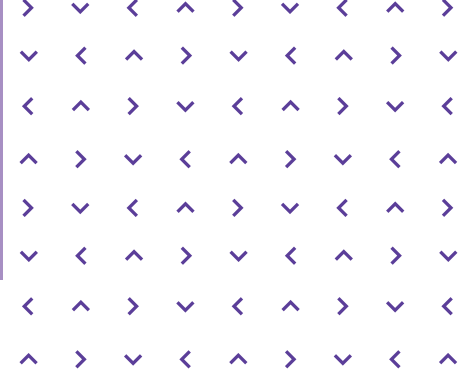
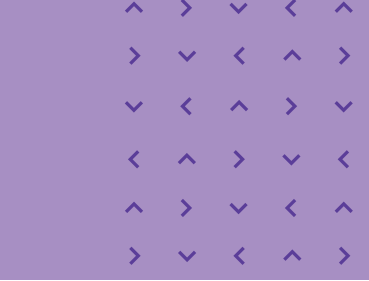


WONKHE

The higher education policy landscape

APRIL 2022

In association with **KPMG**



Welcome to the latest edition of our regular briefing on the higher education policy landscape, brought you by Wonkhe and KPMG.

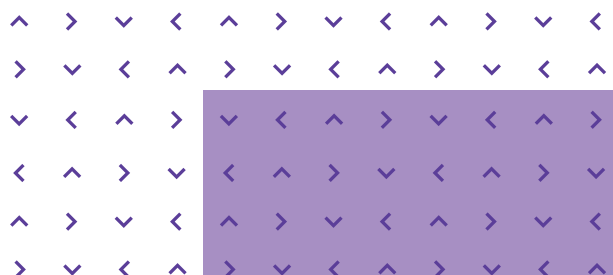
It has been a lively term for the sector in England, with the publication of the government’s response to the Augar review, new proposals for HE reform, and a slew of consultations on quality and teaching. And while the aim is to put the system on a more “sustainable” footing, there are questions about the true financial sustainability of the HE sector. In Wales, the Tertiary Education and Research (Wales) Bill continues to progress through Senedd, and the Scottish government is proposing to give itself wide-ranging powers, including over universities, in a future public health emergency.

Here we digest the headline policies and their implications, with particular focus on boards of governors and university stakeholders who are not working full time in higher education. If you have any feedback or comments please let us know.

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Unless otherwise stated, all opinions remain those of the Wonkhe team and not KPMG.



Key issues and considerations for boards of governors

Justine Andrew, Head of Education, Skills, and Productivity, KPMG

Is this the moment for the sector to draw breath as we emerge from the pandemic? Probably not, but there is more certainty perhaps that we have been used to.

There is a gradual return to campus. Most institutions are retaining a hybrid model in both front-line teaching and professional services. All of us still working through the right balance of benefitting from the value of both face-to-face interaction and remote working. But this will settle and ultimately be guided by what works best for our students, our customers, and our people.

A larger concern across the board is perhaps the struggle to recruit and retain talent in a far more flexible world than we have been used to: I suspect this will be high on risk registers as we go forward.

As this update demonstrates, there is less policy uncertainty in the medium term with the response to the post-18 review finally released; the Lifelong Loan Entitlement open to consultation and a levelling up white paper. KPMG's recent risk benchmarking of over 50 higher education institutions shows a greater focus on the issues that were there before but have been brought to the fore in recent months: staff and student wellbeing; cyber security; the right model for teaching (what, to whom, and how); the resilience and flexibility of IT and digital infrastructure; estate footprint and usage; and new research strategies looking to REF 27.

For boards this means a focus not only on the "harder" financial, estate, and IT risk areas but also on some of the softer elements around people and culture (arguably harder to measure and mitigate against) and also a real need to focus on the academic model and academic quality. Not always a comfortable place for non-academic board members, but one that will be increasingly important.



For further information please contact [Justine](#).

If you have not done so already please register for the [KPMG Board Leadership Centre](#) for timely updates on the sector and wider board issues.

Fees and student finance

In February the English sector finally gained some clarity on the shape of university finances going forward with the publication of the government’s response to the Augar review, along with associated consultations on higher education reform and a consultation on a future lifelong loan entitlement.

