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EDUCATION AND SKILLS

INSIGHTS



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Five things to look out for in Education Policy

Education providers are under pressure to help students catch up with some of the learning lost during lockdown; regulators and exam boards are trying to adjust their plans and practices to the outlook for the year ahead; and employers are trying to decide whether they can afford to take on apprentices and fund training and upskilling.

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Form over Functional Skills

Businesses find themselves having to adapt to new regulations, whole industries have seen a collective boom or tightening of belts, and many stumbling blocks that have never existed before are only just being identified.



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GK Strategy has a wealth of experience in the education, further education and skills/training sector. Whether advising investors and management teams on both sell-side and buy-side in a transaction process, working with both businesses and public providers on their communications strategies and engagement with policy-makers, or providing ongoing support and advice on the political and regulatory environment to mitigate risk and create value, GK's experience extends across the market.

Hello



FIVE THINGS TO LOOK OUT FOR IN EDUCATION POLICY

By David Laws // GK Strategic Adviser

As with many areas of government policy and delivery, it is a busy time at present.

Ministers are struggling to ensure that young people are in education, at a time when a second COVID-19 wave is impacting the whole nation. Education providers are under pressure to help students to catch up some of the learning lost during lockdown; regulators and exam boards are trying to adjust their plans and practices to the outlook for the year ahead; and employers are trying to decide whether they can afford to take on apprentices and fund training and upskilling.

We have five things to look out for over the next month.



David Laws is a former education minister and strategic adviser to GK with a wealth of experience in education policy. Since leaving the Government, alongside his role at GK, David has served as Executive Chairman of the Education Policy Institute and the Education Partnerships Group.

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1.

National Tutoring Programme

Firstly, the Education Endowment Foundation (EEF) has recently announced which providers have been selected to run the National Tutoring Programme. This is intended to help deliver one-to-one or small group tuition for children who are in school but need to catch up on lost learning. There has been much interest in which providers have been selected, the proportion of private sector suppliers, and how comprehensive the spread of suppliers seems to be across the country. There is also interest in whether schools are signing up to the scheme in big numbers, and whether they feel that budgets are too constrained even to cover the small element of the cost not picked up by the Government.

We are also beginning to get more information about the extent to which certain learners have fallen behind over the last six months, which could put more pressure on the Government to beef up its catch-up plans.

Exams in 2021

Secondly, schools will soon hope to hear the Government's "Plan B" if some students cannot take their public exams in 2021. Will teacher assessment be used again? Will Ofqual try to revert to something similar to this year's "failed algorithm"? Or will the Government seek to beef up next year's "mock examinations", and use those grades as a fall back for students who are not able to take their GCSEs, A Levels and other public exams? Schools, colleges and universities want certainty – and fast.

