



ASSOCIATION
OF COLLEGES

2030 and beyond: An upgraded Post-18 education system

Association of Colleges (AoC)

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Foreword

The Government's Post-18 Funding and Education Review provides a great opportunity to re-balance the system of higher education. Our proposals would boost opportunities for those aged 18 and over at all levels of learning to support more people to get on in our society. In doing this, the system will provide better support to employers and opportunities to improve productivity.

The English university system, now centred on traditional three-year residential Bachelor's degrees, has many strengths. A highly educated population is good for our country in many ways. But the system needs reform because there is too much focus on meeting the needs of well-qualified 18-year-olds and inadequate focus on the rest of the working age population.

We reject any approach which simply and solely increases the numbers taking the full-time Bachelor's route. That will not meet the needs of the economy, nor aspirations for a fairer society. Instead, we argue for more opportunities and routes for people to study flexibly, locally and throughout their lives. Many colleges and some universities offer this now, but with the right policy and funding they could support far more people to achieve higher levels of learning and skills.

Colleges must be central to this reform if access is to be wide and fair. They cater to the needs of people ignored by the mainstream and offer higher education across every community with high student and employer satisfaction based on high contact time and excellent outcomes.

Our core proposal is to develop and invest in a separate and distinct route, which will grow in prestige and profile over time alongside the Bachelor's route. This will build on the best of what colleges and universities already do, but will not have to always articulate to a Bachelor's degree at Level 6 because it will be valued in its own right. We envisage a technical and professional route that builds on and incorporates the qualifications which work in some sectors currently, all the way up to Master's degree level where it is needed.

We also believe more needs to be done to support adults to achieve better skills at lower levels. We have come to accept that 5 good GCSEs (or equivalent) is the best launchpad for a good life and career. In today's labour market, it can be argued that the best starting point is for everyone to achieve a Level 3 (A Level equivalent). A stronger focus on adults achieving Level 3 would then support better achievement at higher levels as well.

More focus on access for adults, as well as school and college leavers at age 18 or 19 to Foundation and Bachelor's degrees is also required. Colleges already play an important part in this, but our proposals would streamline the regulatory framework to support more colleges to achieve degree-awarding powers in their own right. We also set out the case for reforms to higher education fees and student support, for shifting investment to adult skills and for a beefed-up National Retraining Scheme.

Taken together, these changes would help deliver a system which can support many more people to train and re-train across 50 year careers, allowing them to realise their ambitions

and talents. Our labour market will need people to adapt as technology advances at ever-increasing speeds. These changes would also allow colleges to do more of what they are already so good at: helping people to progress to higher learning and better jobs through a range of routes which should be properly accessible to them, whether that be in work, at college or at university.

Association of Colleges
22 August 2018

2030 and beyond. An upgraded Post-18 system

This paper argues that there are deep seated weaknesses, as well as strengths in the existing English higher and further education systems which the Review must address for the sake of a fairer society and more successfully economy. We make four sets of proposals to upgrade the Post-18 system for the 2020s:

- **An upgraded higher technical route:** The higher technical offer should be re-designed to provide a credible alternative route to a BA/BSc degree, by building on and incorporating those higher technical qualifications that work well currently. The Government should provide funding so that new national qualifications can be developed locally with customisation to meet employer and labour market needs. As well as the development costs, Government should reform grant, fee and loan rules to incentivise and support new one and two-year courses at Levels 4 and 5. The same fee cap and loan/maintenance arrangements should be made available for this route for students of all ages - whether they are part or full time. In the first 10 years, a teaching grant should be introduced to reduce the loan required by the student. This might be in the region of, say, 25 to 50% of the fee coming from teaching grant, with the loan available for the remainder. In addition, students should be able to access financial support for living costs, travel and childcare.
- **Reforms to higher education student finance:** The Government should focus support to students via maintenance grants for those whose family income is below the free school meal threshold. This should be available for full and part time students. At the same time, the Government should introduce a minimum entry qualification for access to Bachelor degree higher education for those under the age of 21 while extending the period over which loans are repaid from 30 to 35 years to reflect longer working lives.
- **A new drive to improve adult skills:** There should be a statutory entitlement – with appropriate funding – to at least Level 3 for all adults who have not previously attained that level. This would involve the Department for Education (DfE) reversing the 17.5% cut to funding at age 18 and increasing the adult education budget to replace learner loans. As with access courses, the Government could write off any Level 3 fee on completion of a higher education course. At the same time, the Government should change the apprenticeship rules to focus funding on younger people (perhaps under

age 25 or 30). This would free up the apprenticeship levy to fund the incentive for the new technical route (which will be accessible for all ages) and for a beefed-up National Retraining Scheme to support people of all ages who need re-training to be successful in the labour market.

