HE Update

Value for Money – A Gathering Storm?

June 2018

Background

These days it seems as though we talk of little else. If the volume of debate about value for money can be taken as a measure of success, the Office for Students, which has student value for money as one of its core objectives, may certainly take a bow.

So far, though, discussions have often generated more heat than light, and moreover it seems like those outside of the sector are making the running. This potentially places individual institutions on the back foot in their dealings whether with student stakeholders or with the Office for Students. It is also potentially dangerous for the sector as a whole in the context of the Post-18 Review of Education and Funding.

What does Value for Money mean?

There have been some useful attempts to unpack what value for money means. We think that Iain Mansfield, writing on wonkhe.com[i], offers an excellent starting point with his suggested taxonomy of value. He identifies benefits as follows:

Beneficiary	Outcomes
The State	Increased graduate productivity and skills – reflected in taxation; student loan repayments; reduced need to claim benefits; and societal contribution
Students	Increased earnings, career choices. Improved social capital and soft skills Experiential factors: e.g. accommodation, recreation facilities

Both Mansfield, and an Institute for Fiscal Studies report[ii], identify that increased earnings may stem from either genuine increases in skills (which is good for the state) *or* from graduates "signalling" to employers who use possession of a degree from a particular university or group of universities as a selection criterion (which offers little or no value to the state). He helpfully quotes Alison Woolf:

"If everybody spends years re-certificating skills they already have, just to land a job they could already have done, or taking qualifications simply to stay ahead of the next person, then society is wasting a lot of time and money that could be better used elsewhere."

Alongside outcomes, both students and the state have an interest in the "price" of higher education; the relationship between price and underlying costs; and whether those costs represent an efficient use of resources.

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Parliamentary Scrutiny

June 2018 has brought an onslaught of political reports and commentary. All of the political contributions suggest scepticism about the value for money from higher education.

The Universities Minister spoke about value for money on 7 June[iii]. He referred to questions from parents and credible commentators about the value for money that students get during their courses. He identifies value for money as an urgent issue that needs to be tackled.

The House of Lords Economic Affairs Committee published *"Treating Students Fairly: The Economics of Post-School Education"* on 11 June. This report is broad ranging and challenging. The Department for Education was the main target of the report, however there were also some messages that higher education providers ought not to ignore. The report questions longstanding and widely held beliefs that higher education is a net contributor both to society and to individuals. The Lords suggest that society may benefit from school leavers having a wider range of aspirations. They also suggest that that the earnings premium enjoyed by graduates may not be sustainable. However, their most direct criticism of universities is that:

"There is little transparency around what universities are spending their income on. Students have little idea about the activities that their course fees may be subsidising. Tuition fees should remain frozen at £9,250 for the medium-term."

The House of Commons Committee of Public Accounts in turn published its report *"The higher education market"* on 15 June. The report is also principally addressed to the Department for Education and the Office for Students, but higher education providers might note concern within the report about the quality of advice available to students prior to entry into higher education, with the consequent risk of poor decisions. The perception of value, and what constitutes value, is unique to each individual, but good advice is surely an essential foundation to help link perceptions to reality. The very first step in resolving the value for money question must surely be that every new student arrives with clear and reasonable expectations about what higher education can offer them. The Competition and Markets Authority has a role to play, but this tends to be at the level of individual terms and conditions. To paint a bigger picture, perhaps value for money also depends on how individual providers' prospectuses, websites and open days strike a balance between marketing their institution on the one hand and informing applicants on the other.

Longitudinal Educational Outcomes (LEO) Data

Further tranches of LEO data continue to be released. The data doesn't, and doesn't purport to measure, the satisfaction of graduates with their higher education experience, nor their ongoing career and life satisfaction. It doesn't measure the societal contribution of graduates either. For those stakeholders interested in the earning potential of graduates (and who are prepared to make the considerable effort needed to explore the LEO data) this data set is getting better and 2018 has shown more of the potential that it may offer in the longer term.

The latest data addresses the 2015-16 PAYE and self-assessed earnings for 2009-10 graduates, analysed by higher education provider and by degree subjects. It also, controls data according to socio-economic background. In an attempt to respond to some providers' selective recruitment of the most able school leavers, prior academic attainment of entrants is reflected within three broad bands. The data shows marked differences by subject and by provider. This may reflect "value added" by each provider, but potentially the data may also be distorted by the signal that degrees from particular universities send to employers.

Many aspects of higher education value are not addressed by LEO data; and it would be foolish to conclude that differential graduate earning levels somehow reflect different levels of "value added" by each provider. Nevertheless the LEO dataset is interesting and we would expect higher education providers to demonstrate their engagement with, and interpretation of, the data.

Student Satisfaction

In the Student Academic Experience Survey, also published on 7 June[iv], 38% of respondents from across the UK (35% in England) rate the value for money of their present course as good or very good. 32% of students (35% in England) considered value to be poor or very poor.