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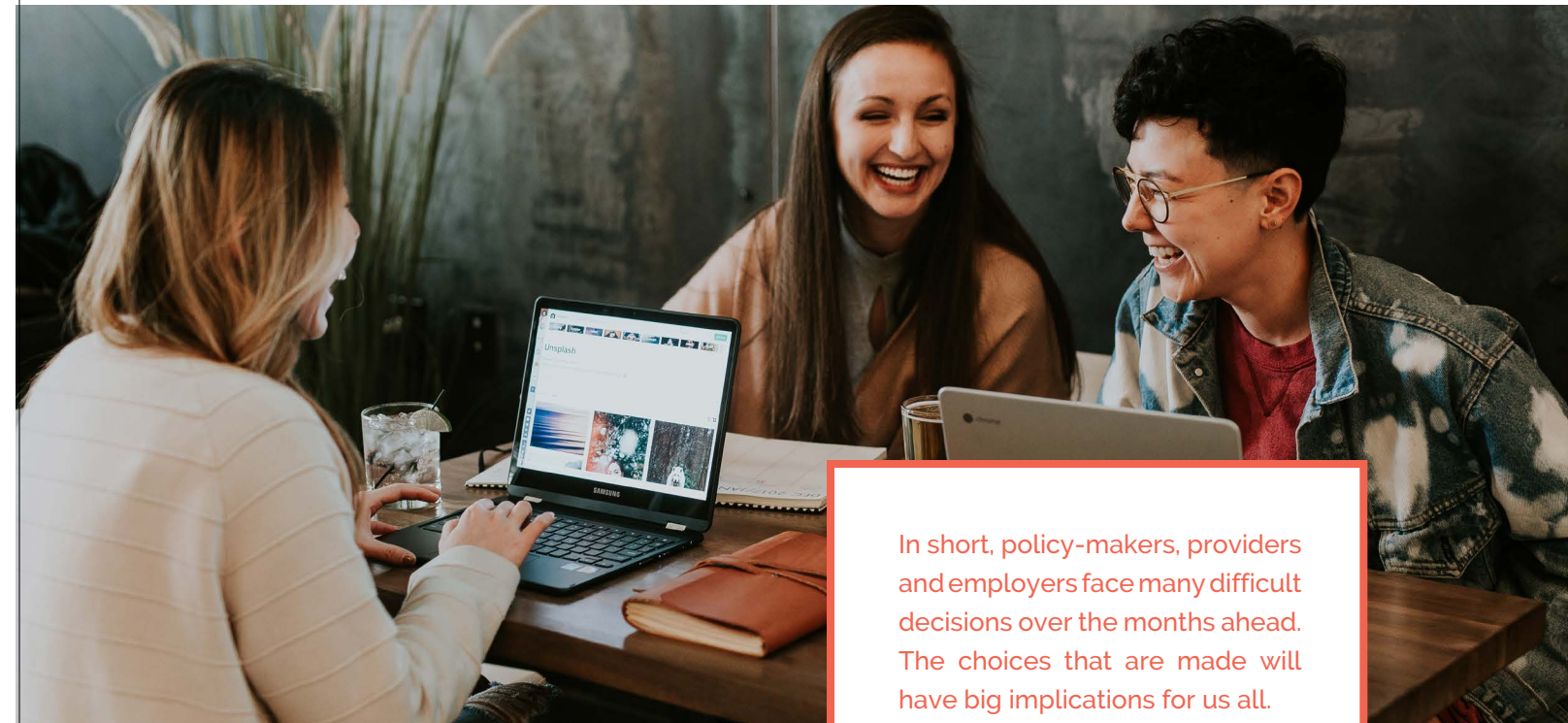
Impact of the Spending Review on education

The third big issue on the horizon is the forthcoming Spending Review, which the Government recently announced will cover a single-year settlement rather than the intended three-year departmental budgets. Despite the shortened timeframe, there are likely to be both winners and losers – though this may not be immediately obvious when departmental plans are made public. Sometimes the impact on individual policy areas is held back to allow time for Ministers to decide where cuts are to fall or where extra spending is to be allocated. Those areas of policy that address the immediate COVID-19 challenges are likely to be prioritised. The flip side of this is that lower priority areas might face very big spending cuts.

Education and the labour market

The fourth issue to look out for relates very much to the parts of education that probably will gain from any Treasury largesse: those that relate to improving labour market skills and employability, not least for those young people who are at heightened risk of unemployment. The Government has promised to prioritise technical and vocational education, which is likely to manifest in additional funds for colleges and apprenticeships.

4.



In short, policy-makers, providers and employers face many difficult decisions over the months ahead. The choices that are made will have big implications for us all.

5.

Return to physical attendance

The final issue is "attendance". We all now assume that "students are back" and that education is a priority area for the Government that, in theory, should not be impacted by further lockdowns. Yet, as at the end of October, around 1 in 20 secondary pupils were out of school for COVID-19 related reasons. Attendance overall in state-funded secondary schools was just 86%; that 14% of secondary age children are not in school will worry the Government, not least if some of these are pupils who have "disengaged" after the long lockdown. Meanwhile, the question of self-isolating university students and what should during and after Christmas holidays continues unresolved. The early years sector has also suffered badly from lower child attendance – there are big issues around participation in all phases of education.

INTERPRETING CHANGES TO THE NATIONAL FUNDING FORMULA

by Joe Berkhout // Account Manager

Those with an interest in schools funding policy know it is a sensitive subject. This was brought into sharp focus in 2017, when the Government was forced into a climbdown after schools and councils expressed their anger at potential cuts to funding under a proposed national funding formula. Recent changes and the Government's plan to consult on further modifications should be viewed in this context, and the 2017 rebellion offers a strong precedent for those unhappy with the current framework.

This piece provides brief overview of recent changes and what is likely to come next.

