most profitable) without necessarily having any regard to the needs of learners or employers.

Not only has an uncoordinated approach to tertiary education led to duplication, it can also create 'cold spots' where there is insufficient provision of one form of another. A recent report identified 46 towns in England with a population of over 80,000 that have no university of their own, including large and economically disadvantaged towns such as Hartlepool and Doncaster. There have been some successes in filling cold spots, such as ARU Peterborough – a £30 million university campus that opened in 2022 – and a new £65 million campus for 'University Centre Blackpool' to be used by Blackpool and the Fylde College in collaboration with Lancaster University. There are also cold spots in FE and technical education, as the Augar Review observed, leading the Review to propose that specialist provision needs to be "managed" to ensure that "learners in more isolated communities have access to a range of opportunities." Even so, the decision-making power and funding to tackle cold spots in HE and FE remains firmly rooted in Whitehall.

Cold spots in apprenticeship provision have only worsened since the introduction of the apprenticeship levy, with significant drops in apprenticeships in the North East (-23 per cent), North West (-19) and Yorkshire and Humber (-16). Research by UCAS found that, of those who did not proceed with an application for an apprenticeship, the most common reason for doing so – cited by 61 per cent of applicants – was not being able to find one in their local area. A research report in 2022 showed that the overall fall in apprenticeships had also been much greater in areas of high deprivation. These figures will disappoint anyone wishing to see apprenticeships used to tackle regional imbalances or improve economic growth.

The role of employers

The Dearing Report in 1997, which preceded the introduction of tuition fees in England, named employers as one of the "major beneficiaries of [HE] through the skills which those with [HE] qualifications bring to the organisations which employ them". This led Dearing to recommend that government should "seek an enhanced contribution" from employers towards the cost of HE. No such contribution has ever materialised. Instead, the much-lamented apprenticeship levy – essentially a payroll tax on large employers – has led to a collapse in apprenticeships for young people, delivered poor value for money and encouraged employers to simply rebadge their previous training courses as 'apprenticeships' to access the available funding. That half of apprentices do not even finish their training (with 70 per cent of dropouts reporting problems with the quality of their training) suggests that employers' current involvement (both financial and otherwise) in tertiary education should be reassessed.

The lack of coordination in how and when employers invest in tertiary education is evident in many areas. These include the previous government's 'National Skills Fund' that has been tightly gripped by ministers ever since its inception, and the 38 Local Skills Improvement Plans (LSIPs) that are supposed to bring education and employers closer together within local areas but inexplicably only involve colleges - not universities or apprenticeship providers. The West Midlands and Greater Manchester Combined Authorities now have a 'Deeper Devolution' deal with central government that includes some additional oversight of adult education and training, while the 2024 Labour Party election manifesto outlined plans for new 'Local Growth Plans' through which "local leaders will work with major employers, universities, colleges, and industry bodies to produce long-term plans that identify growth sectors and put in place the programmes and infrastructure they need to thrive." Devolution of this nature is therefore poised to become an important part of any solution to upskill and reskill adults at all levels.

Conclusion

Over the last decade, the previous government embarked on a large-scale experiment with tertiary education. This experiment has led to exorbitantly high tuition fees for students, the 'marketisation' of HE, slashing budgets for adult education, reductions in the quantity and quality of apprenticeships and further entrenching the dominance of full-time university degrees over colleges and other tertiary provision. What we are left with is cohort after cohort of university students carrying unsustainable (and unfair) levels of debt, an unstable and incoherent provider landscape and an uncoordinated system of HE, FE and apprenticeship programmes that will hamper any attempt to deliver a highly skilled and productive workforce. In other words, the previous government's 'experiment' has failed.

As the Augar Review noted in its verdict on tertiary education in England, "with no steer from government, the outcome is likely to be haphazard". When the autonomy of institutions is prioritised over coherence, collaboration, equity and sustainability across the tertiary system, a haphazard outcome is arguably the best that anyone can hope for. If the new government wishes to increase economic growth then this longstanding attitude is no longer tenable because the needs of the system should always outweigh the needs of individual institutions. Instead, a collective and collaborative effort is needed to deliver high-quality education and training that recognises the role of everything from entry-level literacy and numeracy courses all the way up to university degrees and professional development courses.

To achieve this goal, the Government should remove the distortions and biases in the funding, regulation and oversight of tertiary education that favour full-time degrees over all other routes. To this end, the recommendations in this report aim to integrate HE, FE and apprenticeships by switching to a devolved model for tertiary education that can create new pathways and opportunities for all adults to gain the knowledge, skills and qualifications they need. Those universities, colleges and apprenticeship providers that work together to deliver these new pathways and opportunities will not only be largely unaffected by the proposed changes, but they would most likely see their funding increase over time. Conversely, any institutions that prioritise their own self-interest may struggle as their funding dwindles.

Crucially, the new approach set out in this report gives every beneficiary of post-18 education – students, government, employers and local communities – a clear financial stake in building a high-quality tertiary system. As a result, every stakeholder will have a say in what is provided in each local area. This will, in turn, help tackle the economic and social challenges that lie ahead. Other countries such as Australia, New Zealand, Ireland, Scotland and Wales have already set off on their journey towards a more coherent, collaborative, equitable and sustainable tertiary system, even if that means challenging the orthodoxies and legacies that dominated such conversations in the past. It is now time for England to do the same.

Recommendations

A new foundation for tertiary education in England

- **RECOMMENDATION 1**: To create a consistent and coherent approach to education in England, the system should be formally divided into four phases: Primary (ages 4-11), Lower Secondary (ages 11-14); Upper Secondary (ages 14-18) and Tertiary (ages 18/19+). The tertiary phase will cover learning at all levels as well as bringing together classroom-based and workplace training in existing HE, FE and apprenticeship settings.

- **RECOMMENDATION 2**: To create a single approach to the funding, regulation and oversight of the tertiary phase, a new independent body – the National Tertiary Education Council (NTEC) – should be established to bring together these functions for post-18 education and act as the steward for the whole system.

A better deal for students

- **RECOMMENDATION 3**: The fees charged to students for classroom-based tertiary education courses will be capped at £6,000 a year – a significant reduction from the present £9,250 fee cap.
- **RECOMMENDATION 4**: As envisaged by the Lifelong Learning Entitlement, a single tuition loan system should operate for all tertiary education courses at Levels 4-6. The repayment of loans should be reformed by using a 'stepped repayment' system to achieve two goals: (i) The future loan system will operate more like a 'graduate tax' to make loan repayments more progressive by reducing monthly repayments for many low-earning graduates and increasing repayments for the highest earners; (ii) the combination of stepped repayment thresholds and 0-3% real interest rates (post-study only) will free up government funds through reduced tuition fee and maintenance loan write-offs. These funds will be used to create a new £2 billion 'Student Support Fund' (SSF) to help poorer students cover their living costs and support other activities around widening participation.
- **RECOMMENDATION 5**: A single unified system of maintenance support should be introduced for all tertiary provision across universities and colleges. Alongside the introduction of the SSF, student loans will be reformed to increase the level of maintenance funding available to students and increase the earnings thresholds for accessing maintenance support.

A fairer funding settlement for tertiary education

- **RECOMMENDATION 6**: To support the delivery of high-cost classroom-based courses in universities and colleges, a new £5 billion 'Teaching Support Fund' (TSF) will be created. The TSF will be funded from two sources: (i) The present £1.4 billion of teaching grants distributed by the Office for Students; (ii) A new £3.6 billion 'employer levy' of an additional 0.4 per cent Employers' National Insurance contribution for organisations employing graduates.
- **RECOMMENDATION 7**: To support adults who need to complete a classroom-based course at Level 3 or below, the Government should combine the Adult Education Budget and the free Level 3 qualification offer into a single 'Local Skills Fund' (LSF). This LSF will

provide grant funding to help low-skilled adults gain the skills, confidence and motivation they need to participate in our economy and society (e.g. literacy, numeracy and digital skills qualifications).

- **RECOMMENDATION 8**: To simplify the support available to tertiary education providers, the Government should combine the existing capital funding available to HE and FE providers into a single capital funding pot.
- **RECOMMENDATION 9**: To ensure that all employers have a stake in the new tertiary system, the Government should convert the apprenticeship levy into a new 'Apprenticeships and Skills Levy' (ASL). All UK employers with at least 10 employees will contribute 0.4% of their annual payroll costs towards the ASL, raising approximately £4.1 billion a year. The ASL will be split into two funding streams: (i) A 'National Apprenticeship Fund' to deliver world-class apprenticeships that will help learners of all ages enter skilled occupations, including bursaries for apprentice employers; (ii) A 'National Skills Fund' to drive economic growth and productivity through strategic investments in skills and training, all of which will be guided by employers.

A localised model for delivering tertiary education

- **RECOMMENDATION 10:** Combined Authorities should work closely with universities, colleges, apprenticeship providers and employers to create a Local Tertiary Education Plan (LTEP) that sets out how the tertiary education system and the providers in their area will contribute to boosting economic growth and productivity, including through widening access and participation. The LTEP would feed into the Government's proposed 'Local Growth Plans' for towns and cities across the country.
- **RECOMMENDATION 11**: To deliver their LTEP, the NTEC will send Combined Authorities their proportionate share of the six national funding pots described in earlier recommendations:

  <u>CLASSROOM-BASED PROVISION</u>

  1. Teaching Support Fund: to support the delivery of high-cost courses at Levels 4-6 in classroom-based settings
  2. Student Support Fund: to help students from poorer households cover their living costs and support widening participation activities
  3. Local Skills Fund: to fund adult education courses / basic skills at Level 3 and below
  4. Capital Funding: to fund investments in new facilities and equipment

WORKPLACE-BASED PROVISION

5. National Skills Fund: to drive economic growth and productivity through strategic investments in skills and training

6. National Apprenticeship Fund: to deliver world-class apprenticeships that will help learners of all ages enter skilled occupations

Combined Authorities will also be allowed to top-slice the funding they receive from the NTEC to invest in strategically important courses prioritised in their LTEP.

- **RECOMMENDATION 12**: To provide greater stability for providers, Combined Authorities will award the main grants for classroom-based provision (TSF, SSF and LSF) on a 3-year funding cycle based on how effectively each provider contributes to the LTEP. Capital funding and workplace training such as apprenticeships will continue to operate on a demand-led basis.
- **RECOMMENDATION 13:** To give Combined Authorities the ability to shape provision in their area and combat inappropriate franchising and subcontracting arrangements, tertiary providers (including classroom and workplace provision) will need to obtain a 'licence' from each Combined Authority if they wish to receive funding to deliver courses from premises in their locality.

Rethinking the quality and regulation landscape

- **RECOMMENDATION 14**: To ensure the available funding pots support the provision that delivers the greatest value, the NTEC will design the 'accreditation' criteria that courses and programmes must meet to receive government funding (either through institutional grants, student loans or via workplace-based training).
- **RECOMMENDATION 15**: To create a coherent approach to regulation, Ofsted will inspect all classroom-based provision from Levels 1 to 5 and Ofqual will regulate all qualifications from Levels 1 to 5. For degree-level courses, Combined Authorities will decide how best to monitor the quality of delivery as a condition of tertiary providers receiving a licence to operate in their area.
- **RECOMMENDATION 16**: As part of a new drive to improve the quality of apprenticeships, including 'degree apprenticeships', the Government should hand responsibility for inspecting apprenticeship providers and improving quality to a new body – the National Apprenticeship Inspectorate – which will report into the NTEC.

Building a tertiary qualification system

- **RECOMMENDATION 17:** To create a simple and transparent funding system, the NTEC will set the price of tertiary courses in universities, colleges and apprenticeships. The prices will operate in a similar way to the existing 'price groups' used in HE and FE, with more expensive courses receiving the most funding.
- **RECOMMENDATION 18:** To eliminate the divide between HE and FE qualifications, there will be a single set of sub-degree qualifications delivered by both universities and colleges: Tertiary National Certificates (Level 4) and Tertiary National Diplomas (Level 5). In addition, providers with degree-awarding powers will be required to offer them as 'exit' qualifications if learners choose to leave a course early. Tertiary National Certificates and Tertiary National Diplomas will also become protected terms.

1. Introduction

> *"Post-18 (or 'tertiary') education in England is a story of both care and neglect, depending on whether students are amongst the 50 per cent of young people who participate in higher education (HE) or the rest. …This disparity simply has to be addressed. Doing so is a matter of fairness and equity and is likely to bring considerable social and economic benefits to individuals and the country at large. It is our core message."* [1]

Since (now Sir) Philip Augar and his fellow panellists published their Post-18 Education and Funding Review (the 'Augar Review') in 2019, it is fair to say that UK politics has been through a turbulent period. It is hard to ignore (and time-consuming to calculate) how many Prime Ministers, Education Secretaries, Ministers for Higher Education and Ministers for Skills and Apprenticeships have come and gone over the past five years. As a result, the messages that the Augar Review wanted to impress on politicians and policymakers, such as the quotation above (the opening paragraph in the 212-page document), rarely feature in current debates over the future of Higher Education (HE) or Further Education (FE). This is regrettable because – as the Review noted – it was "the first [review] since the Robbins report in 1963 to consider both parts of tertiary education together" and was therefore "an opportunity to consider the roles both should play in meeting the country's social and economic needs, how they fit together, how they should be funded and whether they are delivering value for students and taxpayers."[2]

In her speech that launched the work of the Augar Review panel in 2018, then Prime Minister Theresa May had lamented the "perception that going to university is really the only desirable route, while going into training is something for other people's children", adding that "if we are going to succeed in building a fairer society and a stronger economy, we need to throw away this outdated attitude for good."[3] To address this imbalance between HE and FE, she tasked the Review with looking at "the whole post-18 education sector in the round, breaking down false boundaries between further and higher education, to create a system which is truly joined up",[4] along with numerous references to 'tertiary education'.

The statistics suggest that this goal of a single joined-up system remains a distant aspiration. The latest annual data shows that 529,360 undergraduate qualifications (Levels 4-6) were awarded to students in HE,[5] whereas the number of courses completed ('achieved') in FE at Level 4 and above – including classroom, distance and e-learning courses and loan-funded provision – was a mere 5,470.[6] Meanwhile, the number of completed 'higher apprenticeships'

(Level 4+) has grown from approximately 13,000 at the time of the Augar Review to around 44,000 in 2022/23. Even so, the dominance of HE in the post-18 landscape is inescapable.

While England seems unable to escape the historical disparities in its post-18 system, other countries have made concerted efforts to address this same issue by taking a more unified approach to the funding, regulation and governance of tertiary education at all levels, from lower-level courses for adults up to higher-level programmes offered by many universities:

- **New Zealand**: since the early 2000s, the 'Tertiary Education Commission' (TEC) has had responsibility for administering all types of post-18 education including, but not limited to, HE, FE, apprenticeships and adult literacy and numeracy classes.[7] The TEC is responsible for funding over 700 tertiary education organisations, monitoring their performance and providing careers information and advice.[8]
- **Wales**: a 'Commission for Tertiary Education and Research' (CTER) was recently established and is expected to become operational in August this year under its new title of 'Medr'. From this point forward, it will be the regulatory body responsible for the funding, oversight and regulation of tertiary education and research in Wales. Medr will have a broader remit relative to other countries as it will encompass all forms of post-16 education - bringing together HE and FE, school sixth forms and apprenticeships as well as research and innovation.[9]
- **Australia:** a recent review into the university sector concluded that all parts of the education system "need to work together to meet Australia's future skills challenge",[10] not least because the present system is "fragmented across different institutions, levels of government, industries and places."[11] The review proposed the formation of an Australian Tertiary Education Commission to provide the "leadership and stewardship necessary to transform the tertiary education system"[12] on the basis that the system "is too important to Australia's social, economic and environmental wellbeing to leave its future to the uncoordinated action of individual institutions."[13]
- **Scotland**: there is already a single funding body for Scotland's further and higher education systems. Nevertheless, a recent review found that there is still a need for "a more systematic approach to the way we collectively plan coherent tertiary education and skills provision and investment".[14]
- **Ireland:** the Irish government has recognised that a more joined-up approach to tertiary education is desirable, with a consultation in 2022 leading to a policy vision for a "more unified tertiary education and research system".[15] The government's stated objective is to create a "more coherent, more collaborative system" built on "stronger and deeper links" between HE and FE so that the system is capable of "responding more effectively to the economy, industry and wider society."[16]

Needless to say, it would be unwise to attempt to copy-and-paste how another country has sought to build and maintain a more effective tertiary education system, particularly when the population of England is considerably larger than the populations of New Zealand, Wales, Scotland, Ireland and Australia combined. That said, there are several consistent messages emanating from these nations in terms of why they believe a more unified tertiary system is likely to generate better outcomes for learners, taxpayers and society as a whole. These messages typically include goals such as reducing fragmentation, encouraging collaboration, supporting economic growth, improving value-for-money and creating clearer and more flexible pathways for learners as part of a more inclusive education system.

Although policymakers in England would no doubt support these commendable objectives, the media coverage in the five years since the Augar Review's publication has become increasingly dominated by the financial strains that many institutions and students are now experiencing. Recent broadsheet headlines are littered with dramatic descriptions such as 'The ticking time bomb under Britain's universities',[17] 'The looming financial crisis at UK universities'[18] and 'UK universities warn of more course closures and job cuts without state help'[19] – all of which are clearly intended to convey a sense of urgency. The Office for Students – the HE regulator in England – poured more fuel on the media fire when its latest report on the 'financial sustainability' of the HE sector concluded that "an increasing number of providers will need to make significant changes to their funding model in the near future to avoid facing a material risk of closure".[20]

What is rarely acknowledged, though, is that this pressure from newspaper coverage can reduce the space in political circles for discussions of how to design and implement the reforms needed to put the whole post-18 education system on a more effective and sustainable path – precisely what the Augar Review sought to achieve before the education system was struck by COVID-19, high inflation and a cost-of-living crisis. Concerns over the financial health of HE institutions and their students are perfectly understandable and unlikely to dissipate anytime soon, but these concerns do not constitute a plan of action – not least because it would ignore the substantial funding cuts that colleges and adult education have suffered since 2010 (the latter having plummeted by over 40 per cent[21]).