The full-time undergraduate fee is to remain frozen at £9,250 until 2024-25. The repayment threshold for student loans will be frozen at £27,295 for current borrowers. For students coming into the finance system from 2023-24, the repayment rate will be reduced to £25,000 and the repayment terms extended to 40 years. There will be no additional rate of interest on new student loans above RPI.

The overall effect of these changes is to reduce the overall cost of the student finance system, though analysis from London Economics suggests that projected savings are primarily attributable to a technical accounting process - a radical reduction of the discount rate on student loans from +0.7 per cent to -1.1 per cent - than on the publicly announced measures.

For universities, while a freezing of the undergraduate fee represents probably the best possible outcome in political terms, the continued erosion of the value of the fee in real terms - and increasing inflationary pressures - along with rising costs, means that more universities will find themselves facing financial difficulties.

An assessment of the regulation of English providers’ financial sustainability from the National Audit Office in March observed that the numbers of providers facing budget deficits and short term cashflow issues is on the rise, while medium and long term structural issues, such as the cost of pensions, and inflation, are a cause for concern - and the impact of the restructuring of the student finance regime under the new Lifelong Loan Entitlement, due to be rolled out from 2025-26 remains unknown.

But arguably it is students and graduates who are taking the biggest hit both from the student finance reforms and the weaknesses in the wider economy. Changes to student finance will see lower income graduates paying more over their lifetimes and,

thanks to the reduction of the interest rate, higher-income graduates paying less.

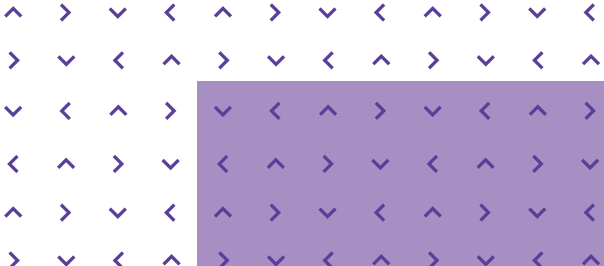
Much of the “fiscal headroom” that Chancellor of the Exchequer Rishi Sunak used in the Spring Statement to introduce measures to ease the cost of living such as raising the National Insurance threshold were produced not from economic growth but from savings to the student finance system.

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The government’s Augar response was entirely silent on the question of maintenance loans and grants, and student living costs - a topic the Augar panel had recommended should be addressed. The value of the maintenance loan is set to increase by 3.2 per cent in 2022-23, much lower than the projected rate of inflation, and the current £25,000 annual family income threshold for eligibility for a maintenance loan remains frozen.

Students are de facto excluded from any government analysis of households on low income because tuition fee loans are counted as household income, even though that income is hardly disposable. And low-income students will be especially hard-hit by inflation, because of the impact on the cost of lower-priced goods.

Ahead of September, despite the pressures on budgets, universities may wish to consider where costs could be mitigated to reduce students’ need to work long hours alongside studying and alleviate hardship.



HE reform

Alongside announcements on fees and student finance the Westminster government is consulting on a number of proposed changes to the system that are intended to address the Augar panel's view that the HE market has become rather skewed since the removal of student number controls.

Overall, the panel recommended a rebalancing between the traditional three-year level six degree route and other less well-established post-18 routes such as higher technical qualifications and higher apprenticeships. It cited longitudinal educational outcome data on graduate salaries as evidence that a small but significant minority of students are not recouping their investment in higher education - or repaying their student loans.

And it drew a picture of more rapid growth in higher margin social science and business subjects without parallel growth in STEM, and suggested that universities that were struggling to maintain student numbers in a more competitive environment are incentivised to make offers to less-qualified prospective students.

In response the government's HE reform proposals are less about reducing the overall numbers of students entering HE overall, as about finding ways to achieve this proposed rebalancing away from the three-year degree route. But it is also clear that ideas about how to do this - despite the Augar review having made its proposals nearly three years earlier - remain sketchy.

The HE reform consultation proposes the introduction of a student number control - a measure much of the HE sector is implacably opposed to - but is open for discussion whether these might be implemented at sector, provider, subject, or course. It's suggested that student employment and salary outcomes should be a factor to consider, but also acknowledges that many university courses contribute to the public sector, regional economies, and broader national goals such as net zero.