What is the national funding formula?

The national funding formula for schools (NFF) is the new way that schools funding is allocated. Previously, all local authorities in England could decide their own approach to distributing the ringfenced funding they received through the Dedicated Schools Grant each year, based on pupil numbers and other school characteristics. Concerned about a 'postcode lottery' in funding support for schools, the Government consulted on and began to introduce a national formula to reduce regional imbalances.

What do recent changes entail?

The NFF was introduced in 2018-19, and includes separate formulas for sixth form, high need, and early

years funding. Pupil Premium – additional money to support disadvantaged children – is also paid via a separate grant. This change was intended to make schools funding more responsive to schools' and pupils' characteristics, rather than 'accidents of history or geography'.

In 2019-20 and 2020-21, the schools NFF is only being used to calculate notional allocations for individual schools. These are then aggregated, adjusted, and passed to local authorities, which then draw up local funding formulas for onward distribution. This is known as a 'soft' NFF.

How are councils responding to the changes?

The NFF has received a mixed response from councils. While two-thirds of councils have moved aspects of their funding formulae towards the NFF blocks, only 42% are closely mirroring the suggested allocations for individual schools. 30% of councils also did not match the funding floor protections promised in the 2019-20 NFF.

What further changes can we expect?

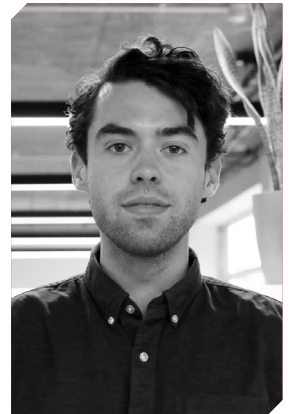
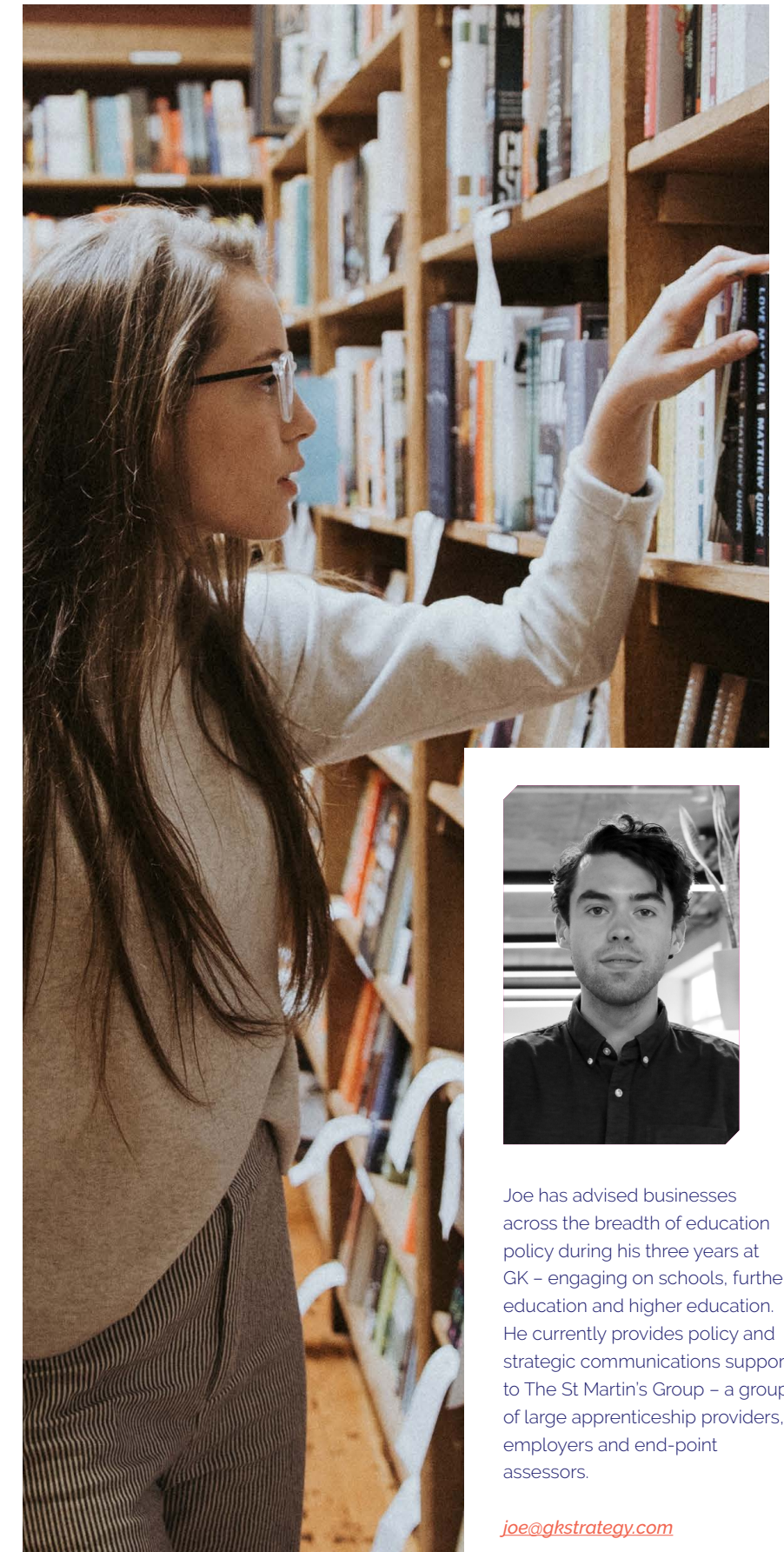
In September 2019 Education Secretary Gavin Williamson confirmed in Parliament that he wants to move to a hard formula 'as soon as possible.' A 'hard'