- **Changes to regulators** – The Government should change the remits of the Office for Students (OfS) and Education and Skills Funding Agency (ESFA), creating a new regulator operating with three parallel arms covering schools, colleges and universities with rules about mutual reliance and a more coherent approach on issues like data collection and oversight. This would support more colleges to be able to achieve degree-awarding powers themselves and, where appropriate, deliver the whole suite of degrees and higher qualifications as well as the new technical qualifications.

Why change anything?

1. The Government has set out four aims for the Post-18 education and funding reviewⁱ
 - A system that is accessible to all.
 - A funding system that provides value for money and works for students and taxpayers.
 - Incentives for choice and competition.
 - Encouragement for skills that we need as a country.
2. AoC supports these aims, but believes that Ministers will need to be bold to make the case for the reform. There is considerable support for the status quo but considerable risks. The table below explains what “business as usual” means in the 2020s:

THE “BUSINESS AS USUAL” SCENARIO

More young people qualified to enter higher education - The central official forecast is that there will be 23% more 18-year-olds in 2030 than 2020ⁱⁱ. They are likely to reach the age of 18 with higher aspirations and with better qualifications. The higher education initial participation rate (HEIPR) for 17-to-30 year olds rose from 42% to 49% between 2006-7 and 2015-6 and could exceed 50% in the 2020s.

More full-time degree students –This rising number of students will take the default option of a full-time degree course because it appears to maximise their options as adultsⁱⁱⁱ. The alternatives are confusing and limited for those who cannot travel and the university lifestyle promoted as the norm does not suit everyone and can be a distraction. More students taking Bachelor degrees is unlikely to fully meet labour market needs.

Larger student debts - The decisions made between 2010 and 2015 make higher education students wholly responsible for tuition and maintenance. This means that the average student will complete with a student loan of £50,000 or more^{iv}. Student loans are now the predominant form of funding higher education and the official forecast is that total debt will double between now and 2030, reaching 10.3% of GDP^v which is likely to become an unreasonable burden on the state.

Inadequate opportunities across longer working lives

The collapse in part-time opportunities will continue, many adults will not be able to achieve their aspirations, talent will be lost and widening participation will continue to only be focused on 18 and 19-year-olds. Apprenticeships will help some people to train, but the majority of employers will not participate in the apprenticeship programme.

Rising future costs if there is no reform

3. The increase in higher education student numbers after 2025 presents a number of risks for the system. Government has been relaxed about the higher student loan debt in recent years because of the odd way in which student loan accounting works. Government accounting conventions mean that student loans are effectively off-balance sheet. This has put Treasury in a "predict and provide" role towards higher education. Full-time student numbers have risen and the vast majority of students have taken out tuition fee loans of £9,000+ a year to meet fees charged by universities at the maximum level. Competition for students in the 2010s has seen more selective ("higher tariff") universities get bigger at the expense of the rest. This has involved students gravitating to London, the big cities and certain university towns. It has also encouraged market-distorting behaviour with significant growth in unconditional offers and so-called 'year zero' courses.
4. The accounting advantages for student loans may not last. Both the House of Commons Treasury Select Committee^{vi} and House of Lords Economic Affairs Committee^{vii} have issued critical reports. In response, the Office for National Statistics (ONS) is carrying out a review. The Office of Budget Responsibility (OBR) evaluated several alternative approaches, all of which would make loans less fiscally advantageous. Whether on its balance sheet or not, the build-up of student loan debt towards 10% of GDP has costs - either for the graduates or the Government. It is wholly unfair that the interest rate applied to student loans helps high earning graduates who pay their loan off quicker (through receiving higher pay) which is difficult to obtain in many locations outside of the South East (often where college higher education is more established) and in jobs which (even though low paid) have graduate entry requirements.

Mismatches to the changing economy

5. The current system in England works well for large numbers of young people who get good grades in their GCSEs and A Levels and who follow well-trodden routes via university into professional work, but even for them things don't work as well as they used to. There are two areas of divergence.
 - **Education focused at the start of longer careers:** Today's young people will work into their late 60s^{viii} but, if they go to university, they generally complete their education by their early 20s and rarely go back. There are more graduates but one million fewer adult learners. In 2017, those with degrees earned £10,000 more a year than those without, but the present may not be a reliable guide to the future. It is now a decade since the UK last had a recession, but plausible that there will be another one in the 2020s. The last five recessions (1961, 1973-5, 1979, 1991, 2007) happened on irregular cycles and were hard to predict in advance, but there will inevitably be another one in the 2020s. Meanwhile Brexit, automation and international competition may undermine some of the professions and industries that currently recruit graduates.

