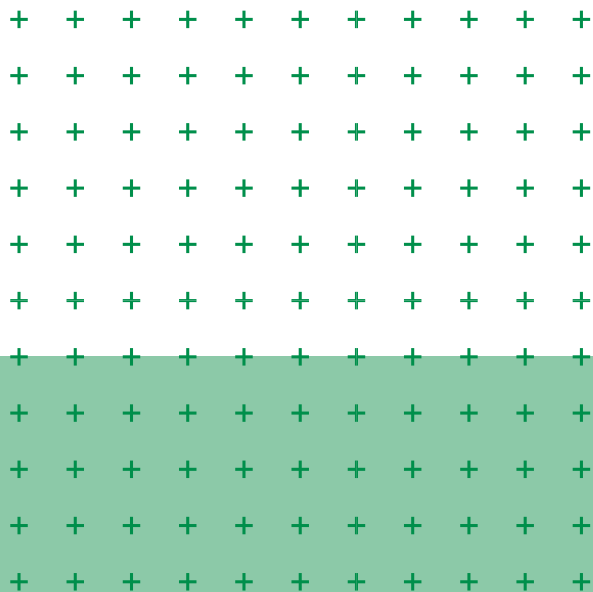
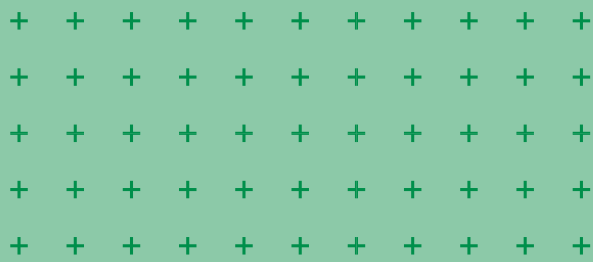




THE AUGAR SPECIAL



FEATURING

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Everything you need to know
about the Augar review

TRACing the costs of teaching
in higher education

The future for Augar is political

.....

JULY 2019

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THE WONKHE BRIEFING — AUGAR SPECIAL

Welcome to this special edition of the Wonkhe Briefing focusing exclusively on the Augar review of post-18 education and funding in England, in association with KPMG. The report of the Augar review was published in the dying days of Theresa May’s premiership, and at the time of writing, it’s not yet clear who will become the next Prime Minister and what they will do on education policy. There is a risk, therefore, that the importance of Augar is underplayed.

In covering the report, we at Wonkhe have paid tribute to the breadth and depth of its examination of the post-compulsory system in England. We have also begun to analyse its flaws and limitations. There can be no doubt that proposals to address the decline in lifelong learning are long overdue, and that the current constitution of the student finance system tends to prioritise a full-time undergraduate degree at the expense of other options. The proposed reintroduction of maintenance grants for students studying across all post-compulsory education at levels four to six is welcome, as is the recognition of a need for a flourishing further education sector as part of a thriving post-compulsory system that gives students meaningful choices of what and how to study.

However, as many have noted, the data on the costs and outcomes of undergraduate study are limited, and there are serious questions over the legitimacy of grounding policy

proposals on assumptions about costs of delivery and value to the taxpayer. Reducing student debt is prioritised over addressing students’ living costs while at university - and arguably the voices, preferences, and interests of students are glossed over in favour of the more abstract concepts of the taxpayer and the economy. The headline proposal for a cap on undergraduate fees depends on the willingness of the Treasury to make up the difference - a political gamble that could result in the further erosion of the unit of resource with direct impact on the quality of university facilities, teaching and student support.

All this is a matter for ongoing debate - we see no conflict between pointing out that a report has limitations and recognising its wider importance. In our view, whatever happens in the next six months or a year of political wrangling, the Augar review marks a clear shift in the political consensus on post-compulsory education.

The 2012 settlement built a model of higher education around student choice, market competition, and no limits on student numbers, implicitly grounded in the principle that the more people accessing higher education, the better for Britain’s economic wellbeing and social mobility. Augar’s more austere prescription suggests that the government needs to take back some control, aligning the skills offer with the government’s views on the needs of the economy, and challenging the view that access to degree-level higher education is an appropriate prescription for the generality of young people.

The Augar panel did not initiate this shift in thinking; arguably it has been on the cards for some time and the Augar review has formalised it. The elements of the review that will be adopted by government are unlikely to be implemented before the next spending review, currently expected in 2020. So there is space, potentially, for universities and colleges to consider and shape a response that takes the best of the Augar review and proposes better alternatives to the rest.

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DEBBIE McVITTY | EDITOR

welcome



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Everything you need to know about the Augar review

The Augar review of post-18 education in England is notable for the scope of its recommendations and the depth of its reflections. Having been given permission in the terms of reference to address the whole post-compulsory education system the review is quietly radical in its inclusion of both higher and further education in its definition of the mission of the post-compulsory education system to undertake research, scholarship and innovation, promote the ability of citizens to reach their full potential, contribute to civic wellbeing and meet the economic and skills needs of the country.

Unlike its predecessor the Browne Review, the report makes the effort to explore the purposes, strengths and weaknesses of the current system, particularly with regard to addressing skills gaps at levels four and five, and assessing the consequences of a fully marketised higher education system, such as the decline in part-time study and lifelong learning, before moving to specific proposals around the funding of higher education providers, further education colleges and students.

TAKING BACK CONTROL

A core principle of the report is that the market cannot alone deliver hoped-for policy outcomes; government policy must play a role. The key problems to be solved are the decline in overall participation in post-18 education since 2010/11, a lack of equity and flexibility in the post-18 system and the rise of “low-value” higher education - courses that do not deliver outcomes in line with the imagined aspirations of the students choosing to study them, or a return on investment for the taxpayer.

The panel accepts the existing evidence on skills mismatches and an oversupply of graduates, with the caveat that there are limitations to the available evidence on salary returns to specific degrees, and the social value of some professions is not always reflected in the salary.

To address the relative lack of students pursuing qualifications at levels four and five, the panel recommends that students be given access to a flexible lifelong learning entitlement that would enable them to build up credits module by module or year by year rather than signing up for a full level six qualification at the point of registration, and the removal of rules that restrict access to finance for the pursuit of equivalent and lower qualifications.

Higher education providers would be expected to issue interim level four/ certificate and level five/diploma qualifications to all students, whether or not they intended to pursue a full degree. The Office for Students would be given regulatory oversight of all qualifications at levels four and five, and a national kitemark system would flag the qualifications that are most valuable to students.

BLINK AND YOU'LL MISS IT

“There should be no sense of entitlement”

People in the higher education sector often conflate the concepts of “academic freedom” with “institutional autonomy”, but the panel has a pointed go at redrawing the lines, effectively concluding that this freedom has gone too far. The receipt of taxpayer funding, whether this is directly through grants or indirectly through forgivable loans, “carries with it the expectation of transparency and accountability” for the purposes to which it is put and the “outcomes that it delivers” says the introduction. Then its principle six goes even further - “the government should consider public spending on tertiary education alongside its spending on other parts of the public sector and should hold the sector accountable while respecting its intellectual freedom and academic autonomy”.

THE COSTS OF DELIVERING HIGHER EDUCATION

The panel concludes, not without some frustration at the limitations of the available data, that the purported cost of delivering traditionally lower-cost subjects has increased at a higher rate than the cost of delivering higher-cost subjects, suggesting that the current fee cap is having an inflationary effect on spending in the lower-cost subjects. It is also noted that English institutions appear to spend relatively more on non-teaching activities than comparator countries, some of which relates to wider student support and widening participation, some to central administration. The panel considers that up to ten per cent margins to fund future sustainability is excessive, without acknowledging that under the Higher Education Funding Council for England regime, this was the approved margin for signalling good financial health.

On examining the returns to different subjects, the case is made that while subjects like business, the creative arts and social studies have value, the volume of students studying these subjects is in excess of the value created, while there is a relative lack of provision of courses in subjects like engineering and the physical sciences. The panel is not, of course, able to specify the optimal number of students studying these “lower-value” courses, but implies that low salary returns indicate a glut of skills; this assumption has been widely challenged.