NFF would largely removing the role of local authorities in distributing core schools funding and would require primary legislation to implement.

Due to COVID-19, it has been confirmed that the Government will not target roll out in 2021, though a July 2020 document mentions imminent proposals and a corresponding consultation process. Those with an interest in the development of schools funding should be engaging with Government through the consultation.



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Joe has advised businesses across the breadth of education policy during his three years at GK – engaging on schools, further education and higher education. He currently provides policy and strategic communications support to The St Martin's Group – a group of large apprenticeship providers, employers and end-point assessors.

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FULL STEAM AHEAD FOR INTERNATIONAL STUDENTS IN THE UK

By Olivia Rohll // Senior Political Analyst

Despite the uncertainty caused by Brexit and the COVID-19 pandemic, the outlook for businesses that rely on international students coming to the UK is a positive one. The education system is well equipped to adapt to a new immigration regime, and, importantly, the UK remains popular among overseas parents and applicants.

The UK's new student visa application process came into effect in October 2020, replacing the Tier 4 student visa. There are an unlimited number of visas available for students, if they gain 70 points under the new points-based system. This can be achieved if they have a place on a course,

speak English and are able to financially support themselves. For non-EU international students, this means that little will change, as the requirements are similar to those for the old Tier 4 visa.

The change will be most noticeable for EU students, who will now have to apply for visas along with other international students. They will also have to start paying higher international student fees from September 2021, although students who began courses before this date will continue to pay home fees. According to UCAS, the number of EU students attending UK universities this year has already fallen by 2%, with the Government predicting a further fall of up to 20% in the years ahead. This is unsurprising when EU students can enjoy visa-free and relatively low-cost tuition across the bloc.

The question then, is whether universities can increase numbers of non-EU students. This year, despite worries that the pandemic would impact student numbers, there has been a 9% increase in non-EU students. Other countries' responses to COVID-19 may have benefitted UK universities. Australia encouraged their international students to return home during the spring, and their borders remain closed to foreigners, along with New Zealand. Chinese students in particular will find the US unappealing this year, due to concerns around the Trump administration cancelling 3,000 Chinese student visas. Indeed, one 2020 survey found that the UK has overtaken the US to become the most desirable destination for Chinese students to study.

The re-introduction of the post-study work visa will also entice international students to the UK. For those looking to permanently relocate to the

UK the pathway will be significantly eased, with new graduates no longer having to rely on gaining employer sponsorship. The visa ties into Boris Johnson's vision for the UK as a high-tech hub and global centre of innovation.

Pupils starting at UK independent schools from September 2021 will also have to apply for the new child visa. There are currently just under 30,000 international pupils in the independent education system. Children will need parental permission, an unconditional offer and the financial means to be able to study in the UK. It is unlikely that this will affect the number of international students, as this visa is also relatively simple to qualify for, and fees for EU students will remain unchanged. UK independent schools, along with universities, have long running experience in organising and sponsoring visas for international students, and should have little trouble adapting to the post-Brexit regime.