- **High debts compared to future earnings:** A debt of £50,000 is not a problem if it is repayable. The Government's hope is that graduates will earn enough to repay student loan debts but 75% of current undergraduates won't within 30 years. Unemployment is at historically low levels in England, yet there are substantial numbers of graduates in non-graduate jobs. CIPD recently estimated that only 52% of those graduating in 2015-16 were in graduate occupations six months later^{ix}. Earlier research commissioned by HEFCE found that 16-19% of graduates from 2009 and 2010 worked continuously in non-graduate occupations for their first 15 months^x. The difference between the two estimates is partly a difference of opinion about what constitutes a graduate job. CIPD's estimate excludes associate professional and technical occupations such as dancers and choreographers, fitness instructors, youth and community workers and IT user support technicians.
 - **Skills shortages in technical occupations:** The oversupply in some graduate level skills co-exists with significant shortages in digital skills, construction and some areas of manufacturing^{xi}. Skills shortages exist not just in new industries and new job roles, but also where replacement demand exists because of retirements and changing migration patterns. Significant numbers of graduates each year would be better off financially if they had prepared themselves for a different occupation and often if they had taken lower level (4 or 5) qualifications which were more labour-market focused.
6. The university route is less golden than it was, but it positively glitters by comparison with what is on offer for everyone else:
- **Young people leaving education with low qualifications.** Despite high and rising aspirations, the education system deems large numbers of young people to have failed. 40% of young people do not reach Level 3 by age 19 while 15% have not even achieved Level 2^{xii}. Students underperform against national standards in the main school qualifications or drop out from the age of 15 onwards.
 - **Class, gender, ethnic and other gaps in participation.** Higher education participation rates continue to rise, but the way in which young people are sorted at age 11, 16 and 18 produces wide gaps by gender, ethnic origin, disability, location, parental income and education.
 - **Fewer second chances.** Only 60% of 19-year-olds reach Level 3 by age 19^{xiii} but the education system withdraws funds and support quickly, leaving the remaining 40% with few chances to remedy mistakes and catch up. DfE cuts funding levels at age 16 by around 20%^{xiv} and by another 17.5% at age 18. Beyond that, most subsequent learning has to be supported by income-contingent loans. The number of adult students has fallen by 1.1 million between 2006 and 2016 (from 2.7 million to 1.6 million) - at a time when the population of England has risen by 4 million from 53 to 57 million^{xv}. Part time higher education has reduced by more than half. There are more apprentices

but apprenticeships are only for people who have secure jobs with good employers and they rarely offer re-training opportunities. Community-based adult education provision has largely disappeared in recent years.

7. Twenty years ago, in an official report, Helena Kennedy said "if, at first, you don't succeed, you don't succeed"^{xvi}. That looks more true today than ever before, and is at odds with the Government's ambition for a 'country that works for everyone'.

The missing link between school-level and higher-level education

8. By common consent, England has low numbers of students taking courses at Levels 4 and 5 when compared to our OECD counterparts. There is an executive lift taking 18 and 19-year-olds directly from Level 3 courses to Level 6 degrees and very few taking courses at the levels in between. OECD reports have flagged the low number of post-secondary tertiary type B students in England compared to other advanced countries^{xvii}.
9. There were sustained efforts in the past to develop qualifications which offer alternatives to degrees. In the 1990s, comparisons with the American associate degree^{xviii} stimulated interest in alternatives and prompted the government at the time to propose and introduce Foundation degrees. Foundation degrees were initially developed as two-year employer-led qualifications providing students with the option to progress either to work or to full degree level education. Universities, colleges and employers were involved in their development and government offered dedicated funding^{xix}. Seven years after launch, there were 90,000 Foundation degree students - though some of the growth involved displacement of students taking higher national qualifications. Seven years on, numbers are in decline and there are now around 40,000 taking Foundation degrees alongside 25,000 taking Higher Nationals. In the last two years, there has also been very fast growth in Degree Apprenticeships, albeit from very low numbers, with fewer than 1,000 in 2016-17 and a predicted 5,000+ this year^{xx}.
10. Changing this is not straightforward, and is likely to take concerted effort, investment and incentives over many years. We believe that a ten-year strategy and vision with incentives are needed. Recent experience shows that there are several obstacles to overcome. For example, those relating to control of validation and to the differences in financial support for different qualifications:
 - **Risks associated with university partnerships:** Many colleges have effective partnerships with universities, some of which have been in place for decades. However, too many of these relationships have broken down in the last ten years following changes in a university's strategy. A new vice chancellor, a single adverse Quality Assurance Agency report or a financial need to bolster university income have all been factors in ending partnerships. This uncertainty does not provide the confidence needed for long-term investment.