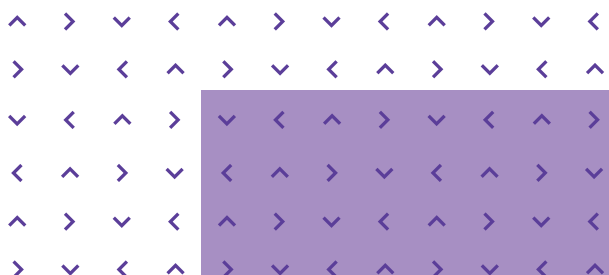
The other challenging suggestion is the introduction of a minimum eligibility requirement for access to

student loan finance at level six/degree level, either based on GCSE or A level/level three performance. This would mean that students who had not achieved the minimum standard would be obliged to enrol on a lower level course rather than a full degree programme.

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Exceptions could include students over 25, part-time students or, if implemented for GCSE performance, those who had subsequently gone on to perform well at level three. There is significant concern about the impact on access to HE for prospective students from lower socio-economic backgrounds, who would be disproportionately impacted by a minimum eligibility policy.

The consultation proposes to reduce the fee limit for foundation years to the equivalent for an Access to HE course (currently £5,197) with some that support access to professions like medicine and dentistry able to command the higher fee. There is also an open question about how HE providers might be encouraged to offer more of the kind of higher technical qualifications at levels four and five the government hopes to nudge some students into.



Lifelong loan entitlement

Whatever the conclusion of the HE reform consultation, all of the above seems set to be overturned at the start of the next Parliament with the rollout of the Lifelong Loan Entitlement (LLE) from 2025-26 - a very tight timescale for a policy that remains in its infancy in terms of technical detail.

The government has published a consultation document on the LLE that sketches out the bones of the policy, but leaves a great deal yet to be determined. In one sense that is good news for the HE sector, which has the opportunity to shape what could be a transformative policy agenda. On the other hand, the lack of detail is a little alarming given the proposed timing of the implementation.

The intent is that the LLE should replace the current student finance system and offer funding for the equivalent of four years of full-time post-compulsory education across both further and higher education, accessed via an individual lifelong learning account.

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Funding could be allocated on the basis of academic credit and by module, rather than by course or qualification - and the hope is that most courses will become modularised to facilitate this level of flexibility. The maintenance loan would in principle have to be offered pro-rata as well in this scenario.

There would also need to be a level of harmonisation of fee levels and quality arrangements across further and higher education. And providers would need to be either rather more willing than they have hitherto been, or actively obliged, to facilitate credit transfer between courses and institutions.

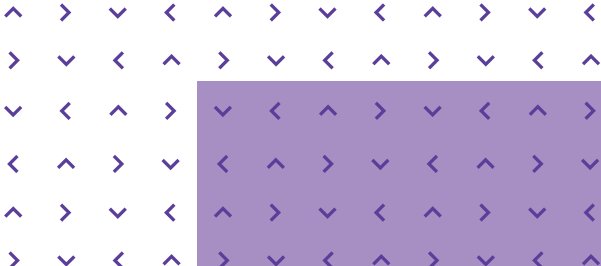
In principle, an individual could build up knowledge and skills relevant to their lives and careers over their lifetimes, rather than taking all their education in a chunk at the start of their careers. It could facilitate greater diversity of options and pathways, innovation in provision, and much wider participation in post-compulsory education.

On the other hand, there is a lack of market intelligence that would help to understand the scale of demand for post-compulsory education to be delivered in this more modular way, or the patterns of uptake of a greater diversity of course options. The pathways for students to achieve a meaningful qualification with appropriate labour market currency would need to be clearly articulated, and the financial risks for providers of innovating in an uncertain market managed. Employers, too, would need time to adjust to the new system. While the policy direction is potentially exciting, it may be the kind of idea that has the best chance of working in times of economic plenty rather than constraint.

Regulation of quality and standards

For some time now it’s been clear that the Office for Students (OfS) has intended to strengthen its regulatory approach on academic quality and standards - or the B conditions of the regulatory framework. The main B conditions, which have been subject to consultation for some time, have been confirmed and will be in operation from 1 May 2022 and there is a new consultation on regulating student outcomes - or condition B3 of the regulatory framework.