Consequently, businesses with an interest in independent schools, private universities or student pathways should continue to benefit from a healthy pool of international students looking to study in the UK in the years ahead.



The education system is well equipped to adapt to a new immigration regime, and, importantly, the UK remains popular among overseas parents and applicants.



Jamie leads GK's policy work, predominantly as part of the due diligence process with private equity investors. He has worked with clients on a range of investments across the education sector. Before joining GK, Jamie worked for a Shadow Education Minister.

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WHAT TO EXPECT FROM THE REVIEW OF CHILDREN'S SOCIAL CARE

By Jamie Cater // Head of Policy

The background

Spending on children's social care by local authorities has remained well-protected against the backdrop of severe cuts elsewhere to frontline services. Analysis suggests that between 2009/10 and 2018/19, children's services was the only area of local government spending to have experienced a net increase.

While children's services have remained insulated from the worst of spending cuts – and this will likely continue where local authority finances are constrained again following COVID-19 – the wider political and regulatory environment has changed over the past decade. In 2014, the Coalition Government passed the Children and Families Act which ushered in some significant reforms to the commissioning and regulation of services for looked-after children in England and Wales. In the context of increasing demand for services and complexity of care needs, spending has kept pace but policy-makers often still believe that services need to adapt further to cope with increased pressure.

Prior to the 2019 general election, the Conservatives indicated plans to hold a review into children's social care in England; in February 2020, Education Secretary Gavin Williamson confirmed that the Government would commission an independent review into children's services.

Likely focus of the review

There have been several priority areas for the Government in the period since the Children and Families Act was passed. Independent reviews of residential care provision and fostering services, both led by former Barnardo's chief executive Sir Martin Narey, have significantly influenced how policy has been developed. They also made some positive arguments about the role of private sector provision against the backdrop of political criticism of profit-making in those sectors. Although the current government is ideologically comfortable with independent providers in children's services, and faces a Labour Party now less openly hostile to the outsourcing of such services by local authorities, it would be surprising if any independent review did not at least consider profit and margins by private providers in assessing their value for money and quality.

One of the services that has received most political attention over recent years is adoption; there were a number of measures in the 2014 legislation on this, and the Government also subsequently passed the Education and Adoption Act in 2016 with further reforms. A speech delivered by Williamson in October 2020 suggested that adoption services are once again in the Government's line of sight and gave the first indication of a possible priority for the review, although it is not clear how Ministers might think about instituting new reforms in this area.

The Government is also separately reviewing mainstream special educational needs provision, the findings from which will also be relevant to the independent children's social care review.

Providers dealing with looked-after children across the board – whether in residential care, independent special schools, fostering services or others – should keep a close eye on the review when it launches and consider how to feed into its findings.



Spending has kept pace but policy-makers often still believe that services need to adapt further to cope with increased pressure.



Mike Williams is an Account Director with GK Strategy, working with clients to develop their political strategy and make the most of their stakeholder engagement. Mike has particular experience in the education and skills sectors, where he has worked on behalf of higher and further education clients.

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FORM OVER FUNCTIONAL SKILLS

By Mike Williams // Account Director

The effects of COVID-19 have been felt across the economy, by all sectors, in a plethora of different ways. Businesses find themselves having to adapt to new regulations, whole industries have seen a collective boom or tightening of belts, and many stumbling blocks that have never existed before are only just being identified.

Take, for example, the recent issues that apprenticeship employers and providers have had with the assessment of functional skills. Functional skills are the fundamental, applied skills tests in English and mathematics that all apprentices must pass before completing.

With Government guidance meaning that assessment of functional skills could only take place in-person, and social distancing guidelines limiting capacity, apprentices have not been able to sit Functional Skills tests (at Level 1 and 2). As a result, these apprentices have not yet been able to complete their apprenticeship, despite having finished all other elements of their programmes.

In recent weeks, apprenticeship providers, employers and end-point assessors have been working to develop solutions that ensure learners are not negatively



impacted. Any solution would require approval by the Government, and this demands careful and considered engagement.