- **Reputation of Level 4 and 5 education:** Higher Nationals and Foundation Degrees are well developed in some sectors (e.g. engineering and construction and hospitality) but are too often seen only as a route to a degree level course in a university rather than an end point in themselves, leading into employment. They are also less well known, understood and respected than degrees by parents, schools and employers in many sectors of the economy. Arguably, these challenges have led to the over-selling of Bachelors' degrees as the best route available.
- **Oversight and regulation:** The OfS has legal duties and powers with respect to all forms of publicly funded higher education, but this overlaps with the existing regulation and inspection of further education. The overlaps and borders of the new regime can be duplicative and onerous for the many colleges which operate in both the further and higher education sectors. This inhibits the growth of college higher education, with some colleges for instance facing prohibitive cost barriers to achieving degree-awarding powers. Similar issues arise from having two separate quality assurance regimes for colleges and higher education. More work will need to be carried out to agree how technical qualification routes should be quality-assured. For many of these routes, the pedagogy, metrics and indicators of quality will differ from Bachelor's degree courses.

Upgrading the higher technical route:

11. The Government should lead the redevelopment of the higher technical offer to provide an alternative route to a BA/BSc degree. Although past efforts did not always work as hoped, there are reasons for optimism this time around. There is now more interest from young people and their parents in work-based education routes as an alternative to taking on a large student loan debt. Several prestigious employers have worked with universities and colleges to develop higher and degree apprenticeships. Employers are concerned about being able to recruit skilled people as the numbers of EU nationals reduces. The T Level reform plans will create a new set of qualifications at Level 3, which could be the foundation for further development.
12. The higher technical development programme should include several elements:
 - **A new suite of qualifications:** A stronger national higher technical route should allow students to move from Level 4 and 5 up to degree level study at Level 6 or 7 where this is professionally or occupationally relevant or necessary. Previous programmes in this area (higher nationals, foundation degrees) often stopped at Level 5.
 - **National validation:** DfE should ask OfS to use its validation powers to designate a single university or awarding body to validate programmes which have been designed locally by colleges with employers, but which retain national recognition. The customisation to meet employer and labour market

needs is vital alongside the need to have qualifications which gain recognition and respect. One of the strengths of existing college higher education is the customisation of programmes to meet local and employment needs. Many existing university validation arrangements as well as Pearson's higher national framework allow a core/option approach to the design of qualifications. These new qualifications would sit alongside the powers of universities and some colleges to develop and accredit their own qualifications^{xxi}.

- **Fees and financial support arrangements:** As well as these development costs, the Government should reform grant, fees and loans rules to support and incentivise new technical courses at Levels 4, 5 and above. The same fee cap and loans/maintenance arrangements should be made available for this route as for the Bachelor's route, for students at all ages, part or full time, with the same fee cap. In the first ten years, a teaching grant should be made to reduce the loan required by the student to provide the incentive needed to change the system. This might be in the region of, say, 25 to 50% of the fee coming from teaching grant, with the loan available for the remainder. In addition, students should be able to access financial support for living costs, travel and childcare.
- **Funding for development costs:** One lesson from the recent past is that there are start-up costs associated with employing people to design new qualifications and teaching materials and it takes time to build up the income to cover these costs because enrolments are generally low to start with. The Government will need to bridge this financial gap if it wishes to develop a proper alternative to the existing system. The funding for this and for the teaching grant could come from charging a short-term higher technical levy (say 0.2%). Other options would be to top-slice the apprenticeship levy (using the funds currently spent on apprenticeships for those over the age of 25) or to redirect some of the higher education teaching funding currently spent on high costs subjects and student opportunities.
- **Pedagogy of technical and professional education:** High quality technical courses require expert teachers who have recent or current experience of the field in which they are teaching. In some cases, they will also be researchers but this is not a pre-requisite. It may be more valuable for teaching staff to be dual professionals (with teaching experience and technical expertise) rather than to have academic qualifications.
- **Changes to how employers select recruits:** Employer behaviour needs to change if we are to avoid an expensive graduate arms race. More organisations will need to be persuaded that the new qualifications are better ways to ensure that they can recruit and train the skilled people they need. There is a chicken-and-egg problem here because employers are reluctant to make decisions until they have confidence in new programmes. Without their support, the alternative route will be stunted. A lead might therefore need to be taken by the large, more stable recruiters here, for example in public services like health,