If a future government wishes to avoid becoming embroiled in perpetual debates and disagreements about a supposed lack of funding then they must focus far more attention on *how* money is invested in tertiary education, not just *how much* money. To put it another way, without fixing the underlying imbalances, inconsistencies and inequities between HE, FE and apprenticeships, any new funding for universities would most likely vanish into the institutional landscape without necessarily delivering appreciable benefits for learners, and no doubt calls for even more funding would follow shortly afterwards.

In keeping with the historical focus on HE at the expense of FE and apprenticeships, senior Labour Party figures offered some general criticisms of the existing HE system in the run-up to the 2024 General Election. Then Shadow Education Secretary Bridget Phillipson was adamant that the status quo was not an option because “the Conservative tuition fees system has long been broken.”[22] She also outlined her desire to “make the system fairer and more progressive”, including “a month-on-month tax cut for graduates”, and all within the current funding envelope because “Labour will not be increasing government spending” in pursuit of their objectives. In addition, Labour “must also recognise the pressure that the cost of living crisis is putting on students”, not least because “all too often it’s students from lower-income families, sometimes the first in their family to go to university, who are struggling the most.” Keir Starmer echoed these concerns when he branded the current system "unfair and ineffective". Beyond these remarks, though, tangible solutions were in short supply.

The Labour Party’s election manifesto offered some tentative signs that solutions may be on the way, albeit without a clear timescale. Yet again, HE dominated the conversation, with the claim that “the current higher education funding settlement does not work for the taxpayer, universities, staff, or students” alongside the desire to “create a secure future for higher education”.[23] Furthermore, the Labour manifesto pledged to “better integrate further and higher education” and deliver a “post-16 skills strategy [that] will set out the role for different providers, and how students can move between institutions, as well as strengthening regulation” as well as “improve access to universities”.[24] Such language could have sat reasonably well within the Augar Review itself, albeit for a post-18 system.

Moreover, the Labour manifesto set out a number of other ambitions related to the way in which public services will be delivered in future, particularly on the question of devolution. The manifesto acknowledged that “too many areas have been held back because decisions are often taken in Westminster, and not by local leaders who understand local ambitions and strengths.” As a result, “we fail to make the most of the contribution everyone can make, hampering economic growth.” Labour’s proposed solution is to “transfer power out of Westminster” and “deepen devolution settlements for existing Combined Authorities” along with ensuring that local areas can gain new powers over matters such as adult education and skills. What’s more, the manifesto included the goal of providing “greater flexibility with integrated settlements for Mayoral Combined Authorities”.[25]

If the new Labour government wants to improve economic growth and productivity, increasing the skill levels of workers of all ages through a more effective and responsive approach to education and training will surely be a critical part of their agenda. Although HE will undoubtedly play an important role in such efforts, FE and apprenticeships could (and should) play a central role as well. Consequently, this report from EDSK sets out a roadmap to creating an integrated and resilient tertiary education system in England that delivers the greatest possible benefits for learners regardless of how much funding is provided either now or in future. This new tertiary system will encompass all post-18 learning beyond compulsory education, as envisaged by the Augar Review in 2019. Based on the approaches taken in other countries, this new tertiary approach should seek to deliver four objectives that put the interests of learners at the heart of the new system:

- **COHERENCE**: the system should be as simple and efficient as possible, with the roles and responsibilities of all stakeholders being considered in terms of minimising complexity and duplication.
- **COLLABORATION**: the system should actively promote collaboration between institutions as well as ensuring that employers, government and local stakeholders are all involved in shaping the provision.
- **EQUITY**: the interests of the least privileged young people and adults should be prioritised to make sure that the individuals who face the greatest barriers to learning can access the available opportunities.
- **SUSTAINABILITY**: wherever possible, the system should use stable and durable mechanisms for determining how best to support learners, institutions, communities and employers.

This report begins with a detailed analysis of the barriers within the current post-18 education system in England that prevent these four objectives from being achieved. These barriers will be grouped together under five headings: funding for institutions; regulation and quality assurance; student finance and widening access; regional factors; and the role of employers. Following this analysis, the report will conclude with a set of recommendations for how to dismantle these barriers through a new tertiary education system that delivers all four objectives. It is therefore hoped that this report makes a valuable contribution to discussions on the future of HE, FE and apprenticeships in England.

2. Funding for institutions

The most high-profile aspect of the tertiary system in England is undoubtedly the way that it is funded. Although university tuition fees often dominate the conversation, the issues created by the current funding system for HE, FE and apprenticeships go much deeper and wider than this. Consequently, this chapter will explore how and where funding is made available for studying beyond compulsory education, and what effect these separate channels have on the tertiary system as a whole.

The disjointed approach to higher-level study

Learners based in England who wish to study an HE course can access a tuition fee loan through the Student Loans Company (SLC). This loan covers the fees charged by a university, college or other HE provider, and is available to those studying their first eligible undergraduate course such as a BA or BSc (Level 6) or teacher training course.[26] The Augar Review estimated that 98 per cent of full-time HE students are on a degree course with the fee set at the maximum amount – now £9,250.[27] That said, this current 'higher fee' cap of £9,250 does not apply equally across the tertiary system. Providers that are registered with the Office for Students (OfS) – the HE regulator – but have not agreed an 'Access and Participation Plan' setting out how they will "improve equality of opportunity for students from disadvantaged backgrounds to access, succeed in, and progress from higher education"[28] may have a lower maximum 'basic fee' cap of £6,165.[29] This applies to many colleges and independent providers that deliver HE courses,[30] thus creating a two-tier fee system.

Tuition fees are further complicated by the reduction in the respective higher and basic fee caps from £9,250 / £6,165 down to £9,000 / £6,000 if an HE provider does not participate in the Teaching Excellence Framework (TEF) – a national scheme run by the OfS that aims to encourage providers to "improve and deliver excellence in the areas that students care about the most: teaching, learning and achieving positive outcomes from their studies".[31] The TEF awards Gold, Silver or Bronze ratings (or, more recently, 'Requires Improvement') to participating providers, although these ratings has been frequently criticised for lacking visibility among students and parents.[32] A separate fee cap of £11,100 also applies to 'accelerated degree' courses while part-time students can access a tuition fee loan of up to £6,935 a year for studying at a provider with an access and participation plan and a TEF Award.[33]

Qualifications at Levels 4 and 5 (equivalent to the first and second year of a full undergraduate degree respectively) that are 'prescribed' are also part of the HE system, meaning that students taking these courses have access to tuition fee loans. These include Foundation Degrees, Higher Nationals (HNDs and HNCs) and Certificates / Diplomas of Higher Education. Although these qualifications are generally taught in HE institutions they can also be delivered by FE colleges. However, 'non-prescribed' Level 4 and 5 qualifications – which includes vocational courses such as BTECs, City and Guilds qualifications and professional development programmes – are considered part of the FE system. As a result, funding for these courses is provided either through direct payments by the learner or through Advanced Learner Loans (ALL), which cover courses from Levels 3 to 6 delivered at an approved college or training provider.[34] Rather than being administered by the SLC, ALLs for non-prescribed qualifications are operated by the Education and Skills Funding Agency (ESFA), which is part of the DfE. The average ALL paid to learners in 2022/23 was £2,040.[35]

To counteract some of these apparent imbalances, steps are being taken to create a more cohesive approach to funding at Levels 4 and above. The Lifelong Learning Entitlement (LLE) is intended to "replace the two existing systems of publicly funded higher education student finance loans and Advanced Learner Loans in England."[36] Indeed, the Government believes that the LLE will deliver a "radical shift" in tertiary education "by unifying the student finance systems for further and higher education courses at levels 4, 5 and 6."[37] The LLE will provide all new learners (those without a Level 6 degree) with a tuition fee loan entitlement equivalent to four years of post-18 education (£37,000 in current fees), which they can use up to the age of 60.[38] There will also be a 'residual entitlement' available to leaners who have already received publicly-funded financial support as a student. The loan entitlement is intended to be used "flexibly, for full-time or part-time study of modules" of at least 30 credits (one academic year of an undergraduate degree is generally worth 120 credits),[39] or for full qualifications at Levels 4 to 6 in colleges and universities.[40]

The LLE would simplify the funding system in some respects. However, getting it off the ground has been a slow process, with the national rollout recently delayed again until 2026.[41] What's more, concerns have been raised about its potential impact, as it is unclear how much demand there will be from learners. Recent polling found that "older workers and people outside of London would be less likely than other groups to want to take out a student loan to cover tuition fees."[42] What's more, in 2021 the OfS and the DfE announced a trial to test demand for short courses and assess the impact of loan funding on participation. While over 100 courses were expected to be available to more than 2,000 students during the trial, only 17 courses were launched due to insufficient demand – with just 125 student enrolments, 41 of whom took out a new student loan to fund their course.[43] Questions have also been raised about the decision to exclude qualifications below Level 4 or above Level 6 within the LLE.

The complexity of lower-level provision

In truth, the LLE is not the first time that lower-level courses – ranging from Entry level (pre-GCSE standard) up to Level 3 (equivalent to A-levels) – have been treated differently by policymakers, but their significance to less privileged adults should not be under-estimated. At present, funding for these courses is made available through the Adult Education Budget (AEB). The AEB targets funding at adults (aged 19+) looking to gain the skills they need for work, an apprenticeship or other learning through courses from Entry level up to Level 3 if the learner has not previously completed qualifications at these levels.[44] In some cases, the AEB funds the entirety of a learner's course fees (e.g. GCSE English and maths for those who have yet to achieve a 'Pass'), while in other cases the learner or their employer may need to co-fund some of their course (e.g. a learner aged 19-23 who wants to study a second full Level 3 qualification).[45] Funding for the AEB has remained frozen since 2016/17 at £1.34 billion,[46] and that follows a staggering decline from the £4.6 billion spent on classroom-based adult education in 2003/04 and £3 billion spent in 2010/11.[47] For comparison, spending per student in HE has risen by around 20 per cent over the last two decades.[48]

The AEB differs markedly from other forms of tertiary funding in two ways. First, the AEB has been devolved in ten areas of England to Mayoral Combined Authorities (MCAs) and the Mayor of London, who are responsible for funding learners in their areas and determining their approach to funding providers. Since 2019, these devolved authorities have published their own funding rules for the providers who deliver AEB-funded provision to learners in their areas.[49] The Government has argued that devolving the AEB will allow these areas to shape adult education provision in a way that best suits the needs of residents and the local economy. Even so, a substantial part of the devolved funding will still have to be used to fund various legal entitlements (e.g. a first full Level 2 qualification for learners aged 19-23), which inevitably limits the scope that Combined Authorities (CAs) – both those with and without Mayors - have to genuinely shape local provision.[50]

Second, rather than the AEB being one single budget, as the name suggests, it consists of several pots of funding. These separate pots cover 'adult skills', 'Community Learning' (including developing adults' skills, confidence, motivation and resilience to progress towards formal learning or employment), 19-24 traineeships, 'Learner support' (which provides support for those facing financial hardship) and 'Learning Support' (e.g. funding for putting in place reasonable adjustments for learners with an identified learning difficulty and / or disability).[51] What's more, there is now a set of free Level 3 courses available to adults who do not have a full qualification at this level (provided by the National Skills Fund – see Chapter 6). These courses include over 500 qualifications in areas such as engineering, social care and accounting, although the DfE has recently decided to restrict access to these Level 3 courses to adults who are earning less than £25,000.[52] This free Level 3 offer is still largely controlled by central government – unlike the AEB – which highlights the absence of strategic thinking for lower-level courses.

When taken together, these different approaches mean that, as the DfE has acknowledged, the current approach to adult education is "complex with confusing funding and eligibility rules that hamper providers' ability to respond effectively to changing skills needs."[53] Consequently, the DfE plans to streamline the funding by bringing together "all adult skills funding which is provided directly …by the Department to colleges in a single Skills Fund."[54] As part of this, a one-year pilot is set to run in 2024/25 to simplify funding, audit and reporting requirements for participating colleges by removing various rules and ringfences within the adult and post-16 funding streams, although the exact details of the pilot are unclear.[55]

Inconsistencies in calculating the cost of courses

The cost of delivering tertiary courses can vary greatly and this is recognised by the current funding mechanisms. For example, HE providers can have the funding from tuition fees 'topped up' by teaching grants from the OfS, which are intended to cover the "costs for providers beyond those that we might expect to be met by income from course fees from students" with the aim of "enhancing the resources available to providers".[56] To this end, HE courses are put into different letter-based 'price groups': A (clinical stages of medicine, dentistry and veterinary science); B (laboratory-based subjects such as chemistry and engineering); C (subjects with a studio, laboratory or fieldwork element such as architecture and geography[57]) and D (all other subjects).[58] These price groups dictate whether a course is eligible for an additional grant, and if so, how much grant funding is available based on the "course characteristics and associated teaching costs, and strategic prioritisation."[59]

Before the rise to £9,000 in 2012/13, tuition fees were £3,375 (having risen from £3,000 in line with inflation since 2006). At this point, every HE course was eligible for a teaching grant ranging from £2,536 for price group D up to £14,543 for price group A.[60] Following the increase in fees to £9,000, far fewer courses were eligible for a teaching grant as their overall funding had already increased with the new fees, with price group D and parts of group C no longer attracting any grant. For 2023/24, the grant for price group A is £11,290 with price groups B (£1,693.50) and parts of C (£282.25 or £125.76) also still eligible for smaller grants.[61]

The price of FE qualifications also differs to reflect the cost of provision. ALLs and the AEB both utilise a similar approach. For example, ALLs use several 'programme weighting' groups: A (Base); B (Low); C (Medium); D (High) and E (Specialist)[62] – while the AEB uses A to E/G*, with the latter again being the most expensive.[63] In both cases, the maximum funding / loan is £11,356 for the largest and most specialist courses. That said, unlike the demand-led ALL, the AEB funding is allocated to FE providers on an annual basis "based on historic delivery of provision".[64] Individual providers receive allocations calculated by "a formula that takes into account the type of courses provided, learner numbers and the demographics of the provider."[65] The formula considers three elements: the rate (the cost of the qualification or other learning activity); disadvantage uplift (providing extra funding to support the most disadvantaged learners); and area cost uplift (reflecting the higher cost of delivering training provision in some parts of the country such as London).[66] This annual funding cycle based on historic provision creates uncertainty and complexity for providers as well as introducing another unwelcome division within the funding systems for tertiary education.

While using a small number of price groups is a standard feature of HE and FE funding, the same cannot be said for apprenticeships. On the contrary, the simplicity of a handful of price groups is eschewed in favour of 30 different funding bands for apprenticeships that range from £1,500 to £27,000.[67] The Institute for Apprenticeships and Technical Education (IfATE), a government-funded body, makes recommendations to the Secretary of State for Education on which funding band a specific apprenticeship should be placed in. It claims to base these recommendations on a range of sources, including quotations for training costs from employers, an independent evidence base and Office for National Statistics data. Alongside this, training providers are expected to hand over details such as "expected group sizes" for an apprentice's training, the proportions of directed versus self-directed learning and information about tutor salary costs.[68] The potential flaws in such a process are plainly apparent. Asking employers and training providers for information on delivery costs, when both parties have a clear financial incentive to inflate such figures, does not inspire confidence. What's more, the IfATE's 'independent evidence base' on pricing amounts to a single research report from 2019.[69]

The instability created by using so many funding bands only adds to the problems. The IfATE updates and reviews the bands for apprenticeship standards on a rolling basis, considering factors such as the time since the last review and withdrawal rates.[70] However, the IfATE has been publicly criticised for how these reviews have been conducted, with claims that the process "takes far too long", which affects providers' financial stability and market supply.[71] With upwards of 800 apprenticeship standards available,[72] periodically reviewing them all with a sufficiently accurate and transparent process is evidently no small task. That apprenticeships can also move between funding bands based on political whim[73] only adds to the uncertainty created by the IfATE's 'reviews'. When contrasted with the simplicity and stability offered by price groups in other parts of the tertiary system, the approach to funding apprenticeships looks even less defensible.

Distortions caused by funding incentives

The Augar Review stated that "incentives are stacked in favour of the provision and take-up of three-year full-time undergraduate degrees"[74] and against Level 4 / 5 courses and part-time and adult study generally. To illustrate the point, there has been a significant decline in the take-up of standalone Level 4 and 5 courses in recent years. In 2015/16, there were 56,265 entrants for Level 4 courses and 70,420 entrants at Level 5 (excluding apprenticeships).[75] By 2021/22 these figures had dropped by almost 40 per cent, to 33,635 entrants for Level 4 and 40,725 for Level 5.[76] Over the same time period, part-time study declined from 16,810 entrants for Level 4 courses in 2015/16 to 7,930 in 2021/22, while at Level 5 it fell from 16,515 entrants to 9,255.[77] According to the Augar Review, this change in behaviour was the result of a series of policy changes that led to "young people opting for full time degrees (Level 6) and in institutions… supplying full degrees at maximum price to the near-exclusion of other options."[78] What's more, pursuing a full Level 6 course had become "the obvious choice for students" as "income-contingent loans mean that young people can and do take on debts in the knowledge that, if things go wrong and they earn little, the debt will be written off."[79]

Furthermore, there are incentives within the funding system to offer degrees in subjects that are cheaper to deliver. As noted earlier, prior to the increase in tuition fees to £9,000, the HE sector relied heavily on teaching grants from government that topped up their funding from fees. However, with "almost all" HE institutions setting their fees at the maximum level following the changes in 2012/13, there was an "increase in funding for some subjects at more than twice the rate of others".[80] Indeed, subjects in the lowest funding band (e.g. humanities) received a 47 per cent increase in their funding, while those in the highest band (e.g. medicine) only received a 6 per cent increase.[81] This mean that HE providers have been incentivised to put as many students as possible on low-cost degrees due to "the apparent overfunding of low-cost subjects and the underfunding of high cost subjects".[82]

Far from being incidental observations, the Augar Review was concerned about two adverse effects of these incentives. First, many under-funded high-cost subjects (e.g. engineering) were seen as "central to the government's Industrial Strategy [as] they produce some of the highest returns", which is why "providers should be encouraged to offer these subjects, not – as they are now – financially penalised for putting them on."[83] Second, the over-funding of low-cost courses "incentivises institutions to prioritise them because they provide a higher margin",[84] which had led to a significant growth in student numbers in subjects such as business, social studies and creative arts by the time of the Review in 2019.[85]

The lack of alignment between what is provided and what is needed was also a theme of the Augar Review's analysis of apprenticeships. The Review complained that the absence of appropriate incentives around apprenticeships was resulting in a "clear mismatch between the economy's strategic demands and current apprenticeship starts and employer activity."[86] The Review identified a low number of apprenticeships in 'priority areas' within the Industrial Strategy as well as an increase in apprenticeships being used to train existing employees in senior positions.[87] In addition, the Review found that "apprenticeships remain heavily concentrated in a few sectors with low average [wage] returns" such as 'Business, Administration and Law',[88] which are often cheaper and easier to deliver, whereas "in Construction, where there are major and well-documented skill shortages, growth is best characterised as very low".[89] In other words, the apprenticeships that were most needed were not necessarily the ones being delivered.