The picture is complicated by the ongoing migration of apprenticeships from framework to standards, which has brought tight deadlines for learners that are on the old system into sharp focus. Flexibility on this point was shown during the spring, with temporary non-requirement of certain assessments for legacy learners, but this was not sufficient to prevent a sizeable backlog in assessments building up – particularly for learners seeking to complete under the new system.

The Government has proven receptive to engagement on this subject, and has been listening to industry representatives now this problem has come to light, but this is just one small example of the thousands of tiny issues that can cause entire sectors to grind wholly or partially to a halt. It highlights more than ever the importance of engaging with Government as soon as sticking point is identified, and of providing data, case studies and positive solutions to ensure that when an organisation chooses to engage, the Government listens.



The Government and training providers are keen for stability after the original upheaval of implementing the new apprenticeship system.



Ioan works with GK's investor clients, providing political analysis and due diligence. He has previously worked as a researcher for a political party and a trade association.

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WHERE NEXT FOR FE AFTER COVID-19?

By Ioan Phillips // Senior Political Consultant

The need for investment in reskilling was already a major talking point for policymakers before COVID-19, but a new report from the Confederation of British Industry (CBI) underscores how important this area will be for policy-makers in the aftermath of the pandemic, especially as job losses mount and the UK economy undergoes structural reshaping.

The report predicts that some 90% of employees will need to reskill by 2030, calling for:

- increased funding for workplace-based training;
- better incentives for small businesses to invest in training; and
- more varied training that revolves less around long-term courses and formal qualifications

Below, we assess the policy, funding, and regulatory trends that will determine how effectively these aims are met in the years ahead – as well as their implications for assets in the further education (FE) market.

More money, but is it enough?

A decade of static funding means that the impact of the forthcoming uplift is likely to be limited.

The Government's £2.5 billion National Skills Fund – which is due to come into effect next April – marks a recognition by Conservative politicians as to the importance of investment in tackling what the Social Mobility Commission termed the "adult skills gap".

However, funding is still well below pre-2010 levels in real terms. According to analysis from the Institute for Fiscal Studies (IFS), spending on adult education fell from £4.1 billion in 2003/04 to £1.5 billion in 2018/19. The National Skills Fund reverses less than ~20% of this decrease.

There is also little detail from the Government about how the Fund will operate, although Downing Street announced last month that some funding will form part of Boris Johnson's "lifetime skills guarantee"



to provide adults without an A-level or equivalent qualification a fully-subsidised FE course. More generally, the Department for Education (DfE) is expected to consult on the broader application of the National Skills Fund this winter.

Enduring barriers to SME participation

Smaller businesses (SMEs) are sceptical as to how much difference the recent funding uplift will make for their ability to provide high-quality training.

A recent survey conducted by the Association of Colleges (AoC) found that more than half (53%) of respondents do not think enough is being done to help them reskill their workforce.

Many SMEs are concerned that the apprenticeship levy in its current form makes it difficult for them to focus on reskilling. Industry representative bodies

contend that unless the levy is significantly reformed, smaller firms will continue to avoid providing training due to the high fixed costs the process imposes.

However, the Government and training providers are keen for stability after the original upheaval of implementing the new apprenticeship system. A focus on making it easier to transfer unspent levy funds – as hinted at by the Prime Minister – appears the most likely way forward.

Looser, more accessible training

The Government's success in implementing its upskilling agenda depends on the extent to which it can diversify types of training.

At present, the vast majority of funding is spent on courses for under 25s. This is reflected by significantly lower workplace training levels amongst 55-64 year olds (39%), compared to 25-34 year olds (60%). The Government wants to alter that balance, especially with COVID-19 and technological advances fundamentally altering labour market demography and employer demand for certain skillsets.

On top of that, policymakers are conscious of the need to ensure skills-based training is more accessible to individuals of all ages and backgrounds. The forthcoming FE white paper, which is set for publication later this autumn, will give a clearer indication as to the Government's thinking on how best to achieve that end.

There can be no ignoring FE providers' exposure to wider macroeconomic fluctuations and developments in adjacent policy areas. This makes it especially crucial that firms in this sector have the capacity and expertise to incorporate rapidly changing policy, political expectations, and regulatory requirements into their operation.