BLINK AND YOU'LL MISS IT

Not TEFit for purpose

Some of the recommendations are focused on the value of qualifications and courses - which in theory is where the Teaching Excellence and Outcomes Framework (TEF) ought to come in. But the report notes that “the use of metrics in the TEF process must be robust and command confidence” and also notes that “the Royal Statistical Society has raised concerns about the statistical validity of the current approach and the risk of the system being “gamed”. It certainly reads like the Augar panel and independent TEF review panel chair Shirley Pearce have had a word.

On the principle that no student should pay more than what their course might reasonably be judged to cost, the panel recommends the lowering of the undergraduate fee cap to £7,500, to be introduced in 2021/22, with the overall unit of resource per student frozen for the next three years to enable providers to prepare for the change in funding. This would in practice mean the return of the teaching grant, with additional income provided to universities in respect of their provision of higher-cost subjects. A freeze in the unit of resource would mean an approximately 11 per cent cut in real terms to the unit of resource.

On widening participation funding, the current system wherein a proportion of the student fee is expected to be spent on access, retention and success would be scrapped in favour of a Student Premium distributed to universities as a grant based on their intake of socially and economically disadvantaged students based on individual, not area-based measures of disadvantage.

The panel stops short of recommending a minimum grade threshold for access to funding for level six/degree qualifications, but suggests that

if insufficient change had been demonstrated within three years there would be a case to implement such a system, or to set student number caps on courses offering poor value for money. The report recommends the removal of funding entitlement for foundation years, suggesting that universities that offer these entry routes should be given two years to establish an Access to HE route in its place.

BLINK AND YOU'LL MISS IT

OfS...ted to take a lead

One of the lingering problems of the current system has been an unforeseen regulatory hole in regulation. Right now, Ofsted is responsible for inspecting apprenticeships provision up to level six, and the Office for Students (via the Quality Assurance Agency) is responsible for quality assessment of registered higher education providers. That leaves no one responsible for quality assurance for level six and seven apprenticeship providers who are not on the OfS register. The solution? One regulator should inspect apprenticeship provision at all levels to “ensure consistency in standards and in-house expertise”, and the panel proposes that “this should be Ofsted”, to maintain a “single knowledge hub” for apprenticeship quality. “We recognise this may not be welcomed by some HEIs”, notes the report. You don’t say.



BLINK AND YOU'LL MISS IT

(Still) no bailouts

Some might have been hoping that Augar would refine the existing Office for Students/Department for Education position on university bailouts, not least because the proposals note how leveraged some universities are, recommend some tougher financial times and also note the detailed insolvency regime over in further education. But no such luck - the report endorses Michael Barber's position, and notes that in addition to “risking moral hazard”, the cost of bailing out a failing institution would be “prohibitively expensive”. Providers should have “robust resolution plans” in place and these should be agreed with and “regularly tested” by the Office for Students, as required through student protection plans.



STUDENT FINANCE

Though demonstrating that the panel understands in detail the current system of student loans and graduate repayments, the basis for much of the recommendations for reform to the system is that people in general do not. Following the ruling of the Office for National Statistics last year that the “write-off” of un-repaid student debt should be reflected in the public accounts, the panel takes the view that measures should be found to reduce the overall cost to the taxpayer of the student finance system.

Incredibly, research undertaken by the Department for Education cited in the report finds that people would prefer higher monthly graduate repayments and a longer repayment period in return for lower fees and a lower rate of interest. As such it is recommended that no real rate of interest be charged during the period of study, that the repayment threshold be reduced to the median salary for non-graduates (so that graduates start to repay at the point they benefit from higher education), and that the repayment period be extended to forty years.

The panel also recommends that the sliding scale of interest based on salary be retained, and lifetime repayments be capped at 1.2 times the original loan amount, to avoid the anomaly wherein those who earn more at the early stage of their career end up paying back less than those who earn more later in their career, because of the effect of interest rates.



BLINK AND YOU'LL MISS IT

Foundations of debt

The Augar report finds it “hard not to conclude” that universities are using foundation years to create four-year degrees in order to “entice students who do not otherwise meet their standard entry criteria”. Given that students are obliged to take out an additional fourth year of higher and non-cancellable fee loans, “we question whether this is in their best interests”, and the taxpayer is “entitled to ask why universities are not collaborating with further education colleges on enrolling these students onto Access Diplomas with lower fees, more advantageous loan terms, and a standalone qualification”. The sector is already fiercely opposing the resultant recommendation - that student finance is no longer offered for foundation years - on access grounds.



BLINK AND YOU'LL MISS IT

Access complexity

One of the realities of a reduction in headline fee levels - anchored on an analysis of where the money goes right now - is that spend on access could get squeezed. Ever since the Office for Students relaxed its minimum spend of additional fee income on access measures, there has been a suspicion that cuts were coming. Augar doesn't go as far as centralising all access spend, but does claw some back for redistribution around the sector, concluding that current resourcing of access and participation plans through fee income does not reflect the additional costs faced by higher education providers with large numbers of disadvantaged students who use a greater proportion of their fee income to support disadvantaged students, penalising those institutions who do the most to support social mobility. This then becomes one of the ways in which the teaching grant will be directed - “government should specify a minimum sum for each [disadvantaged] student, as it does in the Pupil Premium Grant for schools.”



BLINK AND YOU'LL MISS IT

Portability

The report notes that for many younger students, a single three-year, full-time degree is likely to remain the most popular option. But sometimes students need to “pause their learning”, or may decide that they have made the wrong choice - and others may find themselves struggling: “many thousands” of students drop out every year, and rates are significantly higher among disadvantaged students. A hidden bit of the current system is the ability to exit most undergraduate degree courses mid-way, with either a level four certificate (CertHE) or a level five diploma (DipHE) - and the report suggests that this comes out from the shadows, suggesting that higher education institutions should award at least one interim qualification at either level four or level five, to all students who are on a full degree/level six course. This would incentivise current stage completion; make credit transfer easier: and make levels four and five a “central and visible” part of higher education and with minimal expense.





BLINK AND YOU'LL MISS IT

Accommodate me

The cost of student accommodation is highlighted in the report, and while it doesn't recommend any controls (or link maintenance to these costs), it does want to ensure that students are given "improved and more consistent data" on the range and cost of available accommodation. This, it says, should include cost to student and cost to provider to highlight the level of surplus made and where this is directed - and asks the Office for Students to devise benchmarks for the proportion of maintenance support spent by students on accommodation. And there's more jam tomorrow - a "comprehensive financial analysis" of private developers and operators of purpose-built student accommodation should be carried out to understand the profits that private business and investors are making from student rents.



FURTHER EDUCATION AND APPRENTICESHIPS

The panel argues that further education colleges need a new mission and vision, backed by meaningful funding. Protection of college title equivalent to that enjoyed by universities, a substantial increase in capital investment and the creation of a coherent national network of further education colleges delivering skills needs focused on levels three to five are the core recommendations. The panel is agnostic about which providers deliver which kinds of qualifications, but the role of further education in providing higher technical qualifications is firmly recognised.

On apprenticeships, the panel queries the growth of degree-level and level seven apprenticeships, noting the relative expense of this route and that these create a lack of equivalence between students pursuing degrees. It is recommended that Ofsted assumes responsibility for assessing all levels of apprenticeship quality, and that funding for apprenticeships at level six and above normally only be available to those who do not already hold a degree-level qualification.



BLINK AND YOU'LL MISS IT

Bits and bobs

Both tuition and maintenance loans are to be wrapped up into a four year, full-time "lifelong learning loan allowance" to be used at higher technical and degree level at any stage of an adult's career for full- and part-time students. Crucially, this can be taken in bits - even down to the module level. In one worked example a student accesses student finance for a one-off module to help them "upskill or reskill or develop their career". This is a recipe for complexity - so perhaps wisely given the Student Loans Company's record, the report says government should assure itself that "delivery partners have the capacity and capability to deliver a secure and stable platform" before implementing these changes.



BLINK AND YOU'LL MISS IT

Sharia never the twain

The Higher Education and Research Act allowed the state to offer Sharia-compliant finance to students - first mooted by government in 2010, consulted on in 2014 and mentioned by every university minister. Chris Skidmore recently said that it was important that students should be able to access finance support that is "compatible with their religious beliefs" and the government will need to "consider carefully" how the changes affect plans to introduce a system of alternative student finance for students who feel unable to access interest-bearing student loans for reasons of faith. In a few months, this issue will reach a decade of inaction.