Condition B1 requires providers to offer students a high-quality academic experience, and indicates the features of such an experience: up to date; offering educational challenge; coherent; effectively delivered; and developing relevant skills.



Condition B2 requires providers to ensure students are offered sufficient resources and support required to ensure a high quality academic experience and student success. It also requires providers to ensure sufficient effective engagement with each cohort of students.

Condition B4 requires providers to ensure that students are assessed effectively (including requiring students to demonstrate technical proficiency in English), that assessments are rigorous and consistent, and that qualifications awarded are credible and hold their value.

Condition B5 requires providers to ensure that its qualifications align with sector-recognised standards - for example, degree classification descriptors produced by the UK standing committee for quality assessment (UKSCQA) - and, by association, that any student being awarded a qualification has achieved those standards.

For new providers seeking registration, Conditions B7 and B8 test the ability of providers applying to join the register to comply with the other B conditions on quality and standards.

Condition B3 and student outcomes

Under OfS' proposals on regulating student outcomes, revised condition B3 would establish a set of minimum baseline student outcomes for continuation after the first year of study, completion of an award, and progression to graduate level employment or further study.

Initially each of these indicators would be related to mode and level of study, with numerical thresholds ranging from 55-90 per cent for continuation, from 55 to 85 per cent for completion, and from 45-80 per cent for progression depending on the mode or level of study.

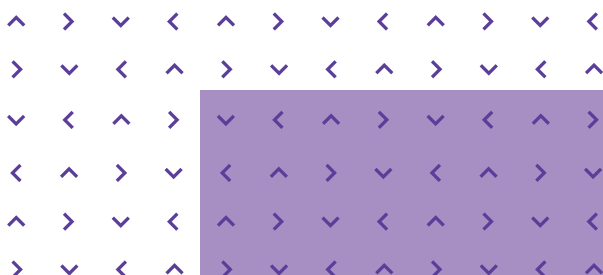
But OfS is also proposing to calculate and publish splits for each of these indicators by a range of student demographics and by subject level, course type, and "views of a provider's student population" which

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relates to students taught at a partner provider. This would create an enormous dashboard of granular outcomes data that OfS is considering whether it might link directly to a provider's entry on the higher education register or even to Discover Uni to help inform applicants. While there is not an expectation that OfS would intervene in every single case of student outcomes falling below the thresholds, a severe breach, or issues relating to particular groups of students, could draw regulatory attention. And doubtless the data will be widely used by league table compilers and third party providers of information on higher education.

The sector response to these proposals acknowledges that the argument is arguably already lost on the principle of regulation by absolute, non-benchmarked, student outcomes, and so focuses on the meaning and interpretation of those outcomes, particularly in relation to progression to graduate-level employment. There is also concern that the scale of the data analysis required could be beyond the capability of smaller providers, and that the smaller the cohort being assessed the less reliable the data is.

OfS has indicated that the new outcomes regime would be in force from September 2022 so the conclusion of the publication is expected before the summer.



Teaching Excellence Framework

Set against the backdrop of all the changes to regulation of quality the accompanying consultation on the next iteration of the Teaching Excellence Framework (TEF) - once so hotly contested - appears rather tame.

Following an independent review of the exercise by former vice chancellor Shirley Pearce in 2019 and the government response last year, OfS has proposed a four-yearly exercise, with rating awarded on the basis of a split between numerical metrics derived from the National Student Survey and student outcomes data, and a qualitative provider submission incorporating institutional evidence of teaching excellence, including on educational gain. For the first time there will be provision for an independent student submission.

One bone of contention is the introduction of a “requires improvement” category that would signal that a provider has not demonstrated excellence sufficient for the award of a TEF Bronze, and which respondents have argued does not align with the stated purpose of the TEF to reward academic quality above the national baseline.

A second is the proposed timescale - OfS has suggested that submissions would take place in autumn 2022 and awards would be made in the spring of 2023, and providers have argued this is too tight a timescale to prepare evidence.