The lack of long-term thinking on funding

Across the tertiary system, short-term thinking in relation to funding is all too common. For example, universities are funded largely through fees that follow student enrolments, meaning that the more students a provider can attract, the more money they will receive.[90] Following the removal of the institutional caps on student numbers in 2014-15, universities have been free to increase their cohort sizes as much as they like. In addition, universities are "unrestricted" in how they use their funds.[91] As a result, many universities have increased the number of students they accept in each annual UCAS application cycle in a bid to gain as much funding as possible.

In contrast, the FE system is far more limiting, as providers effectively have a "college-by-college [student] number cap", and how providers use their funding is restricted in a way that is simply not present for universities.[92] As highlighted in the Augar Review, funding rules for FE "impose short time horizons and do not allow FE colleges to respond to local labour market needs."[93] While universities operate on an uncapped payment-per-student basis, the AEB is not based directly on learner volumes. Instead, "providers receive a capped annual contract from the ESFA that they 'earn' as and when qualifications or learning aims are achieved".[94] As AEB funding is capped, colleges are unable to automatically grow with the volume of learners they receive. What's more, FE colleges must spend all their AEB allocation in the year it is provided, putting them "under pressure to fill their courses early in the year" and leaving "little opportunity for long term planning and little alternative but to offer whatever will fill places quickly."[95] This arrangement also makes it "very difficult for colleges to enter multi-year arrangements with employers or to provide flexible, tailored training at short notice."[96]

There have been some signs of a shift towards longer funding cycles to allow for more strategic decision-making. The Augar Review had recommended that Government should make adjustments to the AEB "that enables individual FE colleges to plan on the basis of income over a three-year period."[97] It also recommended that providers should receive "additional flexibility to transfer a proportion of the AEB allocations between years".[98] The Government has been consulting on implementing such a model, with a 2021 consultation agreeing that "colleges' ability to strategically plan their provision to meet labour market needs will be more effective within a multi-year funding regime".[99] It went on to note that they were considering "allocating budgets to devolved authorities for each year over a multi-year period so they can effectively plan provision."[100] Although such changes have yet to be implemented, this relatively unnoticed aspect of the tertiary system appears to be heading in the right direction.

Capital funding is another area in which FE and HE differ. The Augar Review protested that the FE college estate was "in poor condition with limited capacity in the sector to address it and no resource to invest in high cost, yet high value provision",[101] which was perhaps unsurprising given that FE capital funding had been cut from almost £1 billion a year between 2010 and 2015 to £404 million in 2016/17.[102] Given this decline, the Augar Review observed that many colleges were "unable to fund maintenance, let alone undertake significant new investment" and instead had to rely on private sector borrowing.[103] Since then, the 2020 Budget committed £1.5 billion over five years for FE capital spending[104] and the 2021 Spending Review provided capital investment of £2.8 billion between 2022-23 and 2024-25[105] (although this figure was total funding rather than solely new funding and included some of the £1.5 billion announced a year earlier). Additional capital funding of £150 million was also made available between 2023 and 2025 following the reclassification of FE colleges to the public sector (along with sixth form colleges and other designated institutions) in November 2022.[106]

While FE colleges have been battling for years to receive the necessary investment, capital funding for HE providers operates through a separate channel via the OfS. For the financial years 2022-23 to 2024-25, capital funding for HE from government was £450 million.[107] The funding is distributed through two mechanisms: a small annual formula allocation to all eligible providers (ranging from £10,000 to £50,000) and a bidding process for providers to, for example, upgrade their facilities.[108] Annual formula grants are made for a specific financial year and must be spent within it, which mirrors some of the short termism experienced with FE capital allocations.[109] In contrast, funding in response to bids is allocated over three financial years, which allows for a more considered approach.[110] Bids for facilities for high-cost subjects, or those that meet the specialist needs of industry, support flexible provision and support environmental sustainability are prioritised by the OfS.[111] Needless to say, that a national HE regulator is responsible for making decisions about capital funding allocations is another indication of how centralised the funding of tertiary education has become, even if individual HE institutions still provide most of the capital funding themselves.

3. Regulation and quality assurance

As noted in the previous chapters, tertiary education in England is overseen by a variety of government-funded bodies. The existence of such bodies to fund, regulate and monitor the provision of tertiary education is, in itself, not a cause for concern. That said, problems can quickly arise if learners, providers and employers are forced to interact with an incoherent, complicated or opaque funding and regulatory landscape. This chapter will explore how the remits and actions of the existing bodies can – and often do – create unwanted (and sometimes unnecessary) barriers to a high-performing tertiary system.

Overlapping roles and responsibilities

Leaving aside from the DfE itself, the most prominent and influential government-funded organisations with a stake in tertiary education include:

- **The Office for Students**: a non-departmental public body of the DfE that operates as the independent regulator of HE provision in universities, colleges and independent providers. It was set up in 2017 and regulates 425 universities, colleges and other HE providers across England.
- **Institute for Apprenticeships and Technical Education (IfATE)**: a non-departmental public body of the DfE. Since its creation in 2017, it has been responsible for developing, reviewing and revising 'occupational standards' that underpin apprenticeships, T-levels and other technical qualifications.
- **The Education and Skills Funding Agency (ESFA)**: an executive agency of the DfE responsible for funding education and skills providers in England, including the AEB, ALLs and apprenticeships.
- **Ofsted**: a non-ministerial government department that reports to Parliament. It carries out inspections of education and skills provision outside of HE, including colleges, and inspects apprenticeships at all levels and in all settings (including universities).
- **Ofqual**: another non-ministerial government department that reports to Parliament. It regulates qualifications, examinations and assessments in England outside of HE, including vocational and technical qualifications and apprenticeship assessments.

Alongside these government-funded bodies, there are also numerous Professional, Statutory and Regulatory Bodies (PSRBs). These consist of various professional bodies, employer groups and regulators – some of which have regulatory powers over a particular profession (e.g. the General Medical Council), making them important stakeholders – particularly in the HE sector. PSRBs typically operate on a membership basis as well as sometimes having the power to accredit or endorse courses that meet professional standards, provide a route to a profession or are recognised by employers.[112]

When so many bodies within and outside government are operating across the tertiary landscape, it is almost inevitable that they will encounter each other. The rest of this chapter will draw out some examples of where such encounters are detracting from the coherence and effectiveness of the tertiary system.

The work of the Office for Students

Given the prominence of HE within the tertiary system, the OfS has a higher profile than the other government bodies listed above. Having been established several years ago, the OfS has had plenty of time to develop and hone its approach to regulating HE provision. Even so, debates over the role and purpose of the OfS have been evident for as long as the OfS has existed. A recent House of Lords inquiry into the work of the OfS was titled "Must do better", giving a strong indication as to its overall opinion of the regulator.

As the inquiry noted at the outset, the OfS is a very different organisation to its predecessor: the Higher Education Funding Council for England (HEFCE), which was in operation from 1992 to 2018. As its name suggests, HEFCE was a funder rather than a 'regulator'. In contrast, Lord Johnson – who, as Universities Minister, oversaw the *Higher Education and Research Act 2017* (HERA) that underpins the OfS – emphasised to the inquiry that the OfS was indeed "a market regulator".[113] Sir Michael Barber, a former Chair of the OfS, also told the inquiry that this switch from funder to regulator was reflected in the move away from providers receiving large teaching grants from HEFCE towards an HE based more on tuition fee loans.[114] This switch is visible in the OfS's statutory duties, which includes the need for them to "have regard to", among other things, "greater choice and opportunities for students" as well as "the need to encourage competition" between HE providers.[115]

In terms of the effectiveness of the OfS as a 'market regulator', the inquiry seemed unimpressed by the evidence they received. In truth, the inquiry's final report delivered a withering verdict on many aspects of the OfS's activities – not least its opening view that the OfS "is not trusted by and does not have the confidence of many of the providers it regulates [but] it has arguably not acted in the real interests of students either."[116] In relation to providers, the inquiry observed that "the poor relationship between the OfS and providers has been in part because the OfS' approach has been overly distant and combative [and] it gives the impression that it is seeking to punish rather than support providers towards compliance, while taking little note of their views."[117] Furthermore, despite being explicitly established to regulate in the interests of students, the inquiry found that the OfS has never clearly defined what it sees as "the student interest",[118] leaving considerable room for different interpretations by students, the OfS and the HE sector.

Given the high-profile coverage of the financial pressures on universities, the inquiry was concerned that the OfS "appears to focus heavily on data and less on communicating sufficiently with institutions" when it came to monitoring providers' financial health, with some providers reportedly being "unwilling to engage with the OfS in the early stages of falling into financial difficulty for fear of a punitive response, hampering their ability to plan together."[119] The inquiry also noted that "although there seems to be an expectation that providers will merge and consolidate in future, it is not clear that either the OfS or the Government provides strategic oversight of the long-term financial sustainability of the sector." This absence of oversight is indicative of how little thought is currently given to the capacity and sustainability of tertiary education in each part of the country.

Another area of concern for the inquiry was the heavy reliance of the OfS on 'employment outcomes' for graduates i.e. post-graduation salary data and employment rates. Such reliance was described as "too simplistic and narrow" because such outcomes are "affected by a broad range of factors, and this approach has the potential both to penalise providers that take on students from disadvantaged backgrounds and to underplay the benefits of courses that are less directly vocational."[120] This links to the point above around the lack of local or regional oversight of tertiary education because the OfS has fallen back on data as its means of separating 'high value' from 'low value' provision despite the OfS having minimal insights, if any, into what different areas and regions need and therefore what 'value' HE providers may or may not be delivering. To this end, the inquiry wanted the OfS to "conduct further work to assess the broader value of higher education, particularly for those from disadvantaged backgrounds and including the need for future skills".[121] This proposal does not seem to have led to any substantive changes.

The inquiry concluded that "the OfS' approach to regulation often seems arbitrary, overly controlling and unnecessarily combative" and that "it has been selective in choosing which of its duties to prioritise, expanded its remit into new areas and created the impression that it seeks to control and micro-manage providers."[122] It is hard to see how this situation will improve outcomes for students, employers and local communities. The inquiry also felt that "there have been too many examples of the OfS acting like an instrument of the Government's policy agenda rather than an independent regulator."[123] Needless to say, political interference is undesirable and unsustainable in the context of building a high-performing tertiary system, even if the evidence suggested that the OfS was performing well in its role as a regulator – which does not appear to be the case. Last year, then Shadow Universities Minister Matt Western said that the Labour Party wanted to give universities the "space to breath without being treated as a political football" with the "support of a risk-based, proportional regulatory framework",[124] suggesting that there may be appetite in the new Labour government to look again at these issues.

Significant overlap for Level 4 and 5 qualifications

Even if the OfS was a high-performing regulator, the current approach to regulating what is delivered within universities and colleges brings its own problems. As discussed earlier in this report, prescribed (HE) and non-prescribed (FE) qualifications are treated differently within the funding system, with prescribed courses providing access to HE tuition fee loans (and typically student maintenance loans) whereas non-prescribed courses attract neither. In theory, the introduction of the LLE should iron out these differences in terms of student finance, but it does not change the problems created by having two qualifications at the same level being overseen through separate regulatory mechanisms.

A report in 2023 by Professor Dave Phoenix, vice-Chancellor of London South Bank University and CEO of LSBU Group, highlighted some of the many complexities now found in the way that qualifications are regulated:

> *"Levels 4 and 5 form the first two years of a Bachelor's degree and are regulated by the [Office for Students]. Standalone Level 4 and 5 qualifications – such as HNCs – are also quality assured by the Office for Students, unless they are taught in colleges without the involvement of a university as a validating partner, in which case they are quality assured by Ofsted. …A Level 4 Higher Technical Qualification (which is based on the same employer standards as an apprenticeship) …will be quality assured by the Office for Students in higher education and the Office for Students or Ofqual in further education."*[125]

Unsurprisingly, this bewildering approach has considerable drawbacks. As Professor Phoenix noted, "the overlaps and tensions between post-16 regulators provide a disincentive for collaboration between the different education providers working within this space by creating competing expectations."[126] These tensions also make life harder for regulators because it blurs the boundaries of who is responsible for present and future failures as well as making it harder to define clear 'triggers' for identifying poor performance.

Another casualty of the confusion over Levels 4 and 5 is that universities and other HE providers see little value in offering more flexibility to students in terms of when they start and stop their learning because a single three-year full-time degree remains the most lucrative option for the provider. The Augar Review rightly flagged that “sometimes students need to pause their learning, or may decide that they have made the wrong choice”, while “others may find themselves struggling” and subsequently drop out of their course.[127] The Review highlighted that there is already a potential resolution for students in this situation:

> *“One aspect of contemporary English provision which is little known to either students or the general public, is the possibility of exiting most undergraduate degree courses mid-way, with either a Certificate (Level 4: CertHE) or a Diploma (Level 5: DipHE). Within degree courses, these awards are mostly used only for students who leave their course partway through: this means they are not only little known but also perceived as a ‘consolation prize’ or even a certificate of failure.”* [128]

Consequently, the Review recommended that HE providers “should award at least one interim qualification at either Level 4 or Level 5, to all students who are following a Level 6 course successfully” so that all students would acquire a formal recognised qualification. In doing so, it would also “make credit transfer easier” and “would quickly make Levels 4 and 5 a central and visible part of HE and with minimal expense.”[129] However, given the aforementioned financial incentive to provide three-year degrees, HE providers appear to be showing little interest in this proposal despite the benefits that it could offer students who, for whatever reason, wish to step off the educational ladder before finishing a full degree.

Confused approach to quality assurance

With so many government-funded organisations taking an interest in regulation and oversight, the question of who is responsible for the quality of tertiary education can be surprisingly difficult to answer.

A good example of this, which is frequently flagged as an example of regulatory overload, is the case of ‘degree apprenticeships’ i.e. an apprenticeship that offers the opportunity to complete a degree alongside it. Multiple government bodies are involved in degree apprenticeships because the approach to regulation and quality assurance varies depending on the level and content of an apprenticeship. Ofsted inspect the provision of apprenticeships at all levels, including degree apprenticeships, but the OfS retains a role in quality-assuring any qualifications provided within an apprenticeship if the qualification is part of the HE system (e.g. a degree). Meanwhile, the IfATE sets the rules around the content of apprenticeships and oversees the development of occupational standards while the ESFA publishes 'funding rules' that describe in detail which costs a training provider or employer can recoup from government as part of the apprenticeship (although these funding rules often stray into 'quality assurance' as well e.g. setting the minimum amount of off-the-job training). Ofqual are also involved in their role as the regulator of awarding organisations that deliver the final ('end point') assessments for each apprenticeship.

Having responsibility for quality assurance split over five different government-funded bodies is unhelpful, to say the least. As EDSK has highlighted in our previous research, the present approach is failing to protect the interests of apprentices. For example, the ESFA – a funding body with no expertise in training provision or on-site inspections – was given responsibility for determining which training providers should be approved to deliver apprenticeships, yet the ESFA's processes for assessing providers were repeatedly found wanting. Ofsted can inspect the delivery of training by providers, but a lack of funding from central government means there can be significant delays in inspectors visiting both new and existing providers (including universities).

A future tertiary system would certainly be better served with a simpler regulatory model. In their response to the House of Lords inquiry into the OfS, the DfE said it will continue "looking at how we can streamline regulation, inspection, and audit across DfE, ESFA, OfS and Ofsted, to minimise regulatory burden whilst upholding quality". In addition, they would be "simplifying the delivery of apprenticeships" and want to "further reduce bureaucracy and regulation for HE providers delivering apprenticeships".[130] There appears to be little to show for such efforts at this point.

Regulatory and data collection burdens

The House of Lords inquiry highlighted a wide range of issues around the burdens associated with the various government bodies involved in tertiary education. As the inquiry noted, the Government recognised the burden of "unnecessary data reporting and collection for higher and further education providers" back in 2022 when it set up the Higher Education Data Reduction Taskforce. For reasons that were not clear to the inquiry, the Taskforce was "supposed to meet every six weeks for a period of six months beginning in March 2022 but appears only to have met three times."[131] This may partly explain why the evidence presented to the inquiry indicated that significant problems remain.

Numerous witnesses, particularly from the HE sector, complained about the burdens imposed by the OfS. Professor Dame Nancy Rothwell of the University of Manchester said that the sector felt "that the regulatory burden has increased very significantly", with the OfS sending providers "a huge number of data requests, often at short notice".[132] The University of Kent added that the OfS' approach is "based on an ever-increasing requirement for quantities of data", with thousands of metrics for each institution.[133] Despite these increasing burdens, the Academic Registrars' Council observed that the OfS routinely requests information "but provides no response as to whether the information provided was correct, what it was used for and what, if anything, has been done as a result".[134]

Several witnesses said that many requests from the OfS were duplicating requests from other regulators or from publicly available information. The same problem has been repeatedly aired both before and after the inquiry's final report. In 2022, a policy paper from GuildHE – a membership body for 55 smaller and specialist HE institutions – cited the example of students on degree apprenticeships as "these have to be reported to both the OfS and IfATE and in significantly different ways", adding that "one provider told us that they have two different data teams, one for reporting to the OfS and another for reporting to IfATE as the reporting processes and information are so different."[135] Similar themes emerged in a policy paper earlier this year from the Association of Colleges (AoC), which described how "colleges are subject to regulation and compliance by multiple agencies", adding that "OfS regulation for HE is complex, costly and burdensome". Moreover, the AoC claimed that regulation "places a disproportionate burden on small providers and does not take sufficient account of distance travelled by a student and the learning gain that takes place at colleges", which explains why "some colleges have deregistered from the OfS to avoid the burden."[136]

The DfE's response to the House of Lords inquiry stated that they would embark on "a longer-term piece of work, to deliver in summer 2024, to identify and set out the full scope of data burden across the HE sector from all arm's length bodies", although this may have been interrupted by the General Election in July 2024. The plan is to "identify the cost to the sector of responding to each element of burden, as well as the benefit to each regulator or arm's length body […to] allow the government to act more quickly to reduce unnecessary regulatory burden".[137] The DfE also agreed with the inquiry's view that "time-consuming ad hoc requests should be minimised".[138]

Even so, the DfE emphasised that the OfS is supposed to be "data driven"[139] and the inquiry's recommendation that "the Government should reconvene the Higher Education Data Reduction Taskforce to reduce unnecessary burden on providers"[140] has been ignored. In any case, given that it is unlikely the laudable goal of reducing regulatory and data burdens will achieve much in the short term, the next government will need to reconsider the number of government bodies operating in tertiary education as well as the burdens that their responsibilities generate for providers of all sizes.