COSTING THE PROPOSALS

A significant caveat to all this is that an assessment of the total cost of the proposed new system is deferred pending the development of a new methodology for the treatment of student loans in the national accounts.

However, Gavan Conlon and Maike Halterbeck of London Economics undertook some modelling, and estimate that:

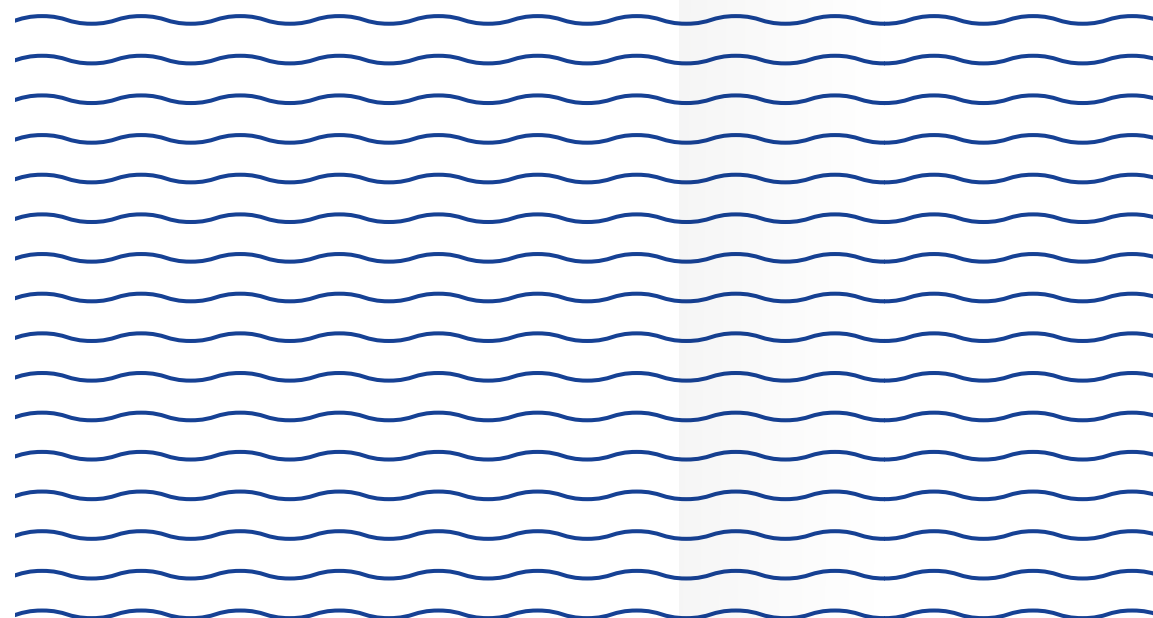
- The cost to the Exchequer per student cohort if the Augar recommendations were implemented would increase by £0.58 billion to £9.08 billion. Assuming this increase would have to be funded from elsewhere in the education budget (most likely the teaching grant, if reintroduced), this could impact on the total unit of resource.
- The RAB charge - the estimated proportion of student loans never paid back - would increase to 34.8 per cent.
- Changes to the graduate contribution system would see well-paid men in particular paying back less than at present. Men in the seventh, eighth and ninth decile for earnings would pay back approximately £19-20,000 less over their lifetimes.
- Meanwhile, women in the middle-earner bracket would likely pay more under the Augar recommendations, with women in the fourth decile seeing lifetime repayments increase by £7,100 to £14,000, and women in the seventh decile seeing lifetime repayments increase by £6,800 to £38,500.



COMMENT:

It's time we crossed...

The Augar review's launch was marked by a great deal of sound and fury around the higher education aspects of the final report. These included the proposed new fee level of £7,500 (which grabbed most of the headlines), a stinging critique of university spending (and saving, in the form of surplus), the prospect of possible restrictions on access to student finance based on tariff or the re-introduction of student number controls at course level, and the removal of funding for foundation years. Now looking beyond the initial response, it's important that the sector now considers the message in the substance of this review.

**TWO PARALLEL APPROACHES**

One way to read the underlying narrative of the Augar review is that it represents an indictment of two parallel education policy approaches, pursued by multiple, and politically different, governments over the last fifteen or so years. These parallel approaches have treated higher education and further education in radically divergent and - the report implies - radically incompatible ways.

In short, the parallel policy approaches can be summed up as follows:

Higher education has been pushed by government towards a more market-like system, which Augar says has gone

so far as to become dysfunctional (with symptoms ranging from the total lack of price competition to grade inflation, unconditional offers and other much-discussed systemic problems). But he also says that, in equal and opposite measure, further education has been subjected by governments to a policy of intense, highly bureaucratic central planning, tinkering and micro-management, which has also become dysfunctional.

And in the report, there's an obvious but important amplifier to this observation in the conclusion that higher education is probably over-funded, and further education is scandalously underfunded.

...the HE-FE gulf

INCOMPATIBLE?

Augar starts to unpack the ways this deep incompatibility has effects which trickle down to cause a wide range of serious practical problems on the ground, and argues that these have become a significant barrier to the performance of England’s skills system as a whole, reducing the national value of that system, and impeding the ambitions of many students in it. It is also argued to be a source of immense unfairness and socially regressive outcomes, which can no longer be justified.

Nobody thinks that colleges and universities are the same thing, or should be treated in exactly

the same way. But the review says that the huge gulf of treatment - on lines of regulation, funding and other issues - simply is not rigorous from a philosophical or policy design standpoint. And it must change.

Augar makes numerous implicit and explicit comparisons between higher and further education. Most stark is the difference in funding between the further and higher education sectors over recent decades. Keeping in mind the social background of the majority of students who learn in each sector, and you can form your own judgement about whether it is morally acceptable to balance educational resource across society in this way.

CROSSING THE GULF

It would be a real failing if the focus of the coming debate is dragged back to issues that only concern the health of higher education. Augar himself hints at the risks of this in his own foreword to the report, with a sharp comment about the strong higher education background bias that pervades modern journalism.

But this review was never really about the fee cap or its attendant issues, and if we’re going to understand it properly and see its potential we have to push those points to the margins and see the bigger picture.

It’s clear that the higher education sector does many wonderful things and that it remains, in all its diverse glory, a jewel in the national crown. People in the sector should be rightly proud of that. But, to paraphrase a well-known critique, for too long we have regarded the low fortunes of the further education sector as somebody else’s problem.

Chapter Six of the report exposes starkly how much further education is swamped in a regime of byzantine complexity. We think policy in higher education is complex, but it’s easy by comparison. So to give the Augar report its proper due, we all need to sit down with a strong coffee and get

our heads around this stuff, how it compares to higher education policy and how the two sectors might become better integrated in a deep sense, with a genuinely fairer settlement, at both the system and institutional levels.

Augar has helped untangle it about as clearly as might be possible, and the job for further and higher education is now to try and stitch it back together again. The pages of the report that set out the purposes of a post-compulsory education system could be a valuable reference point. We might begin by acknowledging, as the Augar panel does, the civic mission of colleges, and recognising their role in the research, innovation

and scholarship infrastructure, as well as in the provision of skills and access to education. And yes, beyond the current hotchpotch of partnerships between further and higher education providers and local arrangements, and into the realm of a coherent strategy that genuinely crosses the gulf.

That is the biggest challenge posed by Philip Augar. Will anyone take it up?

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MARK LEACH | WONKHE

TRACing the costs of teaching in higher education

Cost and price are two different things, but often get conflated. It's important to understand the cost to then determine the price, and in a way that is what led the Department for Education (DfE) and the Augar review panel to commission a study from KPMG to understand the cost of undergraduate provision across English higher education providers.

For almost a year we have worked with institutions to develop, refine and deliver a study to identify the cost of undergraduate provision. We also identified what types of costs are incurred, what differences exist between different institutions and what might cause these differences.

SO HOW DID WE DO IT?

We started with the data produced by the Transparent Approach to Costing (TRAC). Some people groan at this point, but there is no need. TRAC is simply the costs reported in the audited financial statements with a margin added to represent a sustainable cost (the full economic cost). A useful guide was produced by the Financial Sustainability Strategy Group - "Mind the Gap", to explain the importance of the sustainable cost over simply the costs actually incurred. I've not gone into detail on that aspect of TRAC here, but take a look at the guide – it's an easy read.