Admissions reform

Slipped out along the Westminster government’s Augar response and consultations on HE reform and the LLE was a response to the Department for Education’s response to its consultation on admissions reform, which proposed the adoption of a post-qualification admissions (PQA) system, favoured by former Secretary of State for Education Gavin Williamson.

Williamson’s successor Nadim Zahawi is reportedly much cooler on the idea, and the response duly

confirmed that there is no plan to implement PQA. While this comes as something of a relief to an already hard-pressed sector, it does leave the status of planned less radical but still valuable admissions reform in an uncertain state.

Universities UK and GuildHE subsequently released an updated code of practice for fair admissions, which the sector-led fair admissions review had proposed in 2020. The new code prioritises the interests of applicants and the mitigation of barriers to entry, as well as transparency, robustness and professionalism.

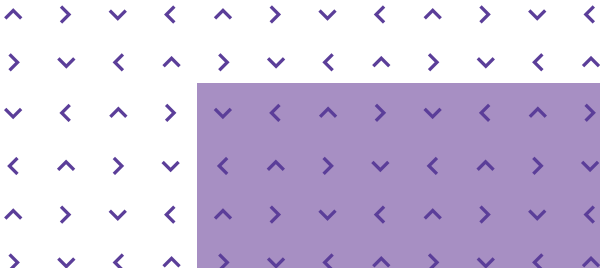
Student Futures Commission

The UPP Foundation Student Futures Commission, chaired by Mary Curnock Cook, concluded its work in February with a final report that called for universities and students’ unions jointly to produce a Student Futures Manifesto.

These manifestos would commit universities and students’ unions to address and strengthen key aspects of the student journey that have been affected by the pandemic:

- Support for students before they reach university
- An induction into university life for each year of study
- Support for mental health and wellbeing
- A clear outline of the teaching students will receive and the necessary tools to access it
- Activities inside and outside the curriculum that build skills, networks and communities
- A clear pathway towards graduate outcomes

A sub-commission focusing on international students jointly chaired by former University of Lincoln vice chancellor Mary Stuart and former international student representative Amina Akugri, emphasises the importance of effective pre-arrival communication and support, and additional support for careers and employability, and graduate employment opportunities in the UK and in their home countries.



Levelling up white paper

A long-awaited white paper from the Department for Levelling Up, Housing, and Communities, fronted by Secretary of State for Levelling Up Michael Gove, was finally published in early February. The white paper is grounded in a detailed analysis of how the uneven geographical accumulation of various “capitals” - including the human and intangible capitals associated with education and research - have allowed some areas to flourish while others stagnate. It sets out 12 “missions”, each to be achieved by 2030, addressing living standards, transport infrastructure, digital connectivity, primary education, health, wellbeing, pride in place, housing, crime, and local leadership.

There are missions that focus explicitly on research and development, and on skills - the government will aim to increase domestic spending outside the south east by 40 per cent, and to increase the numbers of people undertaking high quality skills training annually by 200,000 (a number that would replace only a quarter of the adult learning places lost since 2010). There is an explicit UK-wide remit, with an external advisory council drawn from the four UK nations.

While there is acknowledgement of the role that universities can play in levelling up, universities are not positioned as significant delivery partners for the agenda. There’s a pledge to work with OfS to remove barriers to new providers, but no ambition to address specific “cold spots” for HE. It is also indicated that UK Research and Innovation (UKRI) will adopt a new

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objective to “deliver economic, social, and cultural benefits from research and innovation to all of our citizens, including by developing research and innovation strengths across the UK.”

UKRI strategy and the Tickell review

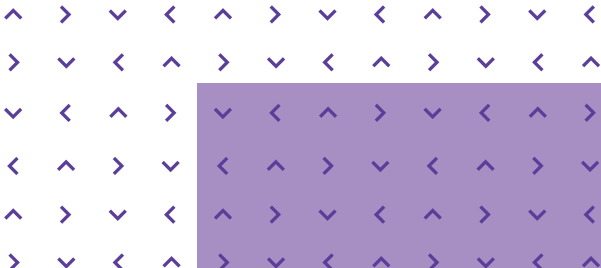
Four years after being established in 2018 by the 2017 Higher Education and Research Act, UKRI has published its first five-year strategy for UK research. The UKRI strategy has emerged in the context of a major government agenda for the UK to become a “science superpower” which has seen significant public investment and a plethora of government strategies and initiatives including the R&D roadmap, the people and culture strategy, the creation of the Advanced Research and Invention Agency, a national innovation strategy, several sector-specific strategies, and the National Science and Technology Council, to be chaired by the Prime Minister.