4. Student finance and widening access

Chapter 2 described how the tuition fee system affects providers of tertiary education, but the impact of tuition fees on students – or, more specifically, the repayment of tuition fees – remains a key consideration for policymakers. In addition, the level of financial support available to students for maintenance (living costs) during their studies in HE continues to attract considerable media attention. This chapter will explore the challenges that students face in terms of funding and accessing their preferred courses in HE and FE settings.

Concerns over loan repayments

As described in Chapter 2, learners who wish to study an HE course have access to a tuition fee loan through the SLC to covers the fees charged by a university, college or other HE provider. The general expectation is that students repay these loans once their studies have come to an end and they are earning above a certain amount. Key variables within the loan repayment system have changed over time, including:

- The income threshold at which repayments are due (the 'repayment threshold')
- The rate of interest on any outstanding loans
- The maximum period over which loan repayments are due[141]

The final report from Ron Dearing's government-commissioned inquiry into Higher Education in 1997 (the 'Dearing Report') argued that when considering who pays for HE it is important to consider who benefits from it. It argued that "those with higher education are the main beneficiaries from higher education in the form of improved employment prospects and pay"[142] and concluded that "graduates should make a greater contribution to the costs of higher education in the future."[143] The Augar Review echoed the sentiments from the Dearing Report, stating that "the pay-as-you earn principle is designed to produce a fair balance of contributions between the taxpayer and students",[144] but that "what constitutes a fair balance of contributions towards the cost of HE is a matter of judgement."[145]

The Augar Review went on to voice concerns about "too high a proportion of borrowers repaying very little" because, at the time, about 70 per cent of student loan borrowers were not expected to clear their loans (including the interest) before the 30-year end point, and only 55 per cent of the total value of the loans was expected to be repaid.[146] As a result, taxpayers would have to "foot the bill for the other 45 per cent of the loans (the government's resource accounting and budgeting – RAB – charge)".[147] With these factors in mind, the Review questioned "whether it is right to have a fee and loan system where so few borrowers can expect to clear their debt fully."[148]

What's more, the Review expressed some concerns about the role of interest rates. At the time, interest was charged while students were studying, from the day the loan was taken out (at three percentage points above the Retail Price Index (RPI) measure of inflation) until the date the student became eligible to make repayments.[149] Once the student had completed their studies, the rate of interest was "on a sliding scale each year depending on their earnings".[150] Annual earnings below a lower threshold attracted interest at the same level as RPI inflation (keeping the balance constant in real terms), while the interest rates scaled up to a maximum of three percentage points above RPI at and above an upper earnings threshold.[151] The Review acknowledged that "the variable interest rate mechanism protects low earners from high real interest rates, while increasing the contribution from higher earnings",[152] although it argued that it was "unfair that students should incur an above-inflation increase in their debt while studying full-time at a time when they are unable to generate earnings to start to repay".[153]

To combat these effects, the Review proposed that the repayment period should be extended from 30 to 40 years after study "so that those who have borrowed continue to contribute while they are experiencing a financial benefit."[154] What's more, it proposed that the earnings threshold should be reduced from £25,000 to £23,000 in 2018/19 prices, and for interest rates to be removed during study but retained post-study, at a maximum of inflation plus 3 per cent (depending on earnings).[155] In response to the Augar Review, the Government argued that "contributions are, at present, skewed too far towards the taxpayer and not far enough to the learners who benefit from the system financially."[156] A new repayment plan was subsequently introduced for students starting their course on or after 1st August 2023. The main changes were a reduction in the repayment threshold from £27,295 to £25,000 and the extension of the repayment period to 40 years as well as the removal of real interest rates (during and after study).[157] These alterations to interest rates did not align with the proposals in the Augar Review because the Government had instead decided to move to a system in which "no new borrowers… repay more than they borrowed in real terms."[158]

This package of reforms to student loans has proved controversial. Analysis by London Economics found that this new approach represents significant cost savings for the Government (£2.89 billion savings from a base of £7.55 billion),[159] which explains why the latest government figures show the RAB charge for new student loans has fallen to 29 per cent.[160] However, London Economics also noted that these reforms are regressive because the highest-earning (predominantly male) graduates benefit from the removal of real interest rates as they will repay considerably less money over time. Meanwhile, most graduates –

particularly lower-earners – are now significantly worse off, largely due to the 10-year extension of the loan repayment period.[161]

Although ALLs for studying higher-level courses in FE use the same repayment terms as HE loans, they operate on a much smaller scale. The latest figures show that just £109 million of ALL funding was paid out by the DfE in 2022/23,[162] compared to £11.5 billion paid as tuition fees to HE providers.[163] What's more, £109 million represents a collapse from the £200 million of ALLs awarded in 2018/19 when the Augar Review was published. Whether the planned introduction of the LLE in 2026 would reverse this downward trend in loan-funded provision in FE colleges remains to be seen.

Insufficient levels of maintenance support

Much of the political focus around HE relates to tuition fees, yet the availability of maintenance support for students is another important element of accessing HE and can influence students' choices and experiences. The maintenance system is open to all full-time and some part-time degree students attending an HE institution, including those taking 'prescribed' Level 4 and 5 courses.

In the past, the maintenance system consisted of both maintenance grants (which students did not have to pay back) and maintenance loans (which needed repayment). Grants were abolished by the Labour government in 1999, only to be re-introduced by the same government in 2004 after a sharp fall in HE enrolments.[164] By 2015/16, students from households with an annual income of £25,000 or less were eligible for a full maintenance grant of £3,387 per year whereas students from households with an income between £25,000 and £42,620 were eligible for a partial grant.[165] However, the 2015 Summer Budget included the Conservative Government's intention to abolish grants and replace them with increased maintenance loans.[166] From the 2016/17 academic year, eligible students would have access to a maximum maintenance loan that was around 10 per cent higher than the maximum maintenance grant plus loan available in 2015/16.[167]

For the academic year 2023/24, eligible students living away from home and studying outside London can access a maximum maintenance loan of £9,978 while those students living away from home in London can access up to £13,022. Students living at home while studying can also access a maintenance loan, albeit at a maximum of £8,400.[168] Despite the availability of this support, though, the maintenance loan has not kept pace with inflation in recent years. Consequently, maintenance support has fallen in real terms by 11.4 per cent since 2020/21.[169] Students from the poorest backgrounds are more likely to need to take out the full loan amounts, which explains why London Economics found that "it is students from the poorest backgrounds who graduate with the most debt"[170] when the impact of maintenance loans are combined with tuition fee loans. They estimated that poorer students are likely to graduate with £60,100 of debt compared to £43,600 for students from the wealthiest families.[171]

Whether a student is eligible for a maintenance loan, and if so, how much, is based largely on parental income.[172] For 2023/2024, students living at home whose parents earn £25,000 or less are eligible for the maximum maintenance loan. Any student with a household income of up to £58,291 is eligible for some maintenance support, albeit to varying degrees (£3,698 for those with parents at the top end of that range).[173] It is important to note that the £25,000 household income threshold for the maximum level of support has remained unchanged in cash terms since 2008 - representing a real terms cut of 39 per cent, which means more students from lower-income households are unable to access the full loan entitlement.[174] Indeed, the Sutton Trust have suggested that if this threshold had increased with inflation since 2016 when grants were abolished, families on £32,535 or less would be eligible for the maximum maintenance loan.[175] Meanwhile, London Economics has estimated that if the threshold had been increased to this figure, "an additional 30,000 students starting university would have been eligible for this maximum level of support."[176]

Many students are now struggling financially with the current level of maintenance support. More than a quarter of universities operate a food bank[177] and a recent survey published by the Sutton Trust found that two thirds of students undertook paid work in a typical week in the 2022/23 academic year, and about half (49 per cent) of undergraduates had missed classes to do paid work, with 6 per cent reporting that they do this often.[178] What's more, just under a quarter of undergraduate students reported having missed a deadline or asked for an extension in order to work.[179] Disadvantaged students were more likely to have missed a deadline than their peers, with 16 per cent of those from the most deprived areas having missed deadlines more than once due to paid work compared to 8 per cent of those from the least deprived backgrounds.[180] Separate polling by the Sutton Trust in 2023 found that 28 per cent of students were skipping meals to save on food costs, with students from working class families being nine percentage points more likely to have done so compared to their middle class peers.[181] The median spending for students on essentials has been calculated at £11,400 a year[182] while recent analysis calculated that students need £18,632 a year outside London and £21,774 a year in London to meet a 'minimum income standard' that covers clothes, food, rent and participation in university life[183] - far higher than the maximum maintenance loan available to many students.

From the perspective of the tertiary system, the inequalities in maintenance support extend well beyond the confines of the HE sector. For example, students studying 'non-prescribed'

Level 4 and 5 courses in colleges are not eligible for the maintenance support given to HE students studying Level 4 and 5 'prescribed' courses. Adults studying at Level 3 and below are also unable to access anything like the maintenance support available to learners in HE. Colleges can administer their own bursary schemes for learners at Levels 1 to 3, funded from their AEB allocations and ALL Bursary Fund in line with "broad guidelines" from the DfE.[184] These bursaries are aimed at "vulnerable and disadvantaged loan funded learners" and provide 'learner support' to help cover costs such as books, travel, childcare and some residential costs.[185] Funding is also available for 'learning support' (e.g. teaching assistants) and 'area cost uplifts' that reflect the cost of delivering provision in some parts of the country. Even so, the available bursaries are substantially lower than the support available to HE learners, with three monthly funding rates of just £50, £150 or £250 depending on a learner's needs.[186] The financial bias towards students in HE could hardly be more obvious.

Questions over improving access to higher-level study

One of the key principles of the Augar Review was that "everyone should have the opportunity to be educated after the age of 18."[187] As discussed in Chapter 2, nearly all universities and some colleges and other HE providers must agree an Access and Participation Plan (APP) with the OfS in order to charge the maximum tuition fee (£9,250). These APPs "set out how higher education providers will improve equality of opportunity for students from disadvantaged backgrounds to access, succeed in, and progress from higher education."[188] The plans often involve a range of activities to increase participation, including partnerships with local schools and colleges, mentoring and ambassador schemes and summer schools.

Alongside APPs, institutions receive additional funding directly from government that aims to increase access and participation. The 'Student Premium' element of the OfS teaching grant provides "additional resource for students at the highest risk of dropping out."[189] The OfS has allocated £306m for the Student Premium for the 2023-24 year, with the purpose of "meeting the needs of students…that are underrepresented in higher education or who need additional support to achieve successful outcomes".[190] The amount of funding allocated to each university depends on the number of such students enrolled and their characteristics, taking into consideration factors such as low prior attainment, and how many young people in their local area typically goes to university.[191]

The Augar Review stated that they "support the overall approach to access, participation and success for disadvantaged students".[192] Nevertheless, it observed "with surprise the absence of any over-arching assessment of the impact of different approaches to widening participation and success."[193] The Review recommended that APPs "should clearly specify intended outcomes"[194] and argued that further steps should be taken to "ensure disadvantaged students have sufficient support" including "requiring providers to be accountable for their use of Student Premium grant, alongside Access and Participation Plans for the spend of tuition fee income, to enable joined up scrutiny."[195] When the Review was published in 2019, some changes were already being made to the OfS's approach to access and participation. There has since been a further emphasis on measuring the impact of APPs, with the OfS asking universities and colleges to "strengthen their evaluation activity, and then share their evaluation results publicly" in the hope of generating a "more informed, evidence-based and impactful approach to access and participation".[196]

Regardless of these recent changes, concerns remain about the value and impact of APPs for two reasons. First and foremost, it is unclear from a policy or regulatory perspective how much of an impact these activities are having on the lives of students and potential applicants. The increased focus on evaluating the impact of APPs is a step in the right direction, but the sheer variety of activities delivered by HE providers (e.g. summer schools; visits; subject tasters; mentoring; help with university applications; careers evenings) under the banner of 'access and participation' – which are unlikely to be coordinated between different providers – means that there is a continued risk of unsatisfactory results, wasteful spending and a lack of visibility over whether any given scheme was worthwhile. Second, there are no consequences for an HE provider failing to meet their own targets for widening access and participation because their ability to charge the maximum tuition fee is only predicated on agreeing an APP with the OfS, not on whether the provider actually achieves what is set out in their APP. This awkward situation does not inspire confidence that a national regulator can generate substantive progress on widening access and participation.

More broadly, the fact that these APPs only apply to HE providers is indicative of the disjointed approach to such matters across the tertiary system. The Augar Review recognised that while there has been a "large increase in participation in higher education by young people, the total number of people involved in tertiary education has declined" and "social mobility shows little sign of improvement".[197] This raises fundamental questions about whether placing all the emphasis on getting more students from less privileged or underrepresented backgrounds into university is the most appropriate strategy. If the goal is to increase the skill levels of all adults, a more coordinated strategy to widening access and participation involving universities, colleges, apprenticeship providers and other stakeholders is surely a more desirable approach.

5. Regional factors

As noted in the introduction to this report, the movement towards a more unified tertiary system in other countries has been driven by, among other things, a desire to overcome the problems created by institutions acting in their own self-interest. This chapter will explore some of the issues that this self-interest can create in different parts of the country, and whether attempts to overcome these issues have been successful.

Duplication of tertiary provision

The Augar Review was clear that "a national network of high quality universities and [Further Education Colleges; FECs] was vital to the overall success of the tertiary system".[198] From 2015 to 2019 the Government had embarked on an 'area review' programme that led to mergers and closures within the FE sector, but the Review believed there were "problems with the way the sector is organised".[199] One such issue was that "there are some areas, particularly large urban areas, where the number of FECs is still too high", leading to "colleges competing for learners in an inefficient and very unproductive way."[200] While the Review accepted that "a certain amount of over-capacity encourages innovation and competition on quality, and allows learners to move away from poor performers", it noted that "too much over-capacity makes it very hard for institutions to build or maintain the critical mass required to invest in high-cost subjects, to risk new ventures, or to deliver a well-rounded and high quality offer."[201] The example given was Manchester, which has nine separate FECs, while London has 40 colleges – many of them within overlapping travel-to-learn distances. Moreover, the Review cited a report from the King's Commission on London that described the London FEC market as 'dysfunctional' because too much competition between colleges results in a narrower, not broader, range of courses.[202]

The Review offered examples of good practice such as Warwickshire College Group, a group of seven colleges across Warwickshire and Worcestershire, where "central coordination and planning of the colleges' offer mean learners have a wide range of high quality provision to choose from in reasonable travel-to-learn distances, which the group can invest in developing further without the risk of counterproductive competition between independent colleges."[203] Despite exceptions such as this, the Review concluded that "further rationalisation is required", not least because "there simply is not enough money to upgrade every FEC in every field." Consequently, the Review argued that "Government needs to be much more robust in using the levers it has, especially in the allocation of capital, and prioritise quality improvement and the development of well resourced specialisms to make them accessible to all learners."[204] To deliver this goal, the Review proposed that the "Government should develop procedures to ensure that …there is an efficient distribution of [provision] within reasonable travel-to-learn areas, to enable strategic investment and avoid counterproductive competition between providers", although it stopped short of outlining what such 'procedures' may entail.

These proposals have considerable policy merit, yet the same approach to reducing the level of duplication and promoting specialisation has not been applied to HE. The scale of overlap in the provision of university degree is easy to identify in London, Manchester and elsewhere, as the following examples illustrate:

- 12 universities in London deliver Bachelor's degrees in History, with a total of 26 HE providers in London offering 223 Bachelor's degrees in History-related courses including Ancient History.
- The University of Manchester, the University of Bolton, Manchester Metropolitan University and the University of Salford all offer a Bachelor's degree in Psychology, with 47 different Psychology-related degrees available from eight HE providers in and around Manchester.
- The University of Chester, Liverpool Hope University, Liverpool John Moores University, the University of Liverpool and Edge Hill University all offer Bachelor's degrees in Business Management, with 249 Business Management-related degrees available from eight HE providers in and around Liverpool.
- The University of Wolverhampton, the University of Law (Birmingham), Birmingham City University, Birmingham Newman University and the University of Birmingham all offer Bachelor's degrees in Law, with 116 Law-related degrees available from the seven HE providers in the Birmingham area.[205]

Such duplication in HE reflects the self-interest that permeates the sector when it comes to choosing the degree programmes and other courses that they will provide, even though rationalisation – particularly within the same localities – could be desirable for learners and employers as well as delivering better value-for-money. Indeed, if the prospect of rationalisation is ever discussed in HE circles, providers are often quick to bat away such notions. A recent report from the OfS on the financial sustainability of HE observed that "providers highlighted the difficulty in continuing to deliver loss-making courses and the need to consider diversification and rationalisation of courses", yet providers also "suggested that this can be challenging when considering the mission of the provider and can affect the attractiveness of the provider to staff and students."[206] In other words, HE providers recognise the benefits of rationalisation but still choose not to enact it.

This apparent indifference in HE to rationalisation and the associated increase in specialisation is nothing new. As EDSK noted in our 'Value-able lessons' report in 2021, 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, but they both struggled for traction and were eventually absorbed into the university collective. More recently, the Dearing Report (published five years after polytechnics had disappeared from the HE landscape in 1992) found that the diversity of provision 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".[207]

The same problem of increasing homogeneity still exists today. The current HE funding model makes little distinction between institutions as it merely funds the courses being provided. Coupled with the competitive and 'marketised' 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 put it.[208] There have been some exceptions, such as the recent announcement by Sunderland University that it was closing several departments and ceasing teaching modern foreign languages, history and politics to refocus on health, education, business, engineering, computer science, the arts and creative industries because they were "areas of key strength and growth".[209] Even so, the general absence of substantive discussions about rationalisation and specialisation in HE seems to be driven by the financial pressure on universities to deliver whatever is most lucrative within a high-stakes competition for tuition fee income.