The cost headings in the financial statements don't separate out the costs of teaching, research and other commercial and non-commercial activities, so TRAC uses a number of cost drivers to reanalyse the costs into these activities. There are detailed requirements (the TRAC Guidance) that institutions have to follow and a committee of the governing body approve that the process followed in producing the TRAC return is in line with the TRAC requirements. The head of institution then approves the TRAC return, in line with other statutory returns that are made to the Office for Students (OfS). This isn't therefore some fictitious guesstimate of the costs.

Other important attributes of TRAC are that it has been in place for many years (since 1998), the results have been reasonably consistent and it costs all activities. There is a danger in costing a single activity (teaching in this case) in isolation from scratch as the ability for costs to be over- or under-estimated are increased. However, as TRAC includes "all" institutional costs and is a data set that has already been reported, it is far less likely that costs can be "engineered". Some say that research costs in TRAC may be overestimated as back in 1998 a core reason for TRAC being introduced was to identify the full cost of research. Hopefully 20 years on, with TRAC being used to inform teaching funding as well as research (TRAC for Teaching was introduced in 2006) in addition to the quality of governance and sign-off of the return, this is less of an issue now.

TRAC(T) OR NOT TRAC(T)... THAT IS THE QUESTION

So we wanted to understand the cost of teaching in the DfE study – surely that’s easy as there is TRAC(T)! Well, not quite. TRAC for Teaching (TRAC(T)) was introduced in 2006 to provide the English and Scottish funding councils with data to inform their teaching funding levels. This is the most important thing to understand about TRAC(T). It was designed to inform what the funding councils should reasonably fund. It therefore does not include all of the costs of teaching, but does include all levels of publicly-funded teaching, for example, postgraduate taught provision. For instance, the costs related to overseas students, and provision funded by other public sources (such as the NHS) are excluded in TRAC(T). TRAC(T) also focuses on “subject related” costs, therefore “non-subject related” costs are removed. These include the cost of bursaries, scholarships and hardship payments - as well as costs associated with activities for which separate grants are received, for example, widening access, accelerated and intensive provision.

TRAC(T) is therefore not what it may initially seem. It is not to be dismissed though. All institutions should follow the same requirements, so the comparability of the results is useful. Institutions are able to access benchmarking data, which enables them to compare their TRAC(T) costs relative to the TRAC Peer Group averages, which can be a useful way of identifying where provision may look to be higher or lower cost than it perhaps should be.

THE DFE COSTING STUDY

The study undertaken for the DfE needed to reflect that there is now a different basis of funding higher education in England to that in 2006 and that this may change again in the future. Therefore we needed to understand all of the costs involved in delivering undergraduate provision. We did not use TRAC(T) data for the reasons outlined above.

The methodology used the “teaching” costs (publicly and non-publicly funded) from TRAC, adjusted to remove the costs of teaching that were not on undergraduate or foundation degrees (such as postgraduate taught provision) and deducted discrete costs related to international students. Costs were collected at course level, but then aggregated to HESA cost centres, which were further aggregated to eight subject groups.

Through the pilot phase it was agreed that overseas students typically study in the same groups as Home and EU students and there are not material differences in the costs incurred in teaching international students. It would have been arbitrary to adjust the costs to only relate to Home/EU students.

To analyse what makes up the costs, institutions reported costs under a number of headings that were grouped into the following categories:

- Course delivery staff costs
- Non-staff costs
- [Academic] departmental running costs
- Student related central services costs
- Corporate services costs
- Estates costs
- Sustainability adjustment

WHAT WE FOUND AND WHAT IT MIGHT MEAN

In some respects the study identified what many of us knew: that medical, veterinary, engineering, and art and design are the areas with the higher costs; that institutions in London typically incur higher costs and that costs are sensitive to the ratio of staff to students.

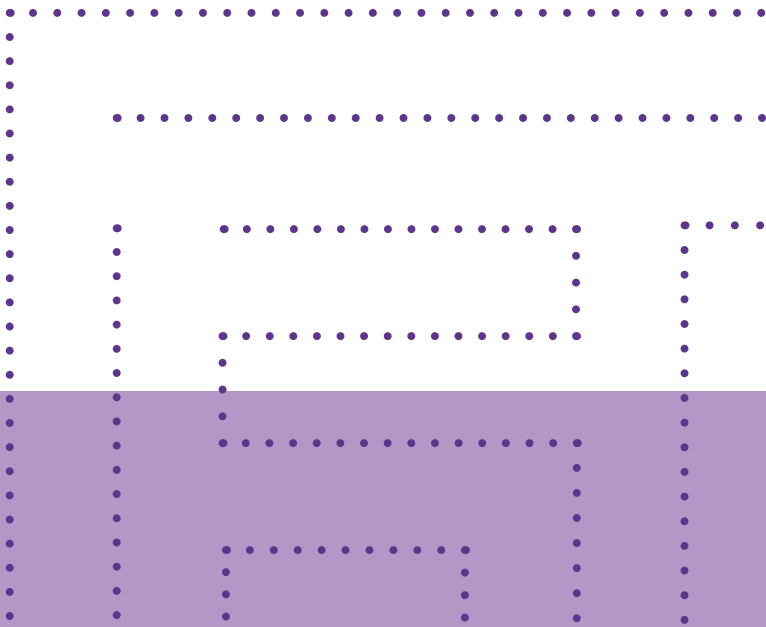
We found variation in the subject group unit costs reported by different institutions for the same subject group. But the reasons for this are difficult to pin down. There is typically no such thing as a standard curriculum for each subject, so institutions have discretion, often within the parameters of professional oversight bodies, to determine the content of degrees and the methods of delivery. Institutions vary in size, mission and location, all of which can affect the costs incurred, and institutions won’t all deliver provision equally across the HESA cost centres that are allocated to the different subject groups. However eight subject groups are more granular than the five price bands currently used in the OfS funding methodology.

The institutions participating in the study provided a good cross representation of the sector, in terms of geography, size and mission. But the study was based on one year’s data - 2016/17, so we reflected that in the future there will be different levels of costs incurred that are not included in 2016/17, such as increasing pension costs.

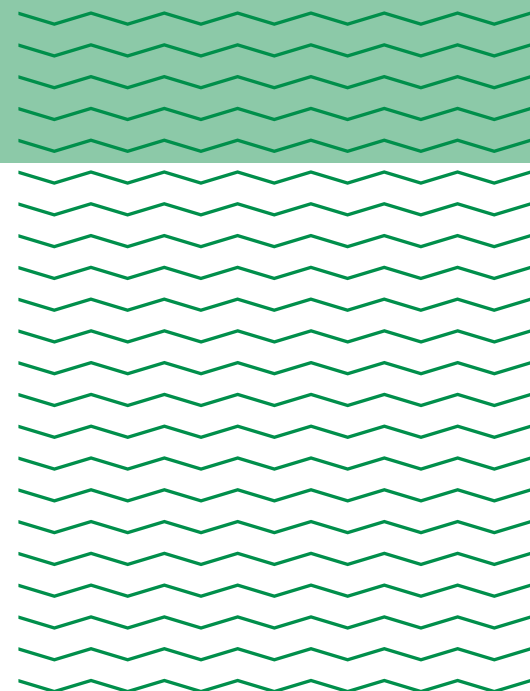
My thanks and appreciation goes to the teams within the institutions that participated in the study. A large amount of work was undertaken in a short space of time. Many of the institutions participating told us that even where they felt they had good information already, they had gained valuable insights from participating in the study.

The study was only focused on identifying the costs. It did not include any advice or recommendations around what the levels of funding should be in the future. That is something for HM Treasury, the Department for Education, and OfS to determine. What the study does deliver though is the evidence of what the costs are, which should hopefully inform the price that is ultimately set. Time will tell on that one.

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ANDREW BUSH | KPMG



Why the case for £7,500 does not stand up



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The narrative that providers are “awash with cash” following the 2012 reforms is a common one - it has bled into the recommendations offered by Augar and the demands of ministers. But analysis of the Transparent Approach to Costings exercise, known as TRAC(T), and the parallel KPMG study, demonstrates something else: providers do get a lot of money but they also do a lot of work. And even though data that demonstrates negligible profit from home students is imperfect, there is no data at all that suggests that there is a £1,500 excess per student.