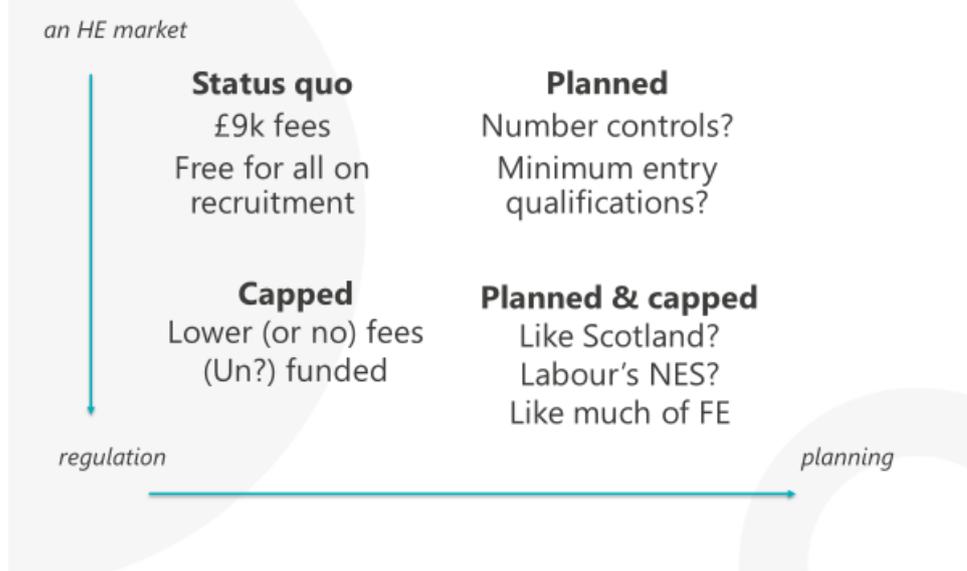
education and defence or, in the private sector, with big utility and infrastructure suppliers.

13. Both universities and colleges will want to be involved in developing higher technical education and in maintaining a high quality and accessible Bachelor's route, though colleges are particularly well-placed to take the lead in the technical arena. Higher education in colleges is both long-standing and strongly rooted and yet little understood among policy makers. There are almost 150,000 higher education (HE) students in over 200 colleges, many located in parts of the country which don't benefit from a nearby university^{xxii}. Some are in areas described as 'cold spots' for higher education. College HE has high student satisfaction, which is probably a result of the large number of contact hours, smaller group sizes, its specialist focus and the links to the labour market/employers. Colleges do not have the institutional or research overheads of universities and employ the majority of their higher education staff on teaching-only contracts, albeit with time for scholarship. Many courses lead to higher national qualifications; others to Foundation Degrees. Employer engagement is a significant feature, as is the focus on the labour market. Many students progress from Level 3 programmes at college, live locally and choose a college to study in because of the flexibility, high contact hours, quality and links to the labour market. Many use the flexibility to continue to work, and to fit in with other responsibilities, particularly caring. Policies to widen participation often focus on encouraging young people to apply to distant universities. A more effective approach would be to bring higher education closer and more flexibly to where people live.

Reforms to higher education student finance

14. The HE student fees and loan system in England supports much high-quality teaching, but it is expensive. Student loans have protected HE at a time of public spending cuts, but the system fundamentally lacks mechanisms to keep costs down. More work on the true costs of delivering higher education are underway and should provide the evidence needed to ensure that the fee cap is set a reasonable level. Universities and colleges have obvious incentives to charge tuition fees at the level of the fee cap, not least because a lower fee is often perceived as an indicator of an inferior course. Young people feel they have no choice but to take courses at this high rate. The strong cultural bias towards full-time residential HE adds more costs because relatively few students live at home. The task of re-balancing the HE system is not a simple one and will take time because of the long application cycle.
15. There are no simple solutions to rebalancing the higher education system, particularly as the recent policy trend has been to give universities more freedom - both by protecting students from the direct impact of higher fees and by removing number controls. The simple diagram below illustrates the point that any move to change things could involve more regulation and more planning.

Some big picture options for HE



16. A more effective approach to reform is for the Government to shape the market in order to divert some of the demand that would otherwise head towards residential full-time courses. It will take some time for the alternative to prove itself, therefore incentives will be needed to ensure growth. In the short-term, the review should lead to some changes to maintain the best of the Bachelor's route. Our recommendations are:
- **A post-qualification application system for HE:** UCAS should properly investigate the option to move towards a post-qualification applications system in higher education to reduce the bias in the system towards private schools.
 - **Minimum entry standards for under 21-year-olds:** The Browne review recommended minimum entry standards but more as a rationing device linked to an assessment of national and sectoral skills needs. The government rejected this option and subsequent experience with the high-grade policy has showed that it is hard to use entry qualifications to regulate higher education.^{xxiii} There is, however, a case for looking again at this issue because of the spread of unconditional offers and the disruptive impact that the growth in such offers could have on Level 3 achievement.^{xxiv}
 - **Reforming higher education student loans:** Income contingent loans provide a fair basis for allocating funding between students and Government, though there may be a case for some modest changes. Most of the evidence shows that helping students with their living costs is more important in widening access than reducing the long-term debt they incur. Indeed, many commentators would like to see a change in the language used, to move away from student debt, given that repayments are income-contingent and many students will never re-pay in full. The costs of introducing

maintenance grants could be partly off-set by extending the loan repayment period from 30 to 35 years. Given that today's school and college leavers will have a 50-year working life, it is odd to stop repayment so early.