In fairness, the apprenticeship system fares little better. The Augar Review highlighted that "the low number of apprenticeships in the priority areas in the Industrial Strategy… indicates a clear mismatch between the economy's strategic demands and current apprenticeship starts".[210] In terms of solutions, the Review called on the Government to "take a more proactive role"[211] and "monitor closely the extent to which apprenticeship take up reflects the priorities of the Industrial Strategy, both in content …and in geographic spread."[212] If necessary, "apprenticeships should be prioritised in line with Industrial Strategy requirements."[213] None of these proposals have been enacted since 2019 because the choice of which apprenticeships are delivered (and where) is no longer in the hands of ministers and civil servants due to the design of the apprenticeship levy. As with the HE sector, the Government is unable to influence provision in any meaningful sense, leading to a situation in which HE and apprenticeship providers are left to decide which courses and programmes are most suitable (or, perhaps, most profitable) without any regard to the needs of learners or employers. That is not to say providers never pay attention to the interests of other stakeholders, but the current tertiary system does not require or incentivise such behaviour.

That said, the Government has chosen to be more proactive in recent years in one specific area: Institutes of Technology (IoTs). As the Augar Review noted, IoTs are "intended to be prestigious, high quality institutions created by existing FE and HE institutions with leading employers to specialise in meeting Level 4/5 technical skill needs in STEM-based subjects, with options for progression to degree level."[214] The Review observed that "countries with successful higher technical provision ensure that it is available nationally and is partly managed centrally [but] by contrast, England's market-led approach is fragmented". To address this deficiency, the Review called on the Government to "take a lead role in ensuring geographical coverage of Level 4 and 5 provision"[215] – which, as IoTs are a government initiative – they have been able to do, at least to some extent. Backed by up to £300 million of taxpayers' money for capital investment,[216] there are now 21 IoTs operating over 80 sites. This approach shows what can be achieved if government retains its stake in the oversight of provision, in stark contrast to the entirely uncoordinated provision that dominates the HE and apprenticeship sectors.

Dealing with 'cold spots'

Not only does an uncoordinated approach to provision lead to duplication, it can also lead to 'cold spots' where there is insufficient provision of one form of another. Inevitably, consternation over potential 'cold spots' tends to focus on HE given its higher profile within political and media circles. In 2021, former Prime Minister Tony Blair and Lord Adonis said 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."[217] They noted 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, hence their call for the establishment of new universities in such towns.[218] Last year, former Universities Minister Lord Willetts echoed these sentiments by suggesting that "it would be a vivid and practical form of levelling up if priority were given to the cold spots which currently don't have their own university", and that "a starting assumption could be that every major town should have some form of higher education institution."[219]

A template for addressing HE cold spots is ARU Peterborough – a new £30 million university campus that opened in 2022. 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. 47 per cent of applications for the first intake of students came from people living in Peterborough postcodes, and in October 2023 Anglia Ruskin University was awarded *University of the Year* at the UK Social Mobility Awards in recognition of the role that ARU Peterborough is playing in improving social mobility in the city and region.[220] In December last year, Anglia Ruskin University repeated the feat by being named the *Times Higher Education University of the Year*, with judges particularly impressed by the development of the ARU Peterborough campus.[221]

A similar scheme is earmarked for Blackpool after town planners approved a new £65 million university campus in April 2024 – to be known as 'University Centre Blackpool' – which will be used by Blackpool and the Fylde College in collaboration with Lancaster University.[222] While a new university campus will always attract attention, the wider role of FE colleges in addressing cold spots should not be underestimated. Blackpool and the Fylde College already has some degree-awarding powers and around 130 colleges deliver validated provision on behalf of a university.[223] Such arrangements indicate that there may be untapped potential within colleges to expand the delivery of HE into poorly served parts of the country. As described earlier, IoTs are another model through which cold spots can be filled by a combination of FE and HE providers. Other examples of FE colleges playing a greater role in delivering HE include a new government-funded scheme, backed with £10 million, to help the Open University plug technical education cold spots by increasing the "capability" of around 10 to 12 FE colleges to provide and accredit relevant HE courses.[224]

What's more, there are some cold spots within the FE sector. The Augar Review highlighted how "the availability of quality higher technical provision within reasonable travel distances is far from comprehensive". This led the Review to propose that "specialist provision needs to be examined and managed from a national perspective …to ensure both that provision is fully utilised, and that learners in more isolated communities have access to a range of opportunities."[225] A more 'managed' approach to FE provision is already evident in some cases. Last year, the Cambridgeshire and Peterborough Combined Authority set aside almost £5 million to explore whether two new college campuses need to be built to tackle FE 'cold spots' because the lack of FE provision may otherwise force youngsters out of the local area.[226] This strategic thinking is commendable, yet when almost all the decision-making power and funding to tackle cold spots in FE and HE resides with central government then such initiatives will remain piecemeal despite the obvious opportunity to improve the coherence and equity of the tertiary system at a local and regional level.

Cold spots have also been identified with apprenticeships. Since the introduction of the apprenticeship levy, the drop in the number of apprentices has been most noticeable in the North East (-23 per cent), North West (-19) and Yorkshire and Humber (-16).[227] Meanwhile, the number of apprenticeship starts has remained relatively stable in London and the South East (-2 per cent).[228] Moreover, research by UCAS found that, of those who did not proceed with an application for an apprenticeship, the most common reason for doing so – cited by 61 per cent of applicants – was not being able to find one in their preferred local area. This figure rose to 77 per cent for applicants in the North East.[229]

Despite apprenticeships being "often considered a ladder of social mobility,"[230] analysis from London Economics has found that the apprenticeship levy (discussed further in Chapter 6) has "disproportionately funded higher-level apprenticeships for learners from more advantaged communities, rather than those from disadvantaged socio-economic backgrounds who would benefit more."[231] Similarly, a Sutton Trust report in 2022 showed that the overall fall in apprenticeships had been much greater in areas of high deprivation.[232] In addition, when looking at apprentices aged 16-29 who were eligible for Free School Meals at school, their report found that individuals from poor backgrounds were increasingly under-represented at each successive level of apprenticeships – making up 13 per cent of Level 2 apprentices, 9 per cent at Level 3, 7 per cent at Level 4/5 and 5 per cent at Level 6 (including degree apprenticeships).[233]

Other research has raised similar concerns about degree apprenticeship cold spots. A recent report found that these cold spots "could be emerging in areas of severe educational and economic disadvantage".[234] Indeed, the research suggested that "those already benefitting from educational and employment hot spots are also those in the greatest proximity to degree apprenticeship vacancies, while those in areas of less opportunity have to travel much further to find a degree apprenticeship vacancy."[235] For example, those from Norfolk would have to travel 12 times further than someone from Hammersmith and Fulham to access a degree apprenticeship.[236] The report concluded that "enabling participation from a range of backgrounds across the country is not only imperative for equity of opportunity and social mobility, but is also essential if the UK is to address its skills gaps and productivity problem"[237] – something that future policymakers would do well to remember.

6. The role of employers

The Dearing Report in 1997 argued that it is important to consider who benefits from HE when deciding who should pay for it. The Report considered employers to be "major beneficiaries of higher education through the skills which those with higher education qualifications bring to the organisations which employ them, and, in the long term, from research findings."[238] This led Dearing to recommend that in future government should "seek an enhanced contribution" from employers towards the cost of HE.[239] Almost three decades later, these 'contributions' have not materialised, even though tuition fees for students have risen from £0 to £9,250 over the same period. That said, while employers do not typically make a direct contribution towards the cost of HE (unless they choose to pay for their employees to attend courses), they nevertheless invest time and money in the tertiary system in other ways, as this chapter will explore.

The impact of the apprenticeship levy

The apprenticeship levy was introduced in 2017. Operating much like a payroll tax, all employers with an annual pay bill of over £3 million (approximately 2-3 per cent of all UK employers) are required to pay a levy at a rate of 0.5 per cent of their pay bill over the £3 million threshold to HMRC.[240] The funds that this levy generates are ringfenced for the use of apprenticeships. Levy-paying employers can see how much money they have contributed to the levy in a 'digital account' (with the total updated every month), and accumulated funds in these levy-paying employer's digital accounts remain there for up to two years before they expire and are passed over to the Treasury. The Government is then able to 'recycle' those unused funds to pay for apprenticeships in non-levy paying employers.[241]

The concept of employers paying into a designated fund for apprenticeships is a reasonable one, not least because other countries such as France have operated levy-based funding models for many years.[242] However, the evidence accumulated since 2017 strongly suggests that the apprenticeship levy has had many undesirable results. These include:

- **Unclear aims and objectives**: when introducing the levy, ministers offered no clear vision for what it was supposed to achieve, aside for occasional mentions of vague aspirations such as 'raising our nation's productivity' and making apprenticeship funding more 'sustainable'. Seven years on, there is still no indication of how government intends to measure the 'success' of the levy.

- **Rebadging and relabelling training courses as 'apprenticeships'**: previous research by EDSK found that more than 50 per cent of apprenticeships could in fact be 'fake apprenticeships', with employers inappropriately labelling training courses as 'apprenticeships' to access levy funding when they are nothing of the sort. Examples range from low-skill roles such as working in a coffee shop or on a shop checkout, through to rebadged Master's degrees – none of which meet any established definition of an apprenticeship.[243]
- **Deadweight costs**: a large volume of training courses are being funded by the levy that would have happened anyway even without the levy, as more and more existing training has simply been moved across to the levy system without adding any additional provision. This means that the introduction of the levy has failed to increase employers' investment in skills and training and has merely shifted it instead.
- **Poor value for money**: another previous report by EDSK found that the levy has generated worryingly low value for money in some cases. For example, by far the most popular 'apprenticeship' in England is a training course to become a 'Team Leader', for which employers can access £4,500 of levy funds for each employee enrolled on this course despite a very similar programme being available outside of the apprenticeship system for just £1,300.[244]
- **An increase in higher level apprenticeships**: there has been an increase in higher level apprenticeships (Level 4+) since the levy was introduced, alongside a reduction in the number of lower-level apprenticeships. This has significantly reduced the emphasis on generating entry level apprenticeships for less experienced workers, despite other countries still focusing on this core purpose.
- **A changing age profile**: a worrying side effect of the loss of entry level apprenticeships is that there is now an increasing emphasis on using 'apprenticeships' to train more experienced and older workers, with over half of 'apprentices' now aged 25 or over, and 40 per cent of apprentices having worked for their employer for over a year before their 'apprenticeship' began.[245]

Not only are there significant problems with the quantity of apprenticeships funded by the levy, but the apprenticeship system is also hampered by serious and persistent problems with the quality of provision. A recent report by EDSK raised numerous concerns about the lack of training being received by some apprentices. The report found that despite apprentices being entitled to a minimum one day a week of off-the-job training, one in five apprentices were unaware of this entitlement. What's more, more than half of apprentices (54 per cent) reported not receiving this minimum amount of off-the-job training, and 30 per cent reported receiving no training at all from their training provider during the entire working week.

Even where off-the-job training is being delivered, it is often low quality. Under current apprenticeship funding rules, training providers are allowed to count apprentices spending time writing assignments (including homework tasks) as 'training'. What's more, these funding rules place no restrictions on the amount of online learning that can take place, meaning apprentices can go weeks, if not months, without having any face-to-face contact with their training provider or receiving any direct training.[246] To illustrate the extent of these quality-related issues, almost half of all apprentices (47 per cent) drop out before completing their course and a staggering 70 per cent of those who drop out cite concerns about the quality of their apprenticeship – equivalent to 115,000 apprentices a year.[247] These concerns include, among others, their apprenticeship being low quality, badly organised, unhelpful or lacking the rigorous training they rightly expected.

Yet another new funding pot

Alongside the apprenticeship levy, which is directly funded by employers, the Government has introduced other schemes that aim to involve employers in tackling skills shortages across the economy. The National Skills Fund (NSF) was introduced in 2021 to "help adults to train and gain the valuable skills they need to improve their job prospects and support the economy."[248] The NSF funds various initiatives such as 'Skills Bootcamps', which are free courses lasting 12-16 weeks for adults aged 19+ who are either in work or recently unemployed, "giving them the opportunity to build up sector-specific skills and get a fast-track interview with a local employer."[249]

Employers play a significant role in Skills Bootcamps, as they work in partnership with training providers to develop the courses "to directly address their needs and key challenges with specific job roles."[250] These courses are focused on developing sector-specific skills that are thought to be "in demand at both local and national level"[251] across areas such as digital skills (e.g. software development), technical skills (e.g. construction and manufacturing) and health and social care.[252] Employers are able to use Skills Bootcamps to hire new staff or to upskill existing staff.[253] In cases where an employer wishes to train an existing employee through Skills Bootcamps, they are required to contribute towards the training costs: small to medium employers (1-249 employees) must contribute 10 per cent to the costs, whereas large employers (250 or more employee) contribute 30 per cent.[254]

Despite employers being able to contribute to the development of Skills Bootcamps and the requirement for them to co-fund some programmes, the Government still centrally manages the NSF. As a result, there is little flexibility in the types of training that it supports because the Government determines which courses and sectors can be supported by the NSF. The centralised nature of this funding means that it does not necessarily allow for strategic investment in the skills and training likely to increase productivity and economic growth in any given geographical area. Last year, the Government finally accepted that this was not the most effective way to run Bootcamps and agreed to let Greater Manchester and West Midlands Combined Authorities use their Bootcamps budget to develop new Bootcamps to meet local needs from 2024/25.[255] Even so, Skills Bootcamps represent another example of how the incoherence of the overall post-18 system is all too evident in terms of who makes decisions about skills and training, which can make even the most willing providers unable to engage with such programmes given the additional bureaucracy that they often bring.

Absence of wider coordination with employers

The 2021 'Skills for Jobs' White Paper set out the Government's plans to reform FE to support people "to get the skills our economy needs throughout their lives, wherever they live in the country." This document introduced the concept of Local Skills Improvement Plans (LSIPs), intended to bring together employers, colleges and other providers, and local stakeholders "to set out the key changes needed to make technical skills training more responsive to employers' skills needs."[256] The purpose of these plans was to provide "an agreed set of actionable priorities that employers, providers and other stakeholders in a local area can get behind to drive change."[257] LSIPs aim to "place employers at the heart of local skills systems" and facilitate "direct and dynamic" working arrangements between these stakeholders.[258]

The DfE ran eight trailblazer pilots from 2021 to 2022, the evaluations of which suggested that LSIPs may "play a future role in aligning [technical education and training] provision with employer needs."[259] These pilots have since informed the expansion of LSIPs, with the DfE setting aside £21 million to create LSIPs in 38 areas between 2022 and 2025 as part of their national roll out of the scheme.[260] Each LSIP is led by a designated employer representative body (ERB) – in the majority of cases this has been the local Chamber of Commerce, but there are also some LSIPs led by the Federation of Small Businesses, and some local sectoral membership organisations.[261]

Evidently the main goal of LSIPs is to encourage collaboration. A recent report from the AoC found that "college leaders have welcomed the focus on connecting with local employers …and a number of colleges have reported that they have met with employers that have not previously engaged with the skills system." Moreover, "in many areas colleges have been welcomed as genuine partners in the development of LSIPs, and it has at points enabled a collective review of the long-term skills needs within a place."[262] However, even with promising relationships between colleges and employers, other crucial stakeholders have limited input into the plans. Professor Ewart Keep from the University of Oxford has highlighted that, despite LSIPs striving to link local education and training providers more closely to employers, "in practice most of this activity is linked to FE colleges" rather than encompassing all aspects of both academic and vocational education (e.g. HE and apprenticeships).[263] This apparent refusal by government to require HE and apprenticeship providers to join these formal conversations about how to improve local skills and growth is a stark illustration of the absence of collaborative mechanisms within the tertiary system that could instil a sense of collective responsibility across the full range of providers.

Furthermore, although an LSIP is supposed to be informed by input from as many employers as possible, "many employers, especially SMEs, don't have the skills or resources to set out their future staffing needs in any detail."[264] Although the challenge of involving a sufficient number of SMEs is not unique to LSIPs, it demonstrates how building local partnerships and collaborations will not be a quick or easy task. There are also important differences in the operation of LSIPs between geographical regions. For example, in Greater Manchester an employer survey produced 2,800 responses, while in other areas only limited employer responses were received.[265] In addition, there is a lack of input into LSIPs from wider stakeholders such as worker representatives, trade unions and local authorities.[266]

Another criticism of LSIPs relates to their centralised nature. The ERBs that lead the LSIPs had to submit bids to central government to win this responsibility, while the Secretary of State for Education made the final decision on who was best suited to operate each LSIP and also "approved all 38 LSIPs in line with the approval criteria".[267] This highly centralised approach (which raises obvious questions about the inclusion of the word 'local' in the title of LSIPs) indicates that LSIPs are a far cry from the DfE's claim of being "employer-led and locally owned".[268] What's more, in addition to approving the ERBs, the DfE continues to "review and re-designate ERBs and LSIP geographies periodically, as appropriate", and "ERBs are expected to provide an annual progress report" – further demonstrating the significant involvement that the DfE has with LSIPs.[269] To illustrate the fate that may be awaiting any local area or LSIP that fails to toe the DfE line, the Government recently withdrew central government support (core funding) from Local Enterprise Partnerships (LEPs) that – like LSIPs – were tasked with bringing together businesses and delivering government programmes, albeit not only on education and training.[270]

On a more positive note, the transferring of LEP's responsibilities to Combined Authorities (where they already exist) has given more impetus to the drive towards a more devolved adult skills system. The West Midlands and Greater Manchester Combined Authorities now have 'Deeper Devolution' deals with central government that "extends existing devolved adult skills functions to include further areas of post-19 education and skills activity; and provides greater oversight of post-16 technical education and skills and careers."[271] The 2024 Labour Party election manifesto outlined plans for "a new statutory requirement for Local Growth Plans that cover towns and cities across the country", through which "local leaders will work with major employers, universities, colleges, and industry bodies to produce long-term plans that identify growth sectors and put in place the programmes and infrastructure they need to thrive."[272] Given the excessive centralisation that typifies the funding of adult education and training, greater powers at a local level to shape the tertiary education system would represent a positive shift in policy thinking.