So where does the idea of such an excess come from and why should £9,250 be cut to £7,500?

Government full economic costing rules mean that institutions are required to allocate a portion of income to a Margin for Sustainability and Investment (MSI) in TRAC - this margin covers parts of the “real” cost of provision that includes things as diverse as maintenance of physical assets, additional student support, and a surplus to account for risk and development.

MSI is calculated in a standardised manner via three years of audited accounts and three years of forecasts signed off by the governing body. It is currently at an average of 9.8 per cent across the whole sector, achieved by the consistent application by providers of these regulations in TRAC. The Financial Sustainability Strategy Group reviewed this process last year - it is working as expected and is not providing results out of line with previous methods

What the Augar review appears to have done is assume that the value of MSI is arbitrary and thus ripe for reduction. But this disregards the need to plan for future expenditure, as all business must do. There is no data that suggests that universities can teach most students in any subject for £7,500 without a considerable loss of teaching quality or institutional viability.

The recently released 2017/18 OfS annual sector summary and analysis offers an overview of the financial stability of English and Northern Irish HE providers. Rather than looking at profit and loss overall, TRAC uses data on the amount spent by institutions on various activities, and compares it to income related to those activities.

It concludes:

“

Publicly funded teaching incurred a small deficit on a full economic cost basis – meaning that costs exceeded income, with 98.3 per cent of the full economic costs recovered. This is a deterioration from 2016-17, when 99.7 per cent of the full economic costs were recovered.

We don’t (ever) get details of TRAC by institution, or by subject area. There’s some evidence that costs are lower in traditionally research focused providers. But if you consider that less research intensive institutions tend to take more students from non-traditional backgrounds, it makes sense. Students that need more support would clearly cost more to teach.

You’re probably now wondering about how reliable this data is - after all it is self-returned and not audited (though there is a model governance process at institutional level). Augar commissioned two reports in this topic - an ad hoc briefing on TRAC(T) from the Department for Education (DfE) and a detailed extension of the TRAC methodology based on additional data provided by a small sample of 40 providers from KPMG.

Starting with a neat definition of TRAC “historic expenditure information plus a sustainability cost adjustment”, the ad hoc DfE report ranks HESA subject cost centres by the percentage change in Subject-FACTs (the Full Average subject-related Cost of Teaching an OfS fundable FTE student in a HESA academic cost centre) for all fundable students.

Subject-FACTs are more usually used in calculating average subject premiums, to inform the allocation of OfS funding linked to high-cost subjects. To say that this is not an exact science is perhaps understating the indicative nature of these statistics - DfE really doesn’t help things by presenting the percentage change between 2011 and 2017 without taking into account either the change in academic cost centres in 2012 or the overall percentage change in spending per student for all subjects, or even student volume changes between subjects.

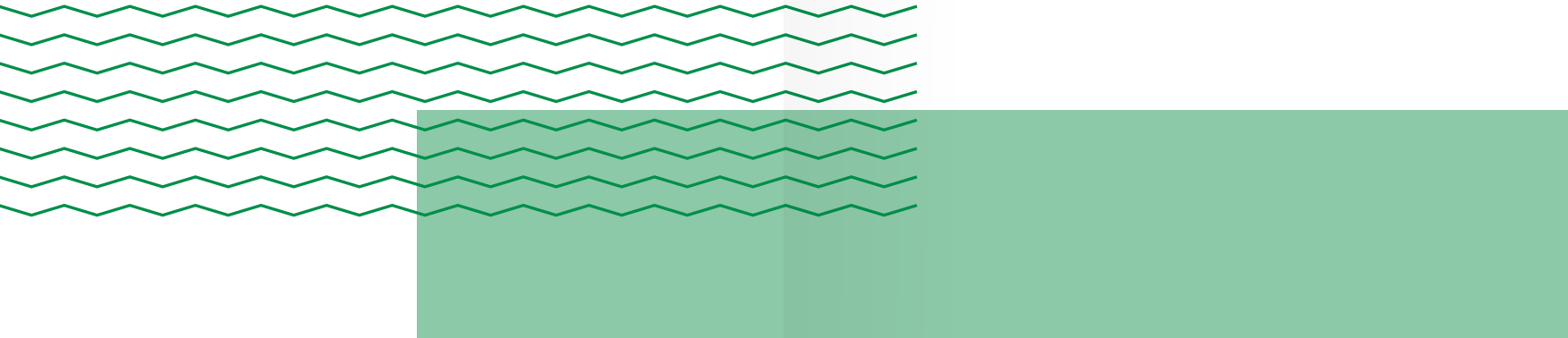
There has been a lot of money coming into the sector post-2012, and if this money has been spent on improving the provision and support for students then it is difficult to complain. What else would we expect providers to do with student-related funding? Over time there has been speculation that it would be spent on anything from swanky en suite accommodation, to architecturally stunning buildings, to golden chairs for vice chancellors. This data suggests, in the main, it hasn’t.

Indeed - the average per student spend in all but two subject areas is greater than the current Home/EU fee cap (if you take the average including waivers of £9,112). Though it’s not there in black and white, the major cross-subsidy still comes from international students.

TRAC(T) clearly leaves us with a lot of unanswered questions - so the parallel KPMG study uses a linked but distinct methodology to get even deeper under the bonnet of the cost of undergraduate provision. Here, 40 English higher education providers participated in an experimental data collection exercise for 2016-17 that took TRAC as a starting point. The data covers 38 per cent of all possible student FTEs.

The weighted average costs here differ sharply from the raw TRAC(T) numbers presented by OfS - only social studies, languages, English, and Law now slightly undershoot the average fee income per FTE. Splitting these averages down by cost category does not tell us much - fee income, as expected, covers course delivery staff costs, student related central services (admissions, or libraries for instance), departmental running costs (managing things like examinations and assessment processes) and estates costs (the equipment and spaces that allow teaching to happen) as the main constituent parts.

You will struggle to find any subject with an average delivery costs of less than £8,000 - economics comes closest at £8,021. This suggests a few providers, at least, may be able to get the costs down to Augar’s magic fee number - but it is hardly a resounding condemnation of current teaching costs.



What is interesting is the way these proportions vary according to the way a provider is organised. As with TRAC(T) we look at “peer groups” - and find that less research intensive institutions have larger direct staff costs and smaller departmental costs. The report hints that less research activity means less research income, which means that staff spend more time teaching (and, I suspect administrating) in these providers.

Rather than any fundamental structural differences, the variation appears to be in accounting decisions and allocations across research and teaching. Very small providers tended to do more at a departmental and less at a central level, but this is the only finding in the other direction. For mainstream providers, smaller institutions (and, from my experience, post-92 institutions) tend to control spending more centrally.

The KPMG summary puts the situation rather well:



We found that institutions are diverse and complex which leads to a variation of costs of teaching within subject groups. Institutions reported increasing challenges to maintaining financial stability due to volatile student demand, balanced against a desire to invest in staff to lower the student figure in the staff to student ratio, IT, and infrastructure, which are seen as enabling increased quality and attractiveness of the institution to students.

There’s not a smoking gun here on systemic overspending - and even the limitations of the study (time pressures meant responses have not been audited or verified, limited contextual information was gathered) do not point to systemic gaming of the system.

THE AUGAR RESPONSE

The final report bases a lot of its conclusions on the average margin for sustainability and investment (MSI) of 10 per cent. This component of full economic costing covers investment in the maintenance of assets, additional support for students, and accounting for risk, development, and finance costs. The principle of this calculation was accepted as a core component of TRAC when it was introduced, and the current approach is based on current Ministry of Defence guidance for full economic costing. The Augar panel contest this, seemingly for no other reason than a gut feeling that it looks a bit high.

The other strand of the argument draws on that TRAC(T) ranking - that shows spending has increased to encompass available money, showing some subject cost centres rising at substantially higher rates than others. The panel accepts that higher education providers “are indeed spending their additional income for these subjects in order to demonstrate value for the higher fee level charged, or the allocation of costs to different subjects in the TRAC data is relatively loose” but don’t see either explanation as satisfactory.

