
HE Update

Augar

June 2019



Background

The recently published Augar review suggests that some tuition fees might be reduced. Although these are just recommendations for the moment, a future prime minister may want to be seen to address tuition fees before facing an election. Inevitably all of this will prompt discussion around financial sustainability and security in the sector. In this briefing note, we consider this, and other (higher education related) recommendations within the Augar report.

Who Benefits?

Universities might find that fee cuts in some disciplines are offset by increased grant funding in STEM areas. Potentially reduced fees and increased grant funding in themselves could boost student numbers. Augar's concerns about the current ELQ restrictions and accessibility for part time students, if addressed, could open up new markets and opportunities for universities.

For students, it's a mixed picture too. Lower headline fees would be offset by longer repayment periods. This compounds an already regressive system for lower and middle earners, and may aggravate the (well-founded or otherwise) concerns of those who worry about taking on 'debt'. That said, the suggested reintroduction of the teaching grant may help students from widening participation backgrounds.

This brings us neatly to student reactions to this review. The NUS have acknowledged that the recommended reduction in fees is a step in the right direction, increasing the accessibility of higher education. They raise concerns though that the implication of some courses being more valued than others is potentially unhelpful: especially any suggestion that the inherent value of higher education is only to be found in the economic gain of graduates.

The argument for a justification of spending on access and participation, and the change in focus to active participation and student retention, instead of just enrolment, are particularly helpful in ensuring that all students realise the benefits of their time at university. That said, there are some questionable aspects. The assumed parental contributions, have hitherto proved a challenge for students from some backgrounds and we suggest this seems one recommendation that is unlikely to be followed through.



Value for Money - again

The review poses significant questions about how universities articulate their rationale for investment priorities. The challenge to financial sustainability costings; the apparent increase in costs of classroom based programmes; and the ratio of indirect to direct delivery costs all represent immediate concerns that universities need to explain and to reassure students and taxpayers that value is being delivered.

Augar's proposition that returns from higher education are mainly economic draws attention to the graduate premium. Differentiated fees and teaching grants for particular subjects may drive an appetite for more refined and detailed measures of graduate premiums to allow students assess the financial return of 'their investment'. This seems problematic and a distraction from the significant social capital and opportunities for personal growth that accrue from a degree.

Where Now?

So what are the significant questions for senior executives and audit committees? We pulled out four:

1. Understanding and being able to justify the cost base, particularly the split between direct programme delivery and indirect costs, seems to us increasingly important to demonstrate value to tax payers and students alike.
2. Potentially, unless the government responds very quickly, the sector may face an initial drop in student numbers (coinciding with and compounding the current demographic dip), while students wait and see whether lower tuition fees come in to effect. It may be worth scenario planning against the risk of this outcome.
3. The mix of programmes between those with the potential to be supported by targeted teaching grants and higher graduate premiums on the one hand, and on the other 'poorer value' courses that may face possible number caps or other disincentives may also benefit from early consideration.
4. Beyond the immediate term, and subject to the government's response to the review, universities may want to consider both their offer and their target audiences. Encouragement of wider cross sections of the population, at varying stages in their careers, to undertake individual modules or shorter programmes of study and greater opportunities for 'conventional' students to discontinue and re-engage with their degree programmes could transform universities and their business models – with particular operational implications for academic staff; estates and facilities; and student support.



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Conclusion

The Augar review offers a diverse set of recommendations. It will certainly take some time to digest all of them fully, and of course time before it becomes clear whether some or all of the recommendations are adopted by the government. Like it or not, most of the review rests on the premise that higher education is measured by the graduate premium and that universities are driven by market forces.

Will Augar ever be implemented? No one knows for certain. Politicians wishing to boost their appeal to young voters may well be motivated to act. That said, regardless of government decisions, and notwithstanding its preoccupation with graduate premiums, we think the Augar review gives university executives and boards some important questions to reflect upon.

How can we help?

If you would like us to help you digest and explore this review, and its implications for you, we would be delighted to hear from you. Similarly, for further information on Uniac's internal audit and assurance service please do get in touch.



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