7. Recommendations

The opening chapter of this report set out four objectives that a tertiary approach in England should strive to deliver to put the interests of learners at the heart of the system. Below is a summary of what the analysis in this report has discovered in terms of how the current tertiary system fares against each objective:

1. **COHERENCE: the system should be as simple and efficient as possible, with the roles and responsibilities of all stakeholders being considered in terms of minimising complexity and duplication.**

   While the pathway into full-time residential HE is well understood, other potential routes for young people and adults such as part-time HE, FE and apprenticeships have been neglected by policymakers, leading to an incoherent and confusing tertiary landscape. Past governments have sought to streamline the tertiary system by thinning out the number of FE providers in the name of 'efficiency', yet they have refused to apply the same logic to HE or apprenticeships – creating duplication and inefficiencies at every turn. Adding to this complexity is the existence of multiple funding streams and loans – each with their own intended beneficiaries, rules and regulations – as well as different approaches to pricing the delivery of tertiary education in HE, FE and apprenticeships. The artificial divide between FE and HE providers delivering similar courses at the same level and the bewildering approach to regulation and quality assurance also serve to underline the overall incoherence of the tertiary system.

2. **COLLABORATION: the system should actively promote collaboration between institutions as well as ensuring that employers, government and local stakeholders are all involved in shaping the provision.**

   Across the tertiary phase, providers are often incentivised to make decisions in their own institutional self-interest rather than focusing on the interests of learners, communities and employers. Even in those instances where collaboration has been actively encouraged such as LSIPs, the exclusion of many tertiary providers such as universities will ensure that little progress is made in promoting a new culture of collaborative thinking between all local providers, employers and wider stakeholders. What's more, central government maintains a tight grip on numerous funding pots and quality levers. This lack of local ownership inevitably pushes back against any attempts to bring local and regional stakeholders together to tackle current and future skills shortages. Occasional glimmers of the Government recognising the importance of local relationships, such as the devolution of the AEB and Skills Bootcamps, are welcome but insufficient for the task of building a tertiary system that can more effectively identify and meet local needs.

3. **EQUITY: the interests of the least privileged young people and adults should be prioritised to make sure that the individuals who face the greatest barriers to learning can access the available opportunities.**

   The vast majority of the financial burden of studying in HE now sits on students' shoulders, allowing the Government to largely withdraw its previous financial contribution. Worse still, recent changes to loans have been regressive, benefitting higher-earning graduates while severely impacting lower-earning graduates. Meanwhile, the generosity and availability of maintenance support has not kept pace with inflation or the increased cost of living, resulting in the least advantaged students facing even greater financial difficulties - which can in turn affect their studies. That said, these difficulties facing HE students still leave them in a better predicament than FE learners, many of whom are denied access to maintenance support altogether. The gaps between the most and least advantaged students are worsened by geographical disparities, with 'cold spots' evident in HE, FE and apprenticeship provision – especially in more deprived areas. This can limit the opportunities available to learners of all ages who are facing the greatest barriers to their progress, thereby creating more inequality in future.

4. **SUSTAINABILITY: wherever possible, the system should use stable and durable mechanisms for determining how best to support learners, institutions, communities and employers.**

   The current approach to regulation and quality assurance across the tertiary system is at best undesirable, and at worst untenable. In some cases, numerous government-funded bodies have overlapping responsibilities, particularly at sub-degree level, which has resulted in unnecessary (and sometimes costly) complexity for providers. In other cases, such as apprenticeships, there are huge gaps in the quality assurance mechanisms that allow poor provision to continue unchecked. These problems with quality assurance are worsened by the short funding cycles that dominate tertiary education, which make it difficult for providers to make long-term strategic decisions about their courses and programmes. Similarly, the first-come-first-serve model of apprenticeship funding encourages the wrong mindset among providers, thereby contributing to the seemingly endless (and fractious) debates over what the apprenticeship levy is supposed to deliver. In any case, the absence of any local or regional plans for tertiary provision means that there is nothing for providers to respond to even if they were minded to make long-term decisions about their provision.

It is clear, then, that change is needed if these four objectives for tertiary education in England are to be met in the coming years. Consequently, the remainder of this chapter will set out a new policy framework through which a more coherent, collaborative, equitable and sustainable system can be constructed. This will only be achieved if all the main stakeholders – students, providers, government and employers – have a financial stake in the future of post-18 education. The following recommendations explain how this can be done by building on the progress made so far with devolution and Combined Authorities.

A new foundation for tertiary education in England

RECOMMENDATION 1
To create a consistent and coherent approach to education in England, the system should be formally divided into four phases: Primary (ages 4-11), Lower Secondary (ages 11-14); Upper Secondary (ages 14-18) and Tertiary (ages 18/19+). The tertiary phase will cover learning at all levels as well as bringing together classroom-based and workplace training in existing HE, FE and apprenticeship settings.

If politicians do not signal their intent through talking about 'tertiary education' in its own right, there is little prospect of substantive reforms being implemented. Thus, the first step in building a new tertiary system in England is to establish tertiary education as a distinct phase in our wider education system that encompasses all forms of education after the end of compulsory education and training at age 18/19. Following EDSK's recent report that proposed Primary (ages 4-11), Lower Secondary (11-14) and Upper Secondary (14-18) education as the main phases in compulsory education, 'tertiary education' will cover post-18 learning from entry level up to postgraduate courses to ensure that there is a constant focus on helping learners progress through a single system. In addition, the tertiary phase will formally encompass different forms of learning both in the classroom and in the workplace (e.g. apprenticeships).

Establishing the new post-18 tertiary phase will change little as far as HE provision is concerned. That said, apprenticeships are available to 16 and 17-year-olds while the more advanced devolution deals (e.g. West Midlands and Greater Manchester) have included giving Combined Authorities "greater oversight of post-16 technical education and skills and careers"[273] (although not necessarily control of the funding). There is no reason why provision for 16 to 18/19-year-olds would be disrupted by the creation of the tertiary phase because coordination with prior education and training opportunities will always be important but, as will be demonstrated throughout this chapter, a formalised tertiary phase will offer numerous benefits in terms of the coherence and sustainability of the overall system.

RECOMMENDATION 2

To create a single approach to the funding, regulation and oversight of the tertiary phase, a new independent body – the National Tertiary Education Council (NTEC) – should be established to bring together these functions for post-18 education and act as the steward for the whole system.

With the new tertiary phase formally established, the next step is to create a single approach to supporting and overseeing the network of providers that operate in post-18 education. To this end, a new body – the National Tertiary Education Council (NTEC) – will take ownership of the tertiary system by overseeing all providers and courses in post-18 education as well as providing advice to government and acting as the convener of tertiary stakeholders inside and outside of government.

The NTEC should be a non-departmental government body reporting into the Secretary of State for Education. Considerable efforts should be made to ensure that its governance gives the NTEC a level of independence, credibility and respect that organisations such as the OfS and the IfATE have evidently failed to achieve. It is therefore proposed that the NTEC's board should be constituted in a way that reserves one place for a senior representative from each of the following organisations (in addition to the NTEC's Chair and Chief Executive):

- The Confederation of British Industry (CBI)
- The Federation of Small Businesses (FSB)
- The British Chambers of Commerce (BCC)
- The Institute of Directors (IoD)
- Make UK
- The Trades Union Congress (TUC)
- The Association of Colleges (AoC)
- The Association of Employment and Learning Providers (AELP)
- Universities UK (UUK)

Furthermore, NTEC's Board should have places reserved for two or three leading academics to ensure that the research community is visibly represented in their activities and that research evidence from this country and abroad informs their discussions. In future, the Board will take responsibility for appointing the Chair and Chief Executive of the NTEC in addition to overseeing its work across the tertiary system.

In terms of operational duties, the NTEC will have the following responsibilities:

- Providing advice to government (including the Prime Minister and Secretary of State for Education) on how to design and deliver a high-quality and cohesive tertiary education system
- Taking on a 'stewardship' role for the tertiary phase to deliver the necessary system-wide transformations
- Distributing the available funding grants for tertiary education at various levels (see Recommendations 6-12)
- Operating the register of approved tertiary education providers for classroom and workplace training, including degree-awarding powers (see Recommendation 13)
- Deciding eligibility requirements for courses to receive government grants or student loan funding (see Recommendation 14)
- Setting the funding rates for all classroom and workplace-based provision (see Recommendation 17)
- Overseeing the data collection requirements for monitoring providers and tracking learners throughout the tertiary system

In effect, the NTEC will take on the existing responsibilities for post-18 education currently residing in the OfS, the IfATE and the ESFA – bringing their key functions into a single body, which will be better able to manage the tertiary phase in terms of providing the necessary leadership and ownership of the overall system. It should also be possible for the NTEC to operate alongside 'Skills England' – a new government body that will aim to fix the 'fragmented and broken' skills system by co-ordinating a national strategy to boost the nation's skills base.[274]

With the new NTEC in place, it is necessary to guard against the risk that it takes on too much responsibility because a single organisation trying to *directly* manage all post-18 education would be inappropriate and almost certainly undeliverable in the English context (even if smaller countries may seek to employ this approach). To address this issue, the NTEC will operate at the peak of a devolved delivery system for tertiary education in England, thereby restricting its role to those functions best retained centrally (e.g. setting funding rates, deciding which providers should be eligible to receive government funding). The remainder of this chapter will describe how this devolved approach will work in the new tertiary system.

A better deal for students

RECOMMENDATION 3
The fees charged to students for classroom-based tertiary education courses will be capped at £6,000 a year – a significant reduction from the present £9,250 fee cap.

Allowing providers to charge up to £9,250 has led to highly undesirable outcomes in terms of the amount of debt that students accrue by completing classroom-based qualifications, even more so for students from the most disadvantaged backgrounds. To begin the process of making tertiary education more equitable and sustainable from the perspective of students, the fee cap should be reduced to £6,000 a year for all classroom-based provision.

There are both political and policy reasons for choosing a £6,000 fee cap for tertiary courses. On the political side, when the fee cap was raised to £9,000 in 2012/13 Lord Willetts, then Universities Minister, believed this maximum fee would be for "exceptional circumstances" and that for many courses the tuition fee would be closer to £6,000 or £7,000 per year.[275] Ed Miliband also proposed £6,000 tuition fees during his tenure as Labour Party leader.[276] Both these interventions suggest that £6,000 has a strong political appeal. To illustrate the point, recent polling of over 8,000 adults showed that a reduction to £6,000 was the most popular option for reforming tuition fees, with 46 per cent in favour and only 27 per cent against. It was even more popular than reducing the cap to £3,000 or abolishing fees altogether.[277]

In terms of policy justifications, many colleges and independent HE providers are already expected to deliver degree programmes for £6,000 a year due to their lower fee cap, suggesting that this figure represents an appropriate 'baseline' for thinking about the delivery of tertiary education even if many specialist courses will inevitably require additional funding over and above this level. £6,000 a year is also a significant uplift from the £4,753 awarded per student for educating 16 to 19-year-olds,[278] meaning that there is no reason why high-quality courses cannot be delivered with this lower fee cap. The impact of this lower cap on students is also highly significant, as it would reduce their final loan balances by around £10,000 over the course of a three-year degree – a potentially symbolic shift in the Government's attitude towards what constitutes an acceptable level of debt for future learners.

There would need to be a further discussion on whether the £6,000 cap would subsequently rise in line with inflation rather than being frozen in cash terms, but this future debate would not detract from the importance and timeliness of this proposed change. Other conversations around the appropriate fee cap for 'accelerated degrees' and part-time learning would be important too, but would not change the overall direction of travel.

RECOMMENDATION 4

As envisaged by the Lifelong Learning Entitlement, a single tuition loan system should operate for all tertiary education courses at Levels 4-6. The repayment of loans should be reformed by using a 'stepped repayment' system to achieve two goals:

- The future loan system will operate more like a 'graduate tax' to make loan repayments more progressive by reducing monthly repayments for many low-earning graduates and increasing repayments for the highest earners.
- The combination of stepped repayment thresholds and 0-3% real interest rates (post-study only) will free up government funds through reduced tuition fee and maintenance loan write-offs. These funds will be used to create a new £2 billion 'Student Support Fund' (SSF) to help poorer students cover their living costs and support other activities around widening participation.

The Government's reforms to student loans after the Augar Review have been detrimental to the lowest-earning students. This report proposes that these unwelcome reforms should be overturned by more progressive repayment terms designed to relieve the burden on many low-earning graduates while also increasing the repayments made by the highest-earning graduates. The new repayment terms would operate as follows:

- A 'stepped repayment' system would be introduced: 2 per cent of earnings between £12,570 and £44,570; 3 per cent of earnings between £44,570 and £76,570; and 2 per cent of earnings above £76,571.
- Real interest rates of 0–3 per cent would be re-introduced post-study for graduates earning between £12,570 and £76,570; and 3 per cent for graduates earning more than £76,570.

Modelling carried out by London Economics for this report shows that these reforms, when coupled with the reduced fee cap to £6,000, will reduce loan write-offs for both tuition fee loans and maintenance loans. These reduced write-offs will effectively free up new funding of almost £2 billion for each cohort of students. This report proposes that the Government should then re-invest this funding in a new 'Student Support Fund' (SSF), which will be used by tertiary providers to help cover the living costs of students from the poorest households. In addition, the SSF will fund the 'widening participation' activities that some providers already deliver.

RECOMMENDATION 5

A single unified system of maintenance support should be introduced for all tertiary provision across universities and colleges. Alongside the introduction of the SSF, student loans will be reformed to increase the level of maintenance funding available to students and increase the earnings thresholds for accessing maintenance support.

Alongside the new lower fee cap, other measures will be needed to provide greater financial assistance to students in classroom-based tertiary education. This report proposes that two reforms are required to the wider system of financial support for maintenance (living costs):

- The total amount of maintenance support should be uprated using CPI inflation in line with the 2016/17 thresholds, giving a maximum maintenance package of £11,400 (grant + loan) for full-time students outside London and £14,878 for students in London.
- The household earnings thresholds that determine the level of maintenance support available to a student should also be uprated in line with the 2016/17 thresholds. For example, at present a student from a household earning more than £62,343 who lives away from home outside London is only entitled to the minimum loan of £4,651, whereas under the proposed system this threshold would rise to £80,921. The earnings threshold for receiving the maximum available support would also increase from £25,000 to £32,535.

This more generous approach will provide a welcome boost to students' finances, particularly those from the poorest households. As a result, the tertiary system will be more equitable and sustainable. Those studying on shorter courses will also be able to access maintenance loans, albeit proportionately smaller loans than those available for full-time (120 credit) courses.

A fairer funding settlement for tertiary education

RECOMMENDATION 6

To support the delivery of high-cost classroom-based courses in universities and colleges, a new £5 billion 'Teaching Support Fund' (TSF) will be created. The TSF will be funded from two sources:

- The present £1.4 billion of teaching grants distributed by the Office for Students
- A new £3.6 billion 'employer levy' of an additional 0.4 per cent Employers' National Insurance contribution for organisations employing graduates.

A reduction in the fee cap to £6,000 would significantly reduce the income of HE providers if nothing else changed. To make up the shortfall in funding, this report proposes that a new

'Teaching Support Fund' (TSF) will be created alongside the new SSF. The purpose of the TSF is to help providers cover the cost of the most expensive Level 4-6 courses such as university degrees and high-cost technical courses.

The TSF will be funded from two sources, one existing and one new:

- **OfS recurrent funding for providers**: in 2023/24, the OfS will distribute £1.407 billion to HE providers, the vast majority of which will be used to support the delivery of high-cost university degrees.[279]
- **A new 'employer levy'**: seeing as employers benefit considerably from the outputs of HE, it is entirely reasonable to ask them to contribute to the costs of the new tertiary system. Consequently, this report proposes that the Government should introduce a new levy of 0.4 per cent additional Employers' National Insurance contributions for each graduate that an employer recruits. This would only apply to graduates who commence their studies after the new tertiary system has been implemented rather than being a retrospective tax change.

Modelling carried out by London Economics for this report shows that this new employer levy would raise £3.576 billion a year. When combined with the £1.4 billion of OfS funding, these two funding sources would produce a £5 billion TSF, which will be distributed to providers of classroom-based tertiary education to support the delivery of the most expensive academic and technical courses. This will give both government and employers a clear stake in the financing of classroom-based tertiary education, which is why both stakeholders will also now be given a stake in determining how the money is used.

RECOMMENDATION 7

To support adults who need to complete a classroom-based course at Level 3 or below, the Government should combine the Adult Education Budget and the free Level 3 qualification offer into a single 'Local Skills Fund' (LSF). This LSF will provide grant funding to help low-skilled adults gain the skills, confidence and motivation they need to participate in our economy and society (e.g. literacy, numeracy and digital skills qualifications).

The AEB provides vital support to some of the least privileged members of society who may need a mixture of short-term and long-term support to engage (and re-engage) with learning and employment, particularly if they have been out of work for months, possibly years. Unfortunately, the current approach to funding adult skills is obscured by the multitude of funding streams that each come with their own goals, target audience, eligibility rules and much more besides. This stems, at least in part, from a lack of a clear overall objective for the AEB despite the existence of various legal entitlements.

In line with the Government's current plans to simplify the skills funding system, and based on EDSK's previous proposals for reforming adult skills funding, this report proposes that the Government should combine the AEB and the current free Level 3 qualification offer (funded by the National Skills Fund at present) into a 'Local Skills Fund' (LSF). This will create a single funding stream for providing all adults with the training and qualifications they need to progress from entry level up to Level 3. The objectives of the LSF will be to:

- Support all adults to gain basic literacy, numeracy and digital skills
- Help low-skilled adults build their confidence and employability skills
- Upskill as many adults as possible to be qualified at Level 3

Even with the introduction of the LSF, learners will retain access to the student loan system / LLE if they wish to go beyond their locally determined grant-funded entitlements from the LSF to ensure there is no cap on their ability to invest in their own learning.

RECOMMENDATION 8
To simplify the support available to tertiary education providers, the Government should combine the existing capital funding available to HE and FE providers into a single capital funding pot.

Given that this report is proposing a set of changes that are designed to improve the coherence and sustainability of tertiary education in England, it would seem unwise to leave obvious divisions between HE and FE unchanged in the new system.