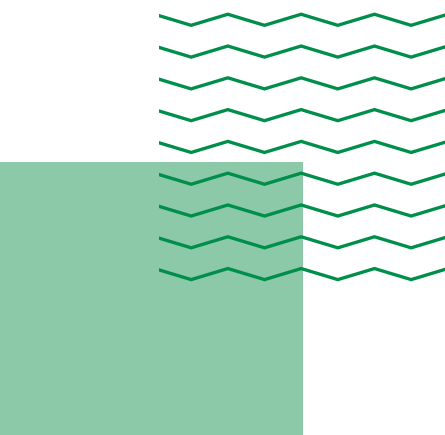
They argue that because there is a wide variation within subject areas, and central costs, between institutions (there is, for the structural and regional issues described above) there must be scope for “best practice” efficiency savings. Maybe they are suggesting that the Royal College of Music should teach more chemistry courses, or that King’s College London should base itself in Hartlepool? There’s an expectation that “this assessment will be contested within the sector.”

The analysis, although based on great research, seems rather thin to base a fee cut on. By the time we get to the “case for change”, the concerns about efficiency and the MSI have transmuted into the “fact” that some subjects are overfunded. Coupling this with the fact that careers (like say nursing, teaching, social work, the arts) with low pay mean that for some subjects students will be unlikely to pay back the full cost of their loans. Out of this swirl of data comes the assertion that the country is subsidising some subjects of study to the detriment of others.

The shift to £7,500 does give the government more space to make strategic choices about subjects - an envelope of roughly £3 billion. But the idea that some subjects should receive no more than the £7,500 fee income suggests a certain amount of naivety about precisely where £1,500 (on average) of external income is going to come from. There are probably some efficiency savings available through the adoption of best practice (though government reports always overestimate these), and the idea that institutions ignore MSI and assume that the OfS will bail them out of financial trouble seems risky, to say the very least.

In summary, for a report praised for a focus on detail the central plank of the reforms feels like post hoc justification for a political decision. There is no data that suggests most courses can be delivered at the current levels of quality on £7,500 - unfortunately it is now the job of OfS to go and find some.

.....
DAVID KERNOHAN | WONKHE



The return of maintenance grants

Augar was an opportunity to reset the debate around student maintenance. But despite the headline return of the maintenance grant, the panel has arguably sidestepped that opportunity to have a debate about debt instead.

There is a notable section in the report that evaluates the cost of the return of the grant. Because they'll be aimed at poorer students, the report concludes that this group's likelihood to end up with worse labour market outcomes (and therefore likelihood of having more of their loan written off), the panel effectively argues that it may as well just grant them the money rather than loan it and not get it back. The problem is, if its not making much difference to the Treasury, it is also not making much difference to day to day student hardship.

In the "Student contribution system" section, the report uses recent research carried out for the Department for Education (DfE) to buttress its focus on the balance between grants and loans rather than overall support - it says that the research "showed that the income-contingent nature of loans is the most important factor in persuading people to enter higher education, despite concerns about overall costs". So we should dig into that report. It asked applicants and students about worries - and found that 50 per cent of applicants were equally worried about fees and living costs, and then a further 22 per cent of applicants were worried just about living costs.

Those percentages shift for current students - the percentage worried just about fees naturally drops to 13 per cent, but the percentage worried just about living costs rises to 44 per cent, with another 40 per cent worried

about both. In other words, 72 per cent of applicants and 86 per cent of students were worried about living costs. 78 per cent of those applying for less selective universities were worried about living costs. And applicants from a C2DE background were more likely than those from an ABC1 background to mention the availability of a maintenance loan (51 per cent versus 38 per cent) and the prospect of a bursary, scholarship or fee waiver (55 per cent versus 27 per cent).

Bizarrely, it then asks survey respondents to tick things that "helped each sample group decide to go to university". Unsurprisingly, 61 per cent of applicants were reassured by "Not needing to repay until I earn more than the income threshold". But 42 per cent ticked "Availability of maintenance loans for living costs" - rising to 52 per cent of current students - hardly a dismissable factor. And when it asks about strength of agreement with 13 separate statements about "cost and choice relating to attending university", it fails to ask whether the cost of studying at a particular university affected choice.

In other words, Augar has drawn conclusions that prioritise debt over day to day costs via research that never once asks "I worry about having enough to live on at university", but does ask various versions of "I worry about having enough to live on each month once I've made my student loan repayment."

HIGHER OR LOWER THAN A SIX

Chapter Six is the actual section on maintenance, and it's short on analysis - just three pages look at the current system, and none of them look at the research referenced above, DfE's own student income and expenditure survey or other sources of data on affordability concerns. The only real reference point is an international comparison, that shows the Netherlands, Norway and New Zealand offering more help, and Australia, Germany and France all offering less - all without reference to actual costs. All of that unsurprisingly leads the panel to positively conclude that debt is an issue, but dismisses cost of living - "in considering the evidence on maintenance costs" (without, apparently, considering much evidence on maintenance costs) "we do not doubt that the cost of living is a problem for students but are mindful that the overall level of support provided is high by historical standards, and competitive by international standards."

Is there any evidence on maintenance costs? Later the report does at least quote a DfE analysis of its own "Student Income and Expenditure" survey, which finds that median expenditure by full-time students living away from home and studying outside London is

£11,679 in 2018/19 prices, significantly higher than the £8,700 maximum level of loan available and more than the £8,663 proposed - the difference is to be made up through students earning income from "employment alongside their study" - not an option for many students and a deeply harmful one for others.

That DfE analysis was based on its "Student Income and Expenditure" survey from 2014 (it's not been commissioned since), and to get to 2019 numbers they've "uprated using the retail price index". The problem is, doing that would have current "away from home" full-time rent at £4,858 - but Unipol/NUS data says rent has now risen to £6,366 - and almost £9,000 in London. The 2014 survey was not released until March 2018, but even then full-time students were paying 13 per cent more on housing in 2014/15 than in 2011/12.



CHOOSING A BENCHMARK

Augar goes on to use the 21-25 national minimum wage (NMW) rate as the benchmark for maintenance - after all, "80 per cent of undergraduate students are under 25 in age". Is that helpful? This NMW site doesn't think so. "The one major area where inflation remains high is housing" it notes, "which affects everyone but especially the poorest". To put this into perspective, it goes on - a person earning minimum wage "would only just be able to afford a one bedroom flat in London. Providing they don't eat, user power, pay council tax or wear clothes". Or, indeed, buy books, join societies, or pay for graduation.

There's an interesting section on parental contributions that makes clear that concerns were raised in the call for evidence "about the impact on access made by the assumption of a parental contribution to students' living costs." But even having recognised the problem, the proposals offer no solutions. Martin Lewis of Money Saving Expert has long argued that the parental contribution element of the full package is hidden, although students assessed on parental income have no way to force their parents to contribute: "either their finances

should be separate or they should have some ability to be able to force parents to comply." But as well as that parental element, he's also long argued that the total amount just isn't enough - with an even more hidden parental contribution having to top up. The really honest thing to do for applicants would be to calculate the cost of living and study and show how much the government package is short by - but it doesn't and won't do it.



MORE MORE (LESS)

There are lots of other problems. London weighting and students with children are both posited as areas for further enquiry, but that DfE "Student Income and Expenditure" survey has plenty on both issues - what more evidence does the panel need? The lack of a mention of the minimum wage for those in the first year of an apprenticeship - £3.90ph, regardless of age - seems like an omission. And the commitments on student accommodation costs notably never go near attempting explicitly to reduce them, or even slow their inflation-busting growth.

Since Augar, MoneySuperMarket.com has published findings that suggest that the average graduate will leave university with £3,561 of debt on top of their student loan, with 15 per cent leaving with over £10,000 worth of debt. Could it be that Augar's focus on student loan debt at the expense of living costs will ironically worsen their commercial debt on graduation?

The disappointing thing about all of this is that just like over the past decade, politicians will use application and entry rates - including from the poorest - as evidence that their policies are working. But poorer students from poorer backgrounds will continue to believe that "going to university" matters for their social mobility. On these proposals, there will still be many who will calculate that they can't afford to go.