- **Means-tested maintenance grants:** Until 2016, England had a more generous maintenance grant system than Scotland. Since then, it has had no grants outside the £110 million on Disabled Student Allowance and £190 million on several different grants to HE students who are parents^{xxv}. The difference between the old English systems and the current Scottish system is that the pre-2016 English system paid grants to students from families with income levels up to £50,000 whereas the current Scottish system pay grants just to those on the free school meal thresholds (i.e. income levels below £20,000), studying part or full time. This would cost an estimated £500 million, but some of the cost would be recovered in lower student loan write-offs if the repayment term is extended to 35 years or even longer. A simpler offer is needed in particular to ensure that this is not a barrier for adults wanting to learn at higher levels.
- **Closing gaps in participation:** Despite two decades of efforts to widen participation and close social class gaps in entry to higher education, more could still be done. New metrics are needed to better-reflect widening participation for adults as well as college and school leavers. As well as that, OfS could hold selective institutions to account for poor admissions performance, particularly where there are available measures that might make a difference (for example contextual admissions). Meanwhile, DfE should maintain the student opportunity funds at current levels while evaluating the effectiveness of the national collaborative outreach programmes (NCOP). A review of this fund might consider focusing spending on Levels 4 and 5 in the medium term to incentivise that route. Universities would be expected to continue funding their own attempts to achieve fair access. Widening participation efforts need to consider all routes more equally to avoid treating the Bachelor route as the preferred or only entry point to higher education. More importance needs to be given to widening the participation of adults, rather than simply focusing on school and college leavers in their late teens.

A new culture of lifelong learning

17. The Post-18 review needs to improve the options available to college and school leavers at age 18 and 19 as well as open up opportunities for people of all ages and stages of their lives and careers. For too long, attitudes to learning have focused on young people - at the expense of adults. For a successful future, we need a new culture of lifelong learning which in turn will offer high quality opportunities for people in very different circumstances and different levels of prior achievement. This means that the Government needs to continue to assist better qualified people who want to go to university and become tomorrow's professionals, doctors, teachers, scientists and entrepreneurs and attend to the development of people who require and deserve different routes at all levels.

18. Our proposal is for a new set of entitlements, which, between them, can better meet the needs of people over the age of 18 throughout their careers. In addition to the new higher technical route and the Bachelor's route, the following is needed to provide a new framework of opportunities for the post-18 system:

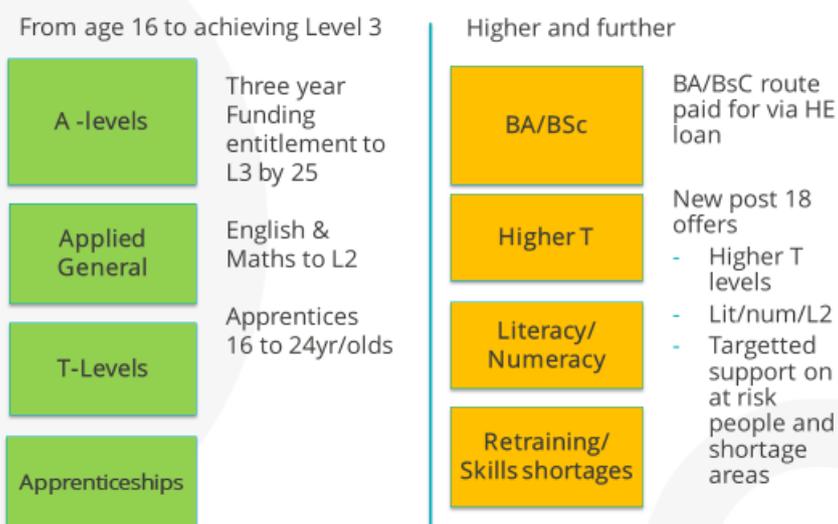
- **Retain and fund an all-age Level 3 entitlement:** there is a statutory entitlement which protects funding up to Level 3 for anyone up to the age of 25^{xxvi} but it is relatively weak. The legal requirement is simply that government must ensure that no fee is charged to courses leading to Level 3 qualifications for those under the age of 25 who have not yet reached that standard. These legal requirements are not well known - even amongst education professionals. There have never been tested in law. There is no duty on government to ensure that there are adequate opportunities nor proper funding for them. Nor is there any maintenance support offered to make it truly accessible to all and therefore provide a fair offer in line with peers who can access maintenance if they go to university. A new strategy and funding to extend the entitlement and make it work is therefore needed. As a first step, DfE should reverse the 17.5% cut in funding at 18 and 19, ensure the adult education budget is sufficient to meet costs and extend maintenance support to this cohort which matches those going to university.
- **Funding for English and maths:** The large numbers of young people who do not achieve GCSE grade 4 English and maths at age 16 spend time on re-sit classes in the next two years. This reduces the time available for their technical or academic course in a way that cannot help their progression. The school funding formula uses the pupil premium and a low prior attainment factor to weight pre-16 budgets toward those from disadvantaged backgrounds or who have fallen behind. A similar approach should be taken to post-16 maths and English. Building on this, there is a need for a new strategy and funding to ensure that the statutory entitlements for literacy, numeracy and adult Level 2 provision work in the same way as we envisage for an extended Level 3 entitlement.
- **Apprenticeship funding should be focused on 16-to-25-year-olds:** Until 2004, government funding for apprenticeships was only available up until the age of 24. Since the removal of the age restriction, there has been a substantial growth in the number of older apprentices. This has provided access to training for individuals and employers which otherwise would not exist because of the reduction in other spending on other types of adult education and training since 2005. The *Train to Gain* programme which ran between 2006 and 2009 provided a temporary boost to workplace learning, but the money was then shifted into apprenticeships. There is obviously a benefit for employers and those over the age of 25 from their apprenticeship programmes, but it comes at quite a high cost. They are required to do a longer and larger (full-time) programme than the training need often requires and a more flexible training offer would be more appropriate.