Thanks to the Augar Review, the FE sector has received a welcome injection of capital funding in recent years. Even so, a more coherent tertiary system will require a simpler and more coordinated approach to funding wherever possible, and the method of allocating capital funding should be no exception. On that basis, this report proposes that a single capital funding pot should be created for tertiary education providers rather than dealing with HE and FE allocations in silos. This combined approach may require policymakers to revisit the reclassification of colleges as 'public sector' institutions (see Chapter 8) seeing as colleges are currently more constrained in their ability to borrow money in capital markets.

RECOMMENDATION 9

To ensure that all employers have a stake in the new tertiary system, the Government should convert the apprenticeship levy into a new 'Apprenticeships and Skills Levy' (ASL). All UK employers with at least 10 employees will contribute 0.4% of their annual payroll costs towards the ASL, raising approximately £4.1 billion a year. The ASL will be split into two funding streams:

- A 'National Apprenticeship Fund' to deliver world-class apprenticeships that will help learners of all ages enter skilled occupations, including bursaries for apprentice employers
- A 'National Skills Fund' to drive economic growth and productivity through strategic investments in skills and training, all of which will be guided by employers

Although the apprenticeship levy has made some progress in generating more interest in the skills agenda, the levy must now evolve if it is to command the confidence of employers and policymakers. To ensure that investment in skills and training is at the forefront of employers' minds, this report proposes that the existing levy should be broadened in scope so that all employers must make contributions instead of relying solely on large employers. Thus, the apprenticeship levy should be converted into a new levy – the 'Apprenticeships and Skills Levy' (ASL) – into which all employers (bar those with less than 10 employees) should be required to pay.

In line with EDSK's previous proposals for the ASL, it will be set at a rate of 0.4 per cent of total annual payroll contributions (based on the previous tax year). This represents a reduction from the 0.5 per cent of payroll costs that large employers currently contribute under the existing levy. However, by including all employers other than micro-businesses, it is estimated that the ASL will raise £4.1 billion a year.[280] Not only will this new approach secure an adequate source of funding, it will negate the need to artificially separate levy-paying employers from non-levy employers as all employers are now subject to the same contribution rate. This will dramatically simplify the funding architecture and will allow policymakers to focus on driving up skills investment across the economy without being held back by arbitrary distinctions or needing to have separate discussions with two separate groups of employers.

The revenues generated by the new ASL should be split into two separate pots: a **National Apprenticeship Fund (NAF)** to deliver world-class apprenticeships that will help learners of all ages enter skilled occupations, and a **National Skills Fund (NSF)** to drive economic growth and productivity through strategic investments in skills and training. As their names suggest, these two pots will play crucial but separate roles in driving up skill levels across the economy.

The NAF will have the following objectives:

- Investing in world-class apprenticeships up to Level 6 to help learners enter a skilled occupation or trade
- Preparing learners to progress and develop their skills through pre-apprenticeship training such as traineeships
- Encouraging employers to offer more apprenticeship and pre-apprenticeship opportunities through financial incentives

Meanwhile, the NSF will fund non-apprenticeship training courses and programmes to achieve the following objectives:

- Reskilling and upskilling the existing workforce in response to local and regional skills shortages and wider economic conditions
- Promoting collaboration by funding projects that deliver skills and training across multiple employers
- Improving the quality of leadership and management skills in employers of all sizes

As a starting point for future consultation, the Government would decide how to allocate the levy revenues between the two funds. A 50/50 split of approximately £2 billion in both the NAF and NSF would be a sensible starting point, as removing training that is inappropriately labelled as an 'apprenticeship' from the NAF would allow more funding to be moved to the NSF to support the same training in a more cost-effective manner (e.g. management and leadership courses). In future, the Government could also move money between the funds to reflect demand. For example, in an economic downturn apprenticeship opportunity may decrease due to a lack of employer capacity, which would result in excess / unused funds within the NAF that can be redeployed to the NSF to invest in reskilling and retraining.

Another crucial component of this new funding architecture is that any surplus money in either fund is simply rolled over in perpetuity – thereby creating a sustainable funding source that overcomes the uncertain and sometimes antagonistic atmosphere created by the existing levy, which sees levy contributions taken away from employers if they do not use them quickly enough. As with the current levy, it is proposed that Scotland, Wales and Northern Ireland will receive funding from the ASL as a lump sum based on the Barnett Formula, meaning that the NAF and NSF will apply to England only. The devolved nations will then be able to spend their lump sum allocations however they see fit.

A localised model for delivering tertiary education

RECOMMENDATION 10
Combined Authorities should work closely with universities, colleges, apprenticeship providers and employers to create a Local Tertiary Education Plan (LTEP) that sets out how the tertiary education system and the providers in their area will contribute to boosting economic growth and productivity, including through widening access and participation. The LTEP would feed into the Government's proposed 'Local Growth Plans' for towns and cities across the country.

This report has described how tertiary education in England is highly centralised in the way that it is funded, regulated and overseen, with government departments and agencies having enormous sway over the delivery of education and training in every part of the country. As was noted in Recommendation 2, the new NTEC – part of central government – will be restricted to the handful of functions best retained centrally because it would be impractical to directly run all forms of tertiary provision across England through a single organisation. Instead, decisions about how best to organise tertiary education will now be devolved to Combined Authorities.

To underpin the work of Combined Authorities in how they organise tertiary education, they must first create a Local Tertiary Education Plan (LTEP) that sets out the goals for tertiary provision in terms of what it will strive to achieve as well as describing how their approach will boost economic growth and productivity in their area. This plan will be publicly available so that central government ministers and local stakeholders will all be able to see what the Combined Authority wants to achieve and how it wants to achieve it. It is worth considering to what extent the LTEP should also incorporate national goals around tertiary education, although the emphasis should remain firmly on meeting the needs of learners, communities and employers at a sub-regional level.

The LTEP will supersede the current LSIPs because it will cover the full range of providers across HE, FE and apprenticeships. As a result, providers will now have a clear articulation of what they should collectively be seeking to deliver, unlike the existing LSIPs that only formally involve FE colleges and are thus of little value when trying to shape the whole tertiary system. Crucially, this change of dynamic will create an expectation on all providers that they must contribute to a wider set of goals beyond their institutional self-interest.

Another key difference between the LTEP and LSIPs is that the goal of the new Plan will be to support learners of all ages in the tertiary phase because upskilling and reskilling apply to learners throughout their careers, not just to young people starting a university degree or to low-skilled adults looking to improve their literacy or numeracy. It is only by taking a much broader view of education that economic growth and productivity can be driven forward in a sustainable manner. Thus, the LTEP will be a powerful vehicle for promoting more institutional collaboration within each Combined Authority because the goals in each Plan are unlikely to be met by every provider acting in isolation. In fact, some goals may only be achievable if providers work closely together to build new opportunities and pathways for learners, particularly those looking to progress from lower levels. The Combined Authority will therefore be able to use the LTEP to encourage the sorts of collaborations and partnerships that are all too rare at present because, as will be described in the next few recommendations, all tertiary providers will be expected to support the Plan and this could mean coordinating their courses and programmes with other providers – as seen in IoTs, for example.

What's more, the LTEP will include the Combined Authority's goals for widening access and participation in tertiary education. This could involve initiatives such as setting targets for the percentage of adults qualified up to various levels in that local area, or requiring providers to recruit more students from disadvantaged backgrounds. It will be up to each Combined Authority to decide what changes are needed in terms of access and participation, and then incorporate these goals into their LTEP, although again it may be worth expecting the Plan to reflect some form of national goals in relation to their wider social objectives. Combined Authorities would also take on responsibility for ensuring that their access and participation goals are being met by different providers.

As one possible model for achieving this goal, the 2024 Labour Party manifesto expressed a desire for new 'Local Growth Plans' – which would be produced by the local leaders, employers, universities, colleges, and industry bodies – to "align with our national industrial strategy."[281] LTEPs would be a promising vehicle for delivering this vision because they involve a wide range of stakeholders who have a clear interest in developing the skill levels of all adults within their local area. As a result, the LTEP could in time become a formal component of Local Growth Plans because achieving sustainable economic growth and improving productivity cannot simply be a case of expanding universities or delivering more higher-level apprenticeships – it must involve concerted action on improving skills across the population, from offering entry-level courses up to expensive specialist tertiary programmes.

RECOMMENDATION 11

To deliver their LTEP, the NTEC will send Combined Authorities their proportionate share of the six national funding pots described in earlier recommendations:

CLASSROOM-BASED PROVISION

1. **Teaching Support Fund:** to support the delivery of high-cost courses at Levels 4-6 in classroom-based settings
2. **Student Support Fund:** to help students from poorer households cover their living costs and support widening participation activities
3. **Local Skills Fund**: to fund adult education courses / basic skills at Level 3 and below
4. **Capital Funding**: to fund investments in new facilities and equipment

WORKPLACE-BASED PROVISION

5. **National Skills Fund**: to drive economic growth and productivity through strategic investments in skills and training
6. **National Apprenticeship Fund**: to deliver world-class apprenticeships that will help learners of all ages enter skilled occupations

Combined Authorities will also be allowed to top-slice the funding they receive from the NTEC to invest in strategically important courses prioritised in their LTEP.

To give Combined Authorities the tools they need to deliver their LTEP, this report proposes that the six funding pots described in earlier recommendations are now devolved to Combined Authorities. This will mean distributing a proportion of each of the six funds to every Combined Authority. The precise formula used for determining these proportions would require detailed consultation, but it could include a range of factors related to each local area (e.g. population size, levels of education, economic disadvantage, deprivation rankings, cost of provision). Needless to say, whatever factors are eventually chosen should be published so that the funding of the tertiary system is transparent and therefore retains the trust of all stakeholders.

Once a Combined Authority has received its allocation of each funding pot, it will have the freedom to distribute the funding to existing HE and FE providers in line with its LTEP. This will formalise the creation of a single tertiary system in each area because there will no longer be any distinction between HE and FE providers even if particular institutions retain certain specialisms (e.g. degree-awarding powers). This means that, for example, colleges can receive TSF money for high-cost provision as well as SSF money for supporting poorer students during their studies rather than these pots being reserved for HE. In addition, classroom-based and workplace-based provision in each area will be viewed through the same lens of improving economic growth and productivity rather than being treated as separate pursuits.

Furthermore, Combined Authorities will be given the freedom to hold back some of the funding allocations they receive from the NTEC (e.g. reserve a proportion of their TSF allocation) to invest in the subjects or courses that relate to particular goals in their LTEP. In other words, rather than merely flowing all the allocated funding through to providers, a Combined Authority would be entitled to create its own strategic investments pots to send additional funding to providers for specific tertiary courses both inside and outside the classroom. For example, if a Combined Authority identified engineering apprenticeships as a priority, it could reserve some of its NAF allocation to top-up the funding for providers who deliver these apprenticeships. This flexibility will allow Combined Authorities to actively pursue the goals in their LTEP by supporting the classroom-based courses or apprenticeships that offer the greatest value to their local area.

RECOMMENDATION 12

To provide greater stability for providers, Combined Authorities will award the main grants for classroom-based provision (TSF, SSF and LSF) on a 3-year funding cycle based on how effectively each provider contributes to the LTEP. Capital funding and workplace training such as apprenticeships will continue to operate on a demand-led basis.

The annual cycle for almost all HE and FE funding is detrimental to providers and learners because it creates an unstable environment that discourages long-term planning. To remove this distortionary pressure, Combined Authorities will allocate funding for classroom-based provision on a 3-year cycle. This means that each provider will be allocated a block grant from the TSF, SSF and LSF and will have three academic years over which to use these grants within their institution to deliver courses and financial support to learners.

The size of the block grant to a provider will be determined by the Combined Authority based on how effectively each provider contributes to the goals in the LTEP, thereby providing a focal point for providers as they decide which courses to deliver. When the new tertiary system is first created, the allocations of block grants would be based on each provider's recent record of course delivery, whereas future allocations will be determined by how much a provider has contributed to achieving the goals in their LTEP as judged by the Combined Authority. Again, there will be no distinction made between HE and FE in this context: all providers will be able to grow their funding allocations if they make a greater contribution to the LTEP regardless of their institution size, historical funding or degree-awarding powers. Conversely, any provider that does not make a sufficiently meaningful contribution to the LTEP is likely to see their funding allocations reduced over time.

Once a provider receives their allocation of each of the three classroom-based grants – the TSF, SSF and LSF – they can use it as they see fit to support courses, programmes and learners within their institution. For existing HE providers, they are most likely to use the TSF to support degree-level courses that typically cost over £6,000 a year to deliver. Tertiary providers will also be able to use the SSF to hand out grants to students from poorer households to help them with their living costs while they are studying, particularly as this could reduce the level of maintenance loans that the students must also take out if they are living away from home. What's more, the SSF can be used to deliver 'widening participation' activities that aim to increase participation in tertiary education.

In short, this flexibility for providers will allow them to concentrate on how best to meet the needs of learners, communities and employers in order to contribute to the goals in the LTEP for their local area, both in terms of helping learners of different ages access provision and helping them progress using different pathways and modes of learning. Given that workplace training such as apprenticeships operates all year round, the NAF and NSF will continue to be available throughout the year. In addition, capital funding will not be restricted to annual cycles because the allocations from central government to Combined Authorities will not have any clawback mechanism, so any unused funding from one year will roll over to the next year within the control of the Combined Authority. This will give Combined Authorities far more certainty around investing in new capital projects.

RECOMMENDATION 13

To give Combined Authorities the ability to shape provision in their area and combat inappropriate franchising and subcontracting arrangements, tertiary providers (including classroom and workplace provision) will need to obtain a 'licence' from each Combined Authority if they wish to receive funding to deliver courses from premises in their locality.

There is little prospect of creating a more coherent and sustainable tertiary system in each area if a Combined Authority has no say in which providers can operate within its geographical boundaries. The explosion in franchising and subcontracting has undoubtedly contributed to a sense of instability as well as some unscrupulous providers being able to access government funding (including student loans). The most logical way to create more stability and coherence at a local level is to introduce a simple 'licence' that a provider must obtain from a Combined Authority if it wishes to deliver any form of tertiary education in that region.

As described in earlier recommendations, the NTEC will hold the register of approved tertiary providers at a national level, which will focus on checks around capacity, expertise and due diligence. Once a provider is on this national register, they can apply to a Combined Authority to receive a licence to operate within their geographic area. No government funding – either grants or loans – will be available to providers that do not hold a licence. This will allow Combined Authorities to closely monitor who is providing tertiary education within their boundaries as well as giving them an important stake in promoting high-quality provision and removing low-quality providers from the tertiary system by withdrawing their licence. The quantitative and qualitative information that a Combined Authority uses to judge the suitability of providers will be at their discretion, although existing datasets such as drop-out (non-continuation) rates would potentially be useful in this context.

Rethinking the quality and regulation landscape

RECOMMENDATION 14

To ensure the available funding pots support the provision that delivers the greatest value, the NTEC will design the 'accreditation' criteria that courses and programmes must meet to receive government funding (either through institutional grants, student loans or via workplace-based training).

Through the LTEP, Combined Authorities will have a crucial voice in setting the direction of the tertiary system in their area. Moreover, tertiary providers will continue to decide which courses and programmes they wish to deliver, albeit with the added incentive of more funding in future if they support the delivery of the LTEP. That said, central government is also entitled to have a say in how taxpayers' money is used, and this is best achieved through implementing basic quality assurance checks on the different courses and programmes being made available to adults.

Based on a recommendation by EDSK in our previous investigation into 'low value' HE, the easiest way to achieve a basic level of quality assurance would be through a light-touch 'accreditation' process for qualifications at Levels 4 to 6. To reflect the diversity of courses available across the arts, humanities, science and social sciences as well as different occupations and technical programmes, there should be several ways for examination boards and universities to gain this accreditation, and it may be necessary to have different accreditation processes for degree and non-degree courses.

Although consultations would be necessary to determine the final accreditation routes, provisional suggestions include:

- **Being approved by a Professional, Statutory and Regulatory Body:** as noted earlier in this report, many professional bodies take a close interest in the content, quality and rigour of courses (at degree and sub-degree level) in their particular occupation or profession. Requiring the relevant PSRB to sign-off on a course in that specific profession would therefore be an obvious candidate for quality assurance.
- **Receiving letters of support from five employers:** similar to the process used for vocational qualifications in schools and colleges in recent years, requiring at least five employers to write open letters of support for a qualification (in terms of its content and assessment) could be an effective means of promoting high-quality courses, particularly with the new LTEPs in place to encourage providers to contribute to local economic growth and productivity.
- **Using external exams designed by an awarding organisation:** in the absence of support from a professional body or employers, requiring university degrees to use externally designed and marked assessments for at least some proportion of a degree course could provide a strong signal that there is sufficient quality assurance in place. Large awarding organisations in the UK already have considerable experience in designing nationally comparable assessments, making this a good candidate for providing another layer of assurance.

Crucially, this process of accreditation would not stop new courses and qualifications from being designed in response to demand from students, employers or professional bodies. This leaves considerable scope for innovation by employers and professional bodies working closely with universities and colleges. The courses available through the LSF, NSF and NAF would also need an accreditation process. For example, the NSF could draw on a similar process to that described above for higher-level qualifications, while the LSF could prioritise basic skills and other entry level programmes that are already overseen by Ofqual.

At present, the content of each apprenticeship is described in an 'occupational standard' and the process of developing these standards involves consultation with employers. That said, the NTEC will take over the IfATE's existing responsibilities for setting the requirements for each standard to be approved (e.g. how much training is required, what forms of training are deemed acceptable etc). Again, the focus should be on a simple and streamlined process with quality assurance provided by external parties (e.g. academics, industry sector experts etc).

RECOMMENDATION 15

To create a coherent approach to regulation, Ofsted will inspect all classroom-based provision from Levels 1 to 5 and Ofqual will regulate all qualifications from Levels 1 to 5. For degree-level courses, Combined Authorities will decide how best to monitor the quality of delivery as a condition of tertiary providers receiving a licence to operate in their area.

Leaving aside the debates over how Ofsted judgements on schools and colleges are determined and published, it is widely accepted that providers must be subject to some form of external inspections to protect the interests of learners. However, under the current HE system, many qualifications such as Foundation Degrees and Higher National Diplomas avoid such inspections. This is incoherent and unjust from a policy perspective because non-HE providers such as colleges are perfectly capable of delivering sub-degree level courses yet only the colleges are subject to Ofsted inspections, not the universities. Furthermore, Ofqual-regulated qualifications are found in part of the college-led Level 4 and 5 system but prescribed (HE) qualifications escape the same scrutiny.