There will still be those that think they can afford to, and end up dropping out. And there will still be a large number that scrape by, without taking part in wider university life, without buying the books they need, without going on the "optional" field trips and working part time until 3am, that then wonder why their labour market outcomes don't match their richer counterparts. And when the social mobility dials still don't move, a future government will probably commission something like Augar all over again - and ignore, again, the financial realities staring students in the face.

JIM DICKINSON | WONKHE

Let's start with the most immediate question for policymakers in Scotland, Wales and Northern Ireland. How likely is Augar to be implemented? Given other distractions, how much attention to give these proposals right now is no small judgement for those outside England, as well as those within.

The impact of Augar across the UK nations

As and when they judge Augar likely to have real world effects, the common interest of the two current devolved governments and the Northern Irish administration will be the Barnett consequential. The report is premised on an injection of new cash, for student grants and compensatory top up funding for teaching costs. London Economics has estimated these two elements would cost around £3.3 billion, although that may well be optimistic. Unless all that funding is transferred from some other area of spending that falls within Barnett, then the proposals should bring some new cash to other parts of the UK (adding to the total price tag). The question then becomes how much of that is needed in each nation to deal with any unavoidable new costs that Augar also brings. At that point the three devolved administrations diverge.

A LOSS OF £1,500 IN WALES

The heavy traffic of students in both directions across the border between Wales and England is the main challenge for the Welsh government. First, will the UK government cap the amount it is prepared to send over the border at £7,500 per student? Very probably. In that case, the Welsh government will have to drop its fee: an additional £1,500 charge would be a likely disaster for the cross-border recruitment the Welsh system needs, particularly unfunded and upfront. But what happens then for Welsh students who stay in Wales to study? Retaining a higher fee just for them looks pretty much insupportable. The logic pushes towards a loss of £1,500 in fee income for all UK students in Wales.

The good news for Cardiff is that it will not need to spend any new money on maintenance grants, having already invested in those well above the level Augar proposes. Any Barnett consequentials can therefore be recycled directly into the teaching budget. Critical therefore will be how the sums work out in detail. My back of the envelope calculation suggests Wales could be alright, based on a Barnett consequential of around £180m and somewhere in the region of 100,000 FTE UK and EU undergraduates. But much depends on which parts of Augar are implemented, how and therefore how much new money is found, and from where.

The Welsh government has so far remained tied to whatever loan system is used in England. How far the Welsh government is free to pick and choose between loan scheme changes, if it wants to, will depend both on administrative ease (a different repayment period should be easy to implement, a different repayment threshold not so much) and the arithmetic of student loan financing. The second of those can only be done on the back of a four-dimensional envelope and is not attempted here.

GOOD NEWS FOR NORTHERN IRELAND

Northern Ireland is still using something close to the 2006 English system for those students who stay there to study. It too has kept grants above the level proposed by Augar, and fewer English students go to Northern Ireland, so the loss of fee income from that group is a less critical issue. Unlike Wales, a lower fee for students from the rest of the UK in Northern Ireland raises no issues about the fee for local students, as they are already on a separate, reduced rate. Lower fees in England would reduce the cost difference between staying and going: a large number of Northern Irish students study in other parts of the UK because there are not enough places for them in their home nation. For all these reasons, Augar looks to be straightforward good news for Northern Ireland, offering more money, up to around £100 million, and minimal entanglement. The influence of the Democratic Unionist Party at Westminster starts to look interesting here.

AN UNEVEN SPREAD IN SCOTLAND

In Scotland, students from other parts of the UK account for around one in seven undergraduates. A loss of income from these students will be unevenly felt across universities. Some already charge an Augar-like fee, spreading £27,750 over four years: they could just stick where they are and give up the four-for-three principle. But most English students are in institutions charging the full £9,250. Edinburgh and St Andrews have the largest proportion of recruits from England and will feel the largest impact.

These institutions experienced a windfall when they were allowed in 2012 to bring in English-level fees for students from the rest of the UK, with no clawback. They are now in the tricky position of having to argue for compensation for loss of that benefit. Scottish maintenance grants are well below £3,000 so there may be pressure from NUS to use some of any new cash to increase spending on those, to prevent Scotland reverting to the status of least generous UK nation for student grants, and to improve support in further education. An Augar consequential of around £300m would give the Scottish government some scope to be creative. However, current gloomy projections for Scottish income tax yields might mean any extra cash never comes near higher (or further) education.

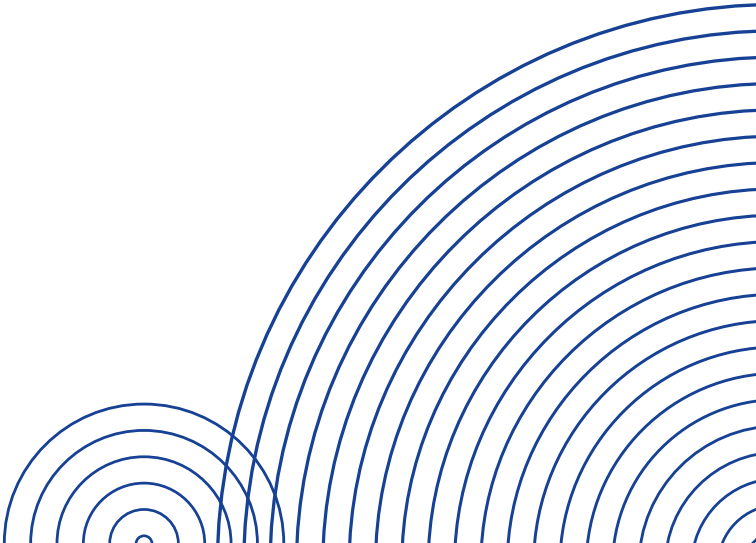
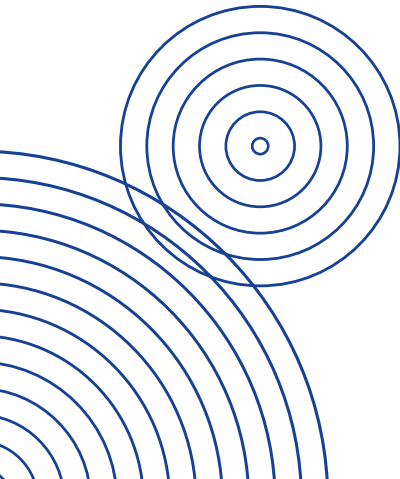
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The combination of continued entanglement and increased divergence in higher education systems makes the UK-wide implications of higher education policy changes in England more complicated with each iteration.

How the Scottish government responds to loan scheme changes will be worth watching, as it has recently dropped its repayment period from 35 to 30 and appears to be struggling to meet a commitment to match the English repayment threshold at its current level of £25,000.

The combination of continued entanglement and increased divergence in higher education systems makes the UK-wide implications of higher education policy changes in England more complicated with each iteration. Considered here are just the financial points. Other parts of Augar may also be influential beyond England. But for as long as it is unclear any of this is actually happening, people in other parts of the UK may be wary of investing too much time in speculating over the cross-border complexities.

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LUCY HUNTER BLACKBURN

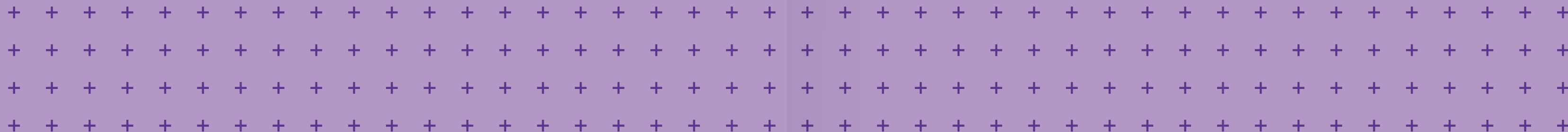


COMMENT:

We need a focus on

values

not value





Ninety-eight times. That’s how often the Augar review uses the word “value”.

The first is in the foreword where Philip Augar defines his report as an opportunity to consider whether post-18 education is “delivering value to students and taxpayers.” The last is a recommendation that teaching grants should “reflect more accurately the subject’s reasonable costs and its social and economic value.”

Five times. That’s how often the panel acknowledges that the value of education cannot always be reckoned in pounds and pence. And of those five, three are followed within a few lines by the word “but” and a reminder that the pennies count.