Teaching quality, course content, course facilities, career prospects and the quality of the campus are all cited as drivers of good value. Contact hours, tuition fees and the cost of living - together with perceptions of poor teaching quality or poor course content – aggravate students' sense of receiving poor value.

Sector Engagement and Response

Sector responses to the value for money debate, insofar as they are evident, have tended towards being defensive and/or critical of the rigour and methodology of contributors. This strategy may not serve the sector well given the current Review of Post-18 Education and Funding. The methodology underpinning last December's National Audit Office report was widely criticised in the sector, yet the findings of that report have clearly influenced the Committee of Public Accounts in turn.

Writing on the wonkhe.com blog on 7 June, Jim Dickinson[v] is blunt:

"Being part of society rather than above it, spending oodles of its money and engaging with half the population in the endeavour requires engagement with it, not dismissal. And accepting the desire for value for money as a legitimate concept is central to understanding how government policy and the new market regulator will develop over the next decade."

The Universities UK engagement with value for money remains limited. Their Chief Executive, Alistair Jarvis, recently invoked Martin Lewis of MoneySavingExpert.com (who also served as a reference point for the House of Lords' report) to argue that a student loan is not like other debt and therefore should not be a deterrent to prospective students. To some extent this is true, but graduates seeking a mortgage or loan will certainly find their student loan repayments count just as much as any other outgoing. Any further Universities UK contribution to this debate might more usefully probe and prove any net financial benefit to graduates, as well as the wider societal and personal benefits of higher education. Universities UK support for universities that want to evidence their careful stewardship and investment of resources would also be helpful.

However, higher education is a different place now. Changes to the UK higher education environment mean that it is inevitably a less collaborative and more competitive field than before – so the onus is increasingly on individual institutions to address value for money rather than waiting for the sector as a whole to respond.

Until now higher education has enjoyed a widespread, and almost automatic perception, that it is a public good that does not need to be justified. Like it or not, this no longer applies and higher education increasingly needs to demonstrate its corporate social responsibility, including value for money, credentials. A continued vacuum risks the imposition by government of unwelcome funding constraints and by the Office for Students of additional reporting requirements.

Integrated Reporting

Integrated reporting, which addresses all aspects of an organisation's strategy and operations, not just finance, offers a potential way forward. Abertay University completed its second integrated annual report in 2017. Although the University clearly sees integrated reporting as a work in progress, and although parts of the report are clearly set in a specific Scottish context, it is still an interesting read that demonstrates the potential that this form of reporting can offer. The British Universities Finance Directors' Group (BUFDG) is working with the International Integrated Reporting Council and four other universities (Bangor, Edinburgh, Newcastle and Winchester) to develop integrated annual reports. The growing focus on value for money suggests that both the pace and take-up of integrated reporting needs to quicken.

Although not a feature of integrated reporting to date, English students in particular may wish for such reporting to include an analysis of how tuition fees (and the limited remaining Office for Students tuition funding) is deployed by individual institutions. This was the top suggestion from the Office for Students report "*Value for Money, the Student Perspective"* published earlier this year. The 2018 Student Academic Experience survey points up some of the areas that students might like to see. Unsurprisingly, expenditure on teaching staff; teaching facilities; student support services and campus developments all attract majority support. At the other end of the spectrum, expenditure on sports and social facilities; research staff; development of international links; management; student recruitment; institutional profile raising; and local community links are regarded as reasonable expenditure by less than one third of respondents.

Better reporting of the use of tuition fee income might help individual higher education providers to reflect on whether they have got the balance right; to justify investment decisions and to discuss with students whether they are seeing proportionate value from those investments of resources.

Conclusions

Individual higher education providers need to recognise that student perceptions of value for money are one of the main questions of our time. Proactive engagement with students, transparency, and a willingness to both listen and to justify investment priorities is essential. Integrated reporting may well play a useful part in this. As the debate goes on we expect providers to be ever more active in scrutinising the value and return derived from each area of expenditure.

This is an uncomfortable period for many in the sector, but ultimately this focus on value for money may serve higher education providers who are prepared to engage well, and reassure students and government alike that money invested in higher education is money well spent.

We can help

We understand higher education intimately and value for money has always been at the core of our work. We bring critical, and supportive, analysis to your current value for money framework, analysis and reporting. If you'd like to have that conversation with us, whether as an existing member/client or any other provider of HE, we'd love to hear from you. For further information on how we can help or any other aspect of Uniac's internal audit and assurance service please do get in touch.

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[i] https://wonkhe.com/blogs/a-sector-taxonomy-of-value/

[ii] The relative labour market returns to different degrees, Department for Education and Institute for Fiscal Studies, June 2018

[iii] Delivering value for money in the age of the student, Sam Gyimah MP, 7 June 2018
[iv] 2018 Student Experience Survey, Advance HE and the Higher Education Policy Institute

[v] https://wonkhe.com/blogs/universities-should-take-back-control-of-the-vfm-narrative/