The simplest way to achieve a more coherent system for standalone classroom-based Level 4 and 5 qualifications is for Ofsted to inspect all standalone provision at Levels 1 to 5 regardless of the setting in which it is delivered. Meanwhile, Ofqual should regulate all standalone qualifications from Levels 1 to 5 because there is no empirical reason to assume that a university is able to deliver and effectively quality-assure such qualifications when other providers are not.

For degree-level qualifications, Recommendation 13 explained how providers must obtain a licence to operate in a Combined Authority area. When coupled with the distribution of grants by the Combined Authority (based on the contribution that a provider makes to their LTEP), there are now robust mechanisms in place for judging the value of a tertiary provider's provision. Even so, it could be that a Combined Authority wishes to go a step further by introducing, say, minimum benchmarks for performance and subsequently carrying out investigations into a particular course or programme. Either way, the decision rests with the Combined Authority in terms of what expectations and / or requirements it wishes to place on providers that receive its grant funding (e.g. TSF).

RECOMMENDATION 16

As part of a new drive to improve the quality of apprenticeships, including 'degree apprenticeships', the Government should hand responsibility for inspecting apprenticeship providers and improving quality to a new body – the National Apprenticeship Inspectorate – which will report into the NTEC.

The confusion over who is ultimately responsible for monitoring the delivery of degree apprenticeships is just one example of the misfiring quality assurance arrangements within the current system. On top of this, a previous investigation by EDSK described the sheer scale of poor-quality apprenticeships in England, and there is no evidence to suggest that degree apprenticeships are necessarily offering better quality training than lower-level courses. EDSK's investigation also found that there were inadequate and delayed checks on new apprenticeship providers, lengthy delays in inspecting existing providers and no quality improvement processes or support for employers taking on apprentices – all of which have combined to weaken the quality of apprenticeship provision in this country. In other words, the current setup is failing to ensure that all providers and employers are delivering high-quality training. Although giving Ofsted more resources may help address some of these concerns, a much wider drive for quality improvement is needed to overcome the existing flaws in the apprenticeship system.

To simplify the regulatory landscape and tackle poor-quality provision, this report builds on previous proposals in EDSK's investigation by recommending a new body called the National Apprenticeship Inspectorate (NAI). In effect, this body will be created by spinning out Ofsted's existing apprenticeship inspection duties and then expanding its remit and responsibilities in several crucial areas. This will make sure that the existing expertise and insights gathered from inspecting apprenticeship providers continues to inform future inspections and related activities. Consequently, the NAI will simplify the quality landscape for all apprenticeship providers, particularly at degree level, and will report into the NTEC to coordinate their activities.

The responsibilities of the NAI will focus on improving the overall quality of apprenticeship delivery both on- and off-the-job, including:

- **Inspections of training providers**: the role of inspecting apprenticeship providers will now be taken on by the NAI instead of Ofsted. All apprenticeship providers will be inspected by the NAI at least every three years irrespective of their previous inspection rating. Following every inspection, the NAI will give providers graded reports stating their overall performance as well as identifying areas of improvement. Through their inspection reports, the NAI will also provide guidance to weaker providers on how they can improve their delivery of apprenticeships.

- **Additional scrutiny of new training providers:** inspection visits from the NAI to new providers delivering apprenticeships will take place more frequently than at present (e.g. at 6 and 12 months after their first apprentices are recruited). In addition, the NAI will work with Combined Authorities to place caps on the number of apprentices that a new provider can recruit, with the cap being set after the NAI has visited the new provider to inspect their facilities.
- **Quality improvement for training providers**: alongside their inspection reports, the NAI will publish 'best practice' for training providers on how to deliver high-quality training. These materials will be distributed online and through a network of training programmes offered to providers' staff. The use of such support packages will be voluntary for providers, although the NAI could make them mandatory for any provider that receives a poor inspection judgement.
- **Greater support for employers:** the NAI will conduct on-site visits to any employer who wishes to take on an apprentice for the first time to ensure that they have the necessary staffing and expertise in place. Echoing the systems used in other countries, voluntary qualifications for apprentice managers and mentors should also be designed and provided by the NAI. In addition, more support should be provided to employers (e.g. mentoring) to help them deliver a high-quality experience for apprentices. For example, the NAI could follow the example of Switzerland by introducing a checklist of 'quality criteria' for companies that they could use to self-assess the quality of their training and highlight areas for improvement.

To deliver this new remit, which extends beyond what Ofsted provides, new investment will be needed. The NAI should have a budget of £60 million a year – three times what Ofsted is able to spend on all FE and Skills inspections. This funding – which should come from the new NAF – will provide enough resources to conduct more frequent inspections of providers, particularly new ones, as well as focusing more on quality improvement for providers and employers. It is hard to imagine a more worthwhile investment than improving the quality of apprenticeships, including the removal of poor-quality providers as well as disinterested or disengaged employers.

Building a tertiary qualification system

RECOMMENDATION 17

To create a simple and transparent funding system, the NTEC will set the price of tertiary courses in universities, colleges and apprenticeships. The prices will operate in a similar way to the existing 'price groups' used in HE and FE, with more expensive courses receiving the most funding.

Given the financial incentives at play, it was no surprise when the Augar Review found that 98 per cent of HE courses charge the maximum fee to students. To put it another way, the Government's stated aspiration for price competition between HE providers has evidently not materialised in any meaningful way, although the 'price group' model for funding courses is well established and worth preserving. The cost of non-HE courses in colleges is also determined by a formula based on a 'price group' model, while the methods used to set the price of apprenticeship standards is clearly open to abuse and commands little confidence. Thus, the funding of tertiary education would benefit from a simpler and more transparent methodology that builds on existing good practice.

This report proposes that 'price groups' are rolled out across tertiary education. For classroom-based provision, all qualifications at all levels will use a single set of funding rates that reflect the size of the course and its cost of delivery. To recap, HE funding uses six price groups, and the AEB and ALLs use five price groups. As a starting point for further discussions, eight price groups spanning all classroom provision could potentially capture the full range of course delivery costs, with the resulting funding matrix also reflecting the size of a course in terms of 'GLH' or credits – whatever language is deemed most suitable. The final selection of price groups will then apply across all tertiary provision from entry level up to Level 6, thereby removing the distinction between HE and FE in the funding model.

The same 'price group' model should apply to the apprenticeship system as well. By grouping apprenticeship standards on the basis of their size and cost of delivery, it will create a fairer and more defensible approach than the subjective and opaque process presently used by the IfATE. The price groups for apprenticeships should be as similar as possible to those used for classroom-based provision e.g. A (High cost technical / workplace training); B (Medium cost technical / laboratory training); C (Low cost technical / studio training); D (Trade and craft occupations); and E (Low cost service / classroom training).

RECOMMENDATION 18

To eliminate the divide between HE and FE qualifications, there will be a single set of sub-degree qualifications delivered by both universities and colleges: Tertiary National Certificates (Level 4) and Tertiary National Diplomas (Level 5). In addition, providers with degree-awarding powers will be required to offer them as 'exit' qualifications if learners choose to leave a course early. Tertiary National Certificates and Tertiary National Diplomas will also become protected terms.

The bewildering array of qualifications at Levels 4 and 5 – such as Foundation Degrees, HNCs, HNDs, HTQs and CertHEs – creates enormous complexity for learners, as does the distinction between prescribed (HE) and non-prescribed (FE) courses. To resolve this, the new tertiary system will use two new titles to describe all classroom-based qualifications: Tertiary National Certificates (TNCs) will be Level 4 qualifications worth 120 credits, and Tertiary National Diplomas (TNDs) will be at Level 5 and worth 240 credits. These will be the only classroom qualifications of this size that attract government funding through the TSF or student loans. This unified approach will end the artificial divide between prescribed and non-prescribed courses, meaning that universities and colleges are free to deliver any TNC or TND.

In line with earlier recommendations, standalone TNCs and TNDs will be created by external examination boards or universities and regulated by Ofqual. They will also go through an accreditation process before being approved for delivery regardless of who created them. As with Foundation Degrees, universities would be entitled to design TNDs that facilitate entry into their full degree programmes and they could offer these qualifications through other providers, although other providers would equally be entitled to offer their own TNDs.

By making these qualifications the standard titles across all tertiary courses, the Augar Review's concern about sub-degree qualifications being seen as a 'consolation prize' will no longer be relevant. On the contrary, universities and other providers with degree-awarding powers will now be required to offer TNCs and TNDs who leave their course before its conclusion after one year or two years of study respectively. Consequently, learners will be able to study towards any full degree programme in separate steps (i.e. TNC-TND-full degree), generating far more flexible opportunities in terms of how learners manage both their progression and their finances – a considerable improvement over the status quo. The modularisation of courses (and any accompanying funding arrangements for modular courses such as the LLE) would also become a more realistic goal if all tertiary providers were working with the same group of qualifications.

To solidify their position as the main focus of Level 4 and 5 provision across the post-18 system, the new titles 'Tertiary National Certificates' and 'Tertiary National Diplomas' should be protected in legislation as well as Ofqual's remit. This approach will offer clarity to learners and lead to a simpler funding system for sub-degree level qualifications. Furthermore, there is no reason why TNCs and TNDs could not be offered by examination boards and universities on a unitised basis, as envisaged by the LLE. That said, unitisation would not be a formal requirement for accreditation at this stage, although some providers and examination boards may choose to move in this direction to give learners more flexibility.

8. Areas for further consideration

Provision for 16 to 18-year-olds

This report has focused on building a new tertiary (post-18) education system across England, yet FE colleges and even some HE providers offer qualifications to younger learners. At present, the IfATE is responsible for designing apprenticeship standards and T-levels for 16 to 18-year-olds, yet this report has recommended rolling IfATE into the new NTEC that will be overseeing tertiary education. In May 2024, EDSK published a report called 'Evolution and revolution', which proposed, among other things, a new Baccalaureate for 14 to 18-year-olds that would put technical programmes and apprenticeships alongside academic qualifications in a single framework. In terms of regulation, this would almost certainly mean handing control of all qualifications in this age range to Ofqual. This would in turn mean that the delivery of T-levels and apprenticeships for 16 to 18-year-olds would be separated in some respects from the post-18 system. Even so, apprenticeship standards are based around describing occupational competence and are not age-specific, so the same content could be used for both pre- and post-18 apprenticeships. Similarly, the content of T-levels is based on occupational standards and these standards could be used for technical courses at different ages. On that basis, passing responsibility for post-18 provision to NTEC is highly unlikely to disrupt the final years of school or college.

Private versus public sector bodies

The reclassification of colleges as public sector bodies in 2022 raised fundamental questions about the relationship between these institutions and central government. The justification from the ONS for this reclassification was mostly related to the controls that central government retains over colleges, such as being able to directly intervene in poorly performing institutions and also merge colleges,[282] because these types of measures are not typically in place for other private sector institutions such as universities. However, the new tertiary system described in this report creates a new dynamic between central government, Combined Authorities and providers that puts a much greater emphasis on local layers of government to oversee the performance of the devolved system, leaving central government (via the NTEC) with more technocratic responsibilities.

This report did not seek to outline the entire intervention regime for poor-quality tertiary providers, although the nature of future interventions could go a long way to determining whether colleges should remain in the public sector. EDSK has previously recommended that colleges should 'spin out' their provision for 16 to 18-year-olds into a 'Sixth Form College' for academic courses or a 'Technical College' for technical programmes and apprenticeships. Such a move could influence whether tertiary education in colleges should be returned to the private sector alongside (mostly charitable) universities and other HE providers because freeing colleges to deliver post-18 provision as private sector institutions on a level playing field with universities would be more easily achieved if pre-18 courses and qualifications were offered separately. In addition, as noted earlier in this report, reclassifying colleges (or perhaps only the post-18 provision within colleges) as private sector institutions would make them more like universities in terms of their ability to borrow money from commercial lenders to fund investments – making it easier to combine the capital funding pots for universities and colleges.

International students

In recent months, debates over how many international students come to UK universities and the impact of students on migration figures have become increasingly fraught. The move towards a more devolved tertiary education system potentially opens up a number of new possibilities for how future policymakers could address this issue if they feel that some form of action is necessary. In no particular order, these include the following approaches:

- Combined Authorities could be allowed to set their own caps on how many international students they wish to have studying at their universities and colleges, and then either allocate a proportion of their chosen cap to different institutions;
- The Government could set a national cap on the number of international students allowed to study in the UK, and then allocate a proportion of that cap to each Combined Authority (similar to the model introduced in Canada earlier this year[283]) – with the option to subsequently let Combined Authorities allocate a proportion of their designated cap to each institution.

Regardless of the precise model used for devolved visa decisions in future, the new tertiary system could offer a more pragmatic set of solutions to this politically charged issue than trying to agree a single solution at a national level.

Research funding

Readers familiar with the current HE landscape will be all too aware of the ongoing debates around how much money the Government invests in research and how research funding is distributed. Bodies such as UKRI and Innovate UK are central to the system of funding research activities in universities. This report has not expressed an opinion about how research funding should operate within this new devolved tertiary system. That said, there could be a case for reassessing the approach to research funding to determine whether any functions may be better handled at a regional or sub-regional level rather than nationally. For example, a recent paper by Professor Sir Chris Husbands for the Higher Education Policy Institute speculated that if the Government chose to implement a more 'place-based' tertiary system in England, Innovate UK could be "moved to a regional structure, so that there was a tight place-based relationship between translational research and development on the one hand and advanced education and skills provision on the other."[284]

Franchising and subcontracting

Although the process of obtaining a provider licence from a Combined Authority is intended to be straightforward as the NTEC has already vetted the available providers, it is worth noting various risks that the current post-18 system has struggled to address. In 2016, the ESFA banned subcontracting contracts for ALLs given the scale of quality problems that were being identified.[285] More recently, the HE sector has come under pressure for the use of 'franchised providers', which operate in partnership with registered HE providers and teach courses on their behalf. In principle, franchising can help address problems with 'cold spots' in areas with limited high-quality provision. Nevertheless, a recent investigation by the National Audit Office found that in 2022/23, 53 per cent of the £4.1 million fraud detected by the SLC was at franchised providers,[286] with "several instances of fraud and abuse" having been uncovered. When almost two thirds of franchised providers are not registered with the OfS, the scope for malpractice is plainly apparent.

This report has not expressed a definitive view on the role of franchising and subcontracting, although the new licensing process will at least force all tertiary providers to register with the NTEC before being approved by a Combined Authority. However, this alone would not prevent subcontracting or franchising, so the Government will need to carefully assess the pros and cons of these aspects of the current system to see if there would be a genuine need for them to continue in future, and if so, what safeguards would be required.

Online provision

By moving away from price competition and towards a transparent funding formula for tertiary courses, there will no longer be any scope for providers to lower their prices to attract more domestic students. For online courses, such as that provided by the Open University, this approach may need adjusting to reflect the lower delivery costs associated with distance learning and some other forms of online provision. For example, the Government could set a standard deduction rate for online courses (e.g. 15 per cent) relative to the new price groups described in the Recommendations of this report. In its capacity as the body in charge of the national oversight of tertiary education, NTEC would also need to be involved in approving / rejecting online providers, as it would do for in-person providers.

A new approach to data

As described earlier in this report, the constant duplication of data requests and the lack of an overall strategy for data collection are two sources of frustration and wasted resources on the part of providers. With the NTEC now taking responsibility for data management within the new tertiary landscape, it is hoped that this provides an opportunity to revisit some of the problems created by the numerous regulators and funding agencies in the post-18 system. This may involve reinvigorating (and perhaps broadening) the work of the Higher Education Data Reduction Taskforce to assist with building the new tertiary system in order to ensure that learners and providers are monitored in the most efficient way possible while still maintaining a rigorous oversight regime.

Conclusion

> *"Post-18 education cannot be left entirely to market forces. The idea of a market in tertiary education has been a defining characteristic of English policy since 1998. We believe that competition between providers has an important role to play in creating choice for students but that on its own it cannot deliver a full spectrum of social, economic and cultural benefits. With no steer from government, the outcome is likely to be haphazard."* [287]

If the Government's goal is to increase economic growth and productivity in all corners of the country, the current approach to delivering post-18 education will prove insufficient. As the Augar Review noted in the above quotation, the 'haphazard' way in which universities, colleges, apprenticeship providers and other institutions operate means that, although some good outcomes are achieved in some situations, our tertiary system as a whole will never be coherent, collaborative, equitable or sustainable. This would be a concern even if funding were plentiful, let alone when taxpayer funding is in desperately short supply. For too long, HE, FE and apprenticeships have been discussed and dealt with in silos. Worse still, the previous government's poorly conceived experiment with the 'marketisation' of HE and high tuition fees for students has created an environment in which providers are incentivised to care more about their institutional self-interest than being part of a collective system-wide effort to deliver a highly skilled, highly productive workforce. This must change.

The new approach outlined in this report would mean that all the beneficiaries of post-18 education – students, government and employers – now have a financial stake in the system through loans, grants and levies respectively. As a result, these same beneficiaries will all have a say in what is provided. Student choice will continue to be a central feature of the new system, while government (through a combination of the NTEC and LTEPs) will set the delivery goals and employers can drive strategic investments in all forms of training. This dynamic will protect the autonomy of providers, who remain free to deliver whatever courses they want and recruit whoever they want. That said, there will be an explicit emphasis on meeting the needs of learners, communities and employers. As a result, those universities, colleges and apprenticeship providers helping learners of all ages progress by offering the right opportunities and pathways will not only be largely unaffected by the proposed changes, but they would almost certainly see their funding increase over time. Conversely, those tertiary education providers that prioritise their institutional self-interest are likely to see their funding dwindle.

An obvious drawback of this report's emphasis on Combined Authorities is that at the time of writing there are many parts of England that do not yet have such a structure in place. However, the 2024 Labour Party manifesto strongly advocated moving more power out of Whitehall and into local areas and communities so that towns and cities can "take hold of the tools they need to pursue growth, create jobs, and improve living standards."[288] It is hoped that the analysis, evidence and recommendations in this report will provide policymakers in this government and beyond with a clear framework for building an integrated HE, FE and apprenticeships system at a devolved level that delivers better economic and social outcomes than the existing haphazard and uncoordinated landscape of provision and providers. Other countries have long recognised the benefits of a more coherent, collaborative, equitable and sustainable approach to tertiary education and appear willing to confront existing orthodoxies to achieve their goals. It is now time for England to do the same.

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