A WORD THAT MEANS WHATEVER YOU WANT IT TO MEAN

The word “value” appears in the panel’s terms of reference too. Yet no attempt was made by the Prime Minister, who commissioned the review, to define the value that post-18 education sows in society. Nor by the Department for Education in publishing its remit. Nor by the Augar panel of experts itself.

The education secretary defined it though. On 26 May, just four days before the report was published, Damian Hinds called for “an end to low-value degrees”, explaining that “poor value” meant graduates failing to earn enough five years after leaving university to start making loan repayments.

In that case, my undergraduate degree was “poor value”. After I graduated, I started a business that is now a non-profit organisation supporting more than ten thousand school-leavers each year. It took around five years before I dared pay myself even the £23,000 that Augar proposes should be the repayment threshold. Value, apparently, does not mean supporting business or social enterprise.

My ex-flatmate’s degree was poor value. He got a double first from Oxford and eventually became a successful writer, but he spent many years doing rubbish temping jobs to give himself time to forge his craft, secure an agent and get a break. He wrote for the stage, radio, television and film – the British film industry alone is larger contributor to the UK economy than our car industry, but many of its workers earn little until, after many years, they might get established. Value, apparently, does not mean investment in the creative arts.

Another friend volunteered for charities for two years before getting a poorly paid job in Bosnia helping refugees after the war. She went on to work in the developing world for the benefit of humanity, before coming back to the UK to qualify as a nurse. Value, apparently, does not mean doing a job that helps others more than it helps you.

Students without the privilege of social capital – denied by their class, their race, their disabilities or their gender – earn, on average, thousands of pounds less than their more favoured peers. Meanwhile, many students – young and mature – attend their local university or college because their communities have been economically tattered. Study is their best hope of stitching together a fearless future. When they graduate, if they continue to live alongside their neighbours, to rebuild those communities, they won’t earn what they could by digging deeper the divisions in society instead. Value, apparently, does not mean battling regional and social inequality.

On the other hand, when I graduated, a fellow student from my university went to work for Lehman Brothers. We all envied his starting salary. I remember wondering about him in 2008. Value, apparently, does include producing nothing but wealth for those who already have it.

A CONCEPT WITHOUT VALUE

This idea of value has no value. Salary is a poor measure of value. But, for want of a better definition, the Augar review builds a buttress to the edifice, fortifying this teetering notion of value. Even Augar’s many laudable recommendations on access, lifelong learning and alternative pathways serve only to reinforce rather than rebut, because they whitewash the stains rather than tackling their cause. Augar steers the discourse about student funding down the well-travelled road of counting what’s measured, rather than measuring what counts.

The earnings are the outputs and the inputs are the costs. Value, however, is to cost as age is to age at birth. Cost alone tells you only about affordability, but value depends on whether you are affording a home or a hamster.

We have no good measures for the value of post-18 education and Augar has shrunk from the task of defining it and finding valid ways to account it. When we resort to poor proxies instead, all we do is bolster those false goals and undermine what we hold truly dear.

Whenever you cannot measure value, look to your values instead.

We cannot fund our post-18 education system without a clear understanding of what it is for. It is about better jobs, earning more, but it is about so much more. To me, education is about cultivating our tomorrows, handing them the tools to survive and to thrive and trusting them to do so.

There are just two certainties about the future: we do not know what it will be; and, whatever it is, there will be change. And so there is one thing that must be common to all post-18 education, one thing that every 18-year old must have to face that future for their own good and for the good of us all: they need the resilience that comes from a rounded set of versatile skills, knowledge and virtues.

Until we have a funding system that puts that as the goal, we will – like Augar, Browne and Dearing – merely be tinkering with the balances to shift the unfairness from the shoulders of taxpayers to students and back again.

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**JOHNNY RICH | PUSH AND THE
ENGINEERING PROFESSORS’ COUNCIL**

The future for Augar is political

As Jonathan Simons from Public First wrote on Wonkhe after the release of the Augar review “I would place a large amount of money that the ten people running for Prime Minister of this country will read, at best, a one page brief on it, written in haste, by a non-specialist aide.”

And so the fate of the Augar proposals and post-18 education now hangs in the balance of the politicians vying to lead the Conservative party and their aides. The government’s formal position is that “it will consider the recommendations and conclude its overall review of post-18 education and funding.” This probably means that decisions will be taken at the forthcoming spending review and at the time of writing, it’s not clear whether that exercise will conclude for the Budget in the Autumn or be pushed back until Autumn 2020, to allow Brexit to play out and a new Prime Minister and Chancellor to take the reins of Whitehall.

By the time you are reading this, the Conservative party may have already picked its new leader, and it’s very unlikely that higher education featured strongly during the campaign. More than half of Conservative party members are over 55 and over a third are over 66. Any children they have are likely to have gone through tertiary education already. 86 per cent of them are ranked in AB1 social class, and they earn on average considerably more than the average wage. The questions about debt, and future career prospects don’t weigh that heavily on their minds.

From the candidates’ point of view, Augar also offers an easy way out. Any serious challenger will know that they don’t want to box themselves in by making rash announcements, and given how clear the £7,500 fee level is, it would be difficult for a contender to publicly underbid that (though they will be careful not to commit to Treasury making up any difference).

The broader dynamics of electoral politics and internal Conservative positioning pose some hard questions for the higher education sector. The Conservative electoral strategy for the 2022 general election, partly out of choice and partly out of necessity, is going to be heavily focused on what we can term the post-industrial, aspirant working class and lower middle class (C2 and C1 voters) seats, many of which voted Leave and are in the Midlands and the North. The Conservatives won many of these seats slightly against the odds in 2015 and 2017 – places like Walsall North, Mansfield, Middlesbrough and South East Cleveland.

It’s no coincidence that Theresa May’s speech responding to Augar talked extensively about further education. One of the great “what-ifs” of her premiership is that, had Brexit been resolved swiftly or if she hadn’t called an election in 2017, how much of her time would have been focused on this electoral group. And while many of this group do go to university, a lot of them don’t – they (or their children) leave school at 18 or do an apprenticeship or go to college. Augar argues that we need a unified tertiary system but that means shifting resources from higher education to further education, which will play well with this group.

Add to that, the Conservative party is currently obsessed with the 18-24 cohort, whom they were relatively competitive with in 2015 but lost by a huge margin in 2017. Given that young turnout is increasing, it’s likely to be the case that whether they continue to break for Corbyn, or move to Lib Dems, or come back to the Conservatives, will be a decisive factor in the next general election. As such, the Conservatives want policies for this group – and higher education is one of the areas that is under their control. As Jonathan Simons argues, “it’s quicker to execute than building more houses (and less unpopular amongst older voters), and it’s more realistic grounds for them to fight Labour on than climate change.

So come spending review 2020, and in the run-up to an election, the issue of fees will come up again. By which point Augar’s £7,500 could look less like a floor, and more like a ceiling.”

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MARK LEACH | WONKHE

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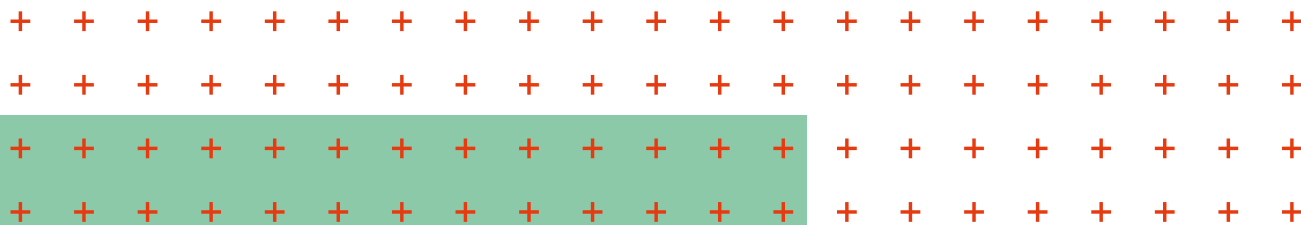
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So come spending review 2020, and in the run-up to an election, the issue of fees will come up again. By which point Augar’s £7,500 could look less like a floor, and more like a ceiling.

JONATHAN SIMONS
PUBLIC FIRST





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