Meanwhile, the option for employers to use apprenticeship funding on older employees has opened the way to the use of levy funds on mid-career managers (sometimes taking MBAs) rather than on developing a younger workforce. Our proposal is that people over the age of 25 would be able to access loan and maintenance support for their learning at higher technical levels as well as access the National Retraining Scheme, rather than undertaking an apprenticeship. This restriction should only apply to new starts, with some notice and once the new higher technical level qualifications and National Retraining Scheme are in place and available for people of all ages.

- National Retraining Scheme.** The Government' emergent National Retraining Scheme should support training which is needed to help people stay successful in the labour market. This should encompass training in skills shortage occupations, those at risk of redundancy, unemployed people, career-changers and would sit alongside the more formal education available for the higher technical qualifications. In areas where the adult education budget is devolved, the scheme should be run by Combined Authorities. A lot of development work is required to turn the idea of a national retraining scheme into reality, particularly as there are already many valuable courses in place funded via the adult education budget and European Social Fund.

- The current rules and entitlements for adult education and training are complex and not well understood. Over a period of several years leading up to 2025, DfE should introduce a more coherent package including the entitlements listed above, a new higher technical route (explained below) plus targeted support for those who experience redundancy, those who are at risk of redundancy and those who are able to move into areas where there are skills shortages.

1. A new set of entitlements/rules



What this means for adults

20. Our proposals offer a clearer and fairer offer for everyone over the age of 18. At age 18, school and college leavers will be able to choose between the full range of credible and respected options. Those options need to encompass full and part time, learning at college or university, starting an apprenticeship, committing to short or longer courses and at all levels with the opportunity to progress as far as their talents and ambitions allow.
21. The funding and support on offer for these options would be more neutral, with some incentives in the early days to stimulate the new technical learning route. Maintenance, student support, childcare, transport costs etc. will all need to be offered irrespective of the route taken.
22. For older adults, the options would be just as attractive – short and longer courses, higher education and re-training, local and flexible as well as residential.
23. Young people and adults will need to be able to access advice and guidance as well as information to inform their choices. Career planning advice should be made available to help people at significant stages of their lives e.g. women returners, the unemployed, or those at risk of redundancy.

Changes to regulators

24. The Government should change the remits of the Office for Students (OfS) and Education and Skills Funding Agency (ESFA) so that there are three parallel regulators covering schools, colleges and universities with rules about mutual reliance and a more coherent approach on issues like data collection and oversight. This might be achieved as three separate regulators, but may be more coherent if they became three arms of one regulator.
25. The creation of the OfS was controversial and attracted a great deal of interest in Parliament and is still in its early days. DfE created a regulator to remedy the weaknesses in the post-2012 HE regime and to give OfS powers that HEFCE lacked, but it failed to consider the wider implications of the reform. OfS and the agencies it will work alongside (QAA, HESA) sit alongside the further education (FE) funding agencies and regulators (ESFA, Ofsted, IFA). In some cases, the HE and FE regulators duplicate each other's work. The Scottish and Welsh governments avoided this issue by merging HE and FE agencies into a single system. There are several possible options, but a better architecture might involve the following changes:
 - **A new single or parallel regulators:** A new single regulator or a system of parallel regulators with a clearer focus and mutual reliance on each other's work

alongside a more coherent approach to data collection, financial oversight and assurance.

- **University Funding Agency (UFA) to replace OfS:** A UFA should become the lead regulator for universities and with a slightly more limited role in overseeing university courses at Bachelor level and above.
- **College Funding Agency (CFA):** A CFA should combine part of ESFA's functions with some of OfS's role, to become the lead regulator for colleges as well as fund 16-18 education, adult education, higher technical education and college degrees.
- **School Funding Agency (SFA):** A SFA should become the lead regulator for schools as well as fund compulsory education from age 5 to 16.