UKRI’s strategy is underpinned by four “principles for change”: diversity, connectivity, resilience, and engagement, which offer a framing analysis of what needs to change in the research landscape and how change will be accomplished.

There are six key objectives - including the new commitment to “place” signalled in the levelling up white paper:

- Diversity and flexibility of research careers
- A stronger alignment between research and place
- Greater connectivity across disciplines, sectors, and geographies to foster creative ideas
- More, and better, innovation
- Targeting investment in global challenges – and in doing so secure the UK’s competitive advantage in key technologies and sectors
- The effectiveness of UKRI as an organisation

The Tickell review of research bureaucracy has



published its interim report, summarising the evidence received thus far and indicating the areas that will be further investigated in the second stage of the review.

These are:

- Risk-based assurance, possibly drawing on collective or shared resources
- Standardisation of reporting and monitoring
- Optimising funding application processes, including simplification of guidance
- Improvements to peer review
- Reviewing demand management processes (ie putting caps on the number of bids per institution)
- Contracts and collaboration management
- Procurement
- Management of changes to projects eg budget change requests and extensions
- Improvements to digital platforms and systems
- Communications between funders and research organisations
- Institutional bureaucracy

Ukraine

The Russian invasion of Ukraine has prompted international condemnation of Russian aggression and atrocities, and led to the imposition of sanctions on Russian activity, including in higher education. Ukraine’s Ministry of Education and Science has written to the Bologna Follow-Up Group and key organisations across higher education in Europe asking that Russia be expelled from the European Higher Education Area and the Bologna Process, which seeks to achieve comparability in the quality and standards of higher education qualifications across Europe, and as such facilitates cross-border recognition and mobility.

Ukraine’s National Agency for Quality Assurance in Higher Education also issued a statement appealing

to the global higher education community to suspend Russian participation in all European and global higher education networks and organisations. The statement also called on all educators and researchers to stop all collaborations with representatives of the Putin regime, and to stop all cooperation with Russia’s higher education and research institutions and representative associations.

The response from European and UK representative bodies has been moderated by a hesitation about whether it is appropriate to punish Russian university staff and students, especially where they oppose the invasion. The European University Association has undertaken to cease contact and collaboration with all Russian central agencies and those who support the invasion, and has advised its members to ensure that any new collaboration with Russian institutions is based on “shared European values.”

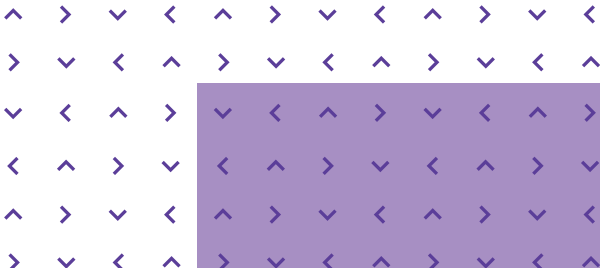
Universities UK International has taken a similar stance, advising UK universities to risk assess existing partnerships and collaborations and make decisions on a case-by-case basis rather than urging a “blanket academic boycott.”

Tertiary education and research (Wales) bill

The general principles of the Tertiary Education and Research (Wales) Bill have now been agreed in Senedd, with Minister for Education and Welsh Language Jeremy Miles promising to bring further amendments to strengthen provision for academic freedom and university autonomy, a new strategic duty on learner voice, and greater prominence for research and the Welsh language.

The bill makes provision for a new tertiary regulator for Wales encompassing further and higher education providers, sixth form colleges, apprenticeships and adult community learning, and makes explicit the strategic aspirations of the Welsh government for post-compulsory education through embedding in legislation the strategic objectives of the new regulator.