Quality oversight: The roles of Ofsted, Ofqual, IFA, and QAA should be re-allocated. The principles for this re-allocation should be that all apprenticeships have qualifications, degree apprenticeships become apprenticeships leading to degrees and publicly funded apprenticeship training is properly inspected.

Implementation and costs

26. It will take time to implement some of our recommendations because it takes time to create new qualifications and to change behavior. If work starts on a new higher technical offer in 2019, the first new courses would probably be on offer in 2023-24. We would expect many existing relevant, rigorous and respected qualifications to be incorporated into the new system, allowing growth in numbers to happen more quickly. Our proposal envisages a continuing mixed economy of provision at all levels and that the initial focus is on quality rather than quantity. The aim would be to change student and employer behaviour over the next decade. We assume that the current accounting rules for student loans will not last and therefore that the annual costs of the new teaching grants we propose will partly be offset by lower student loan outlays.
27. The implementation of many of the other reforms that we propose could happen faster. The introduction of a larger statutory entitlement, larger adult education budget, minimum entry qualification for higher education student finance or re-introduction of maintenance grants could all happen by September 2020. The 2019 Spending Review will need to confirm Departmental budgets. There are no easy savings, but there may be a case for DfE to develop a cross-Departmental approach to capital spending and to transfer some of its existing capital budget (earmarked for schools) to fund investment in the capabilities of young people and adults.

Footnotes

- ⁱ HM Government Review of Post 18 education and funding review (19 February 2018)
- ⁱⁱ Higher Education Policy Institute (2018) "Demand for higher education to 2030" Report 105
- ⁱⁱⁱ Universities UK "Solving Future Skills Challenges" (2018) includes an analysis of higher education student numbers that shows that there are 11 times as many first degree students in 2016-17 as students taking foundation degrees and higher nationals
- ^{iv} Institute for Fiscal Studies (2017) briefing note "Higher education funding in England, past, present and future"
- ^v Office of Budget Responsibility (2017) "Fiscal Sustainability Report 2017" forecasts total student loan debt (taking account of forecast repayments) at 4.9% of GDP in 2016-17, rising to 10.3% in 2030-31. These are broad brush estimates because the OBR do not appear to have modelled changes in participation rates.
- ^{vi} House of Commons Treasury Committee (2018) "Student Loans"
- ^{vii} House of Lords Economic Affairs Committee (2018) "Treating Students Fairly"
- ^{viii} People born after 1978 (aged 40 or below) will not reach the state pension age until they are 68
- ^{ix} Chartered Institute for Personnel and Development (2017) "The graduate employment gap, expectations and reality"
- ^x Institute of Employment Research for the Higher Education Funding Council for England (2016) "Graduates in non-graduate occupations"
- ^{xi} Centre for Progressive Policy (2018) "The Data Deficit. Why a lack of information undermines the UK skills system"
- ^{xii} AoC calculations from Department for Education (DfE) statistics on achievement at age 16 and 19
- ^{xiii} AoC calculations from DfE statistics on achievement at 16 and 19
- ^{xiv} Funding at Key Stage 5 is around 20% less than funding at Key Stage 4 though there are different funding formulae so comparison is complicated. ESFA cuts the national 16 to 18 funding rate from £4,000 to £3,300 at age 18
- ^{xv} AoC estimates from DfE statistical releases and Office for National Statistics (ONS) population data for England
- ^{xvi} Further Education Funding Council (FEFC) Committee on Widening Participation (1997) "Learning Works"
- ^{xvii} OECD (2016) "Building skills for all, a review of England"
- ^{xviii} David Robertson (1997) "Proposals for an Associate Degree"
- ^{xix} HEFCE prioritised foundation degrees when making growth allocations to universities and colleges while providing development funding via a new organisation Foundation Degree Forward
- ^{xx} Universities UK (2017) "Degree apprenticeships; realising opportunities"
- ^{xxi} The Higher Education and Research Act 2017 introduces changes to the validation arrangements which may allow more colleges (in addition to the current group of seven) to secure degree awarding powers and to use them more widely
- ^{xxii} Education and Training Foundation (2017) "College higher education; local impact summary"
- ^{xxiii} Between 2012 and 2015, HEFCE administered a student number control system in which institutions could recruit students with high grade qualifications on an unrestricted basis. It proved quite difficult to assess the comparability of A-Level, BTEC and International Baccalaureate qualifications
- ^{xxiv} UCAS End of Cycle report December 2017 reports that 16% of 18 year old A-level students and 28% of students with BTEC qualifications received at least one unconditional offer
- ^{xxv} Student Loans Company (SLC) finance statistics November 2017 report spending on Adult Dependents Grant, Parental Learning Allowance, Childcare Grant and Travel Grants
- ^{xxvi} ESFA Adult education budget, legal entitlements and funding eligibility (March 2018)