The new Commission for Tertiary Education and Research will maintain a register of providers as the



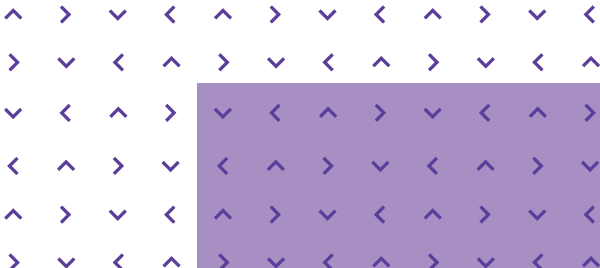
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English regulator does, with different categories of registration for different kinds of provider, but unlike the Office for Students, the new Welsh regulator will be tasked with promoting collaboration and coherence in tertiary education provision, and supporting the development of coherent qualification pathways.

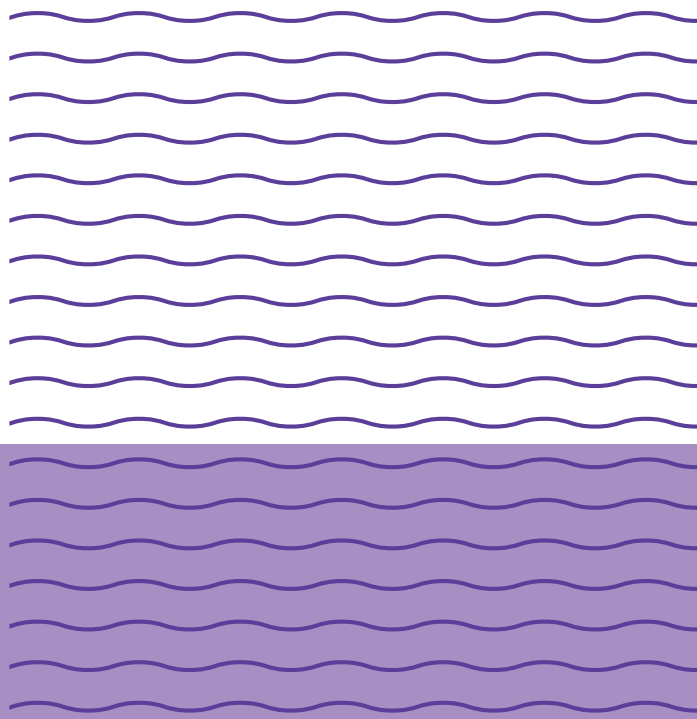
Coronavirus (Recovery and Reform) (Scotland) Bill

The Coronavirus (Recovery and Reform) (Scotland) Bill proposes to give wide-ranging powers to the Scottish government in the case of a future public health emergency similar to the Covid-19 pandemic, such as imposing lockdowns, to restrict access to schools, to make provision for holding virtual meetings and electronic signatures, and to prevent summary evictions in the private rented sector.

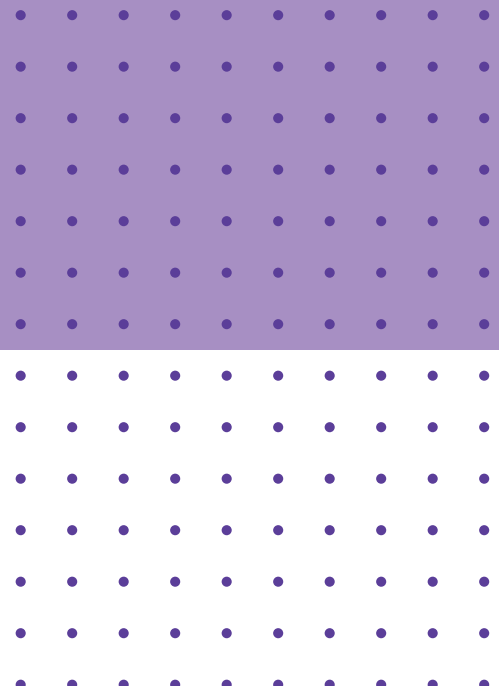
Universities Scotland has raised concerns that the bill as drafted - which makes no distinction between different types of education establishment - gives powers to ministers to make regulations that would apply to universities at the level of detail that would be impossible for government competently to assess, such as which halls of residence should be open or closed, which university buildings should be open or closed, whether students should undertake academic assessment, and what specific courses should run and in what form.



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