RESEARCH IMPACT: BETTER POLICY IS POSSIBLE

By Edward Jones // Senior Account Manager

Many academic researchers have extensive knowledge from their work which is relevant to improving public policy-making. However, universities often do not achieve the full potential of this research when it comes to influencing policy. For many academics, engaging with policy-makers is outside of their comfort zone: knowing how, where and when to engage and communicate the right messages can be challenging.

For universities, investing in research impact can enhance their impact, reputation and prestige, which in turn drives student and academic recruitment and funding. For academics, prioritising research impact can enhance their personal reputation. With the Research Excellence Framework (REF) tying funding to 'impact', particularly on public policy, universities now have a direct financial incentive to support academics to engage with the public policy process. Given the importance of the REF process, which provides a qualitative assessment of research impact, in funding future research and the long waits between each round of REF awards, it is important to invest in delivering maximum impact and increasing the likelihood of a three or four star award. Beyond REF, policy impact – amplified through PR activity and the media – can also drive the reputation of universities among potential students and academics who may want to come to your university to study, research and teach, recruitment which drives universities' funding.

At GK Strategy, we are passionate about improving public policy and public services by grounding policy

in the latest academic researching and, in the process, help universities deliver 3 and 4 star REF impact case studies. Our team of consultants and strategic advisers, including former ministers, is experienced in supporting researchers to build relationships with policy-makers and influencers. This helps communicate research findings to feed into policy-formulation and help ensure policy impact is considered in research design as well as research findings being considered in policy design.

Research impact should not be seen as an after-thought to high quality research papers or something to only worry about before a looming REF submission deadline. Research impact should be hard-wired into the design stage of academic research design for best results. Engagement with relevant policy-makers at an early stage can help ensure that research outputs and findings relate as specifically as possible to the concerns of policy-makers. Not only does this maximise the opportunity for significant impact, making 3 or 4 star REF case studies more likely, but dialogue with policy-makers to craft design around their concerns can also open new streams of research funding. This is not to say that research impact cannot be enhanced through late-stage engagement with policy-makers, but proactive pre-research engagement makes high quality impact more likely.

GK can provide a range of services to support institutions and individual researchers enhance their impact on public policy. To build researchers' confidence and skills and put policy-impact at the forefront of what they

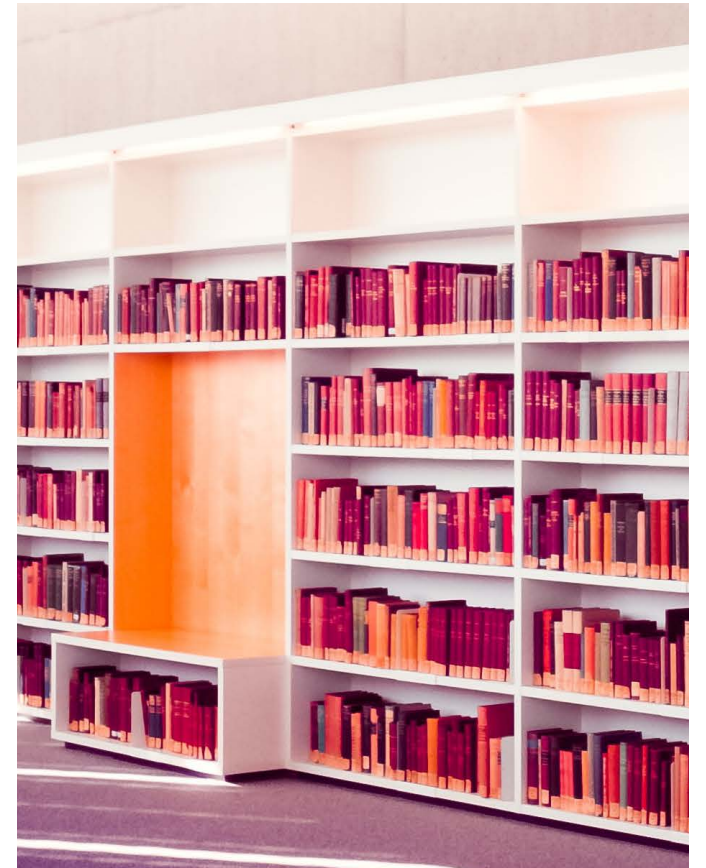


we are passionate about improving public policy and public services by grounding policy in the latest academic researching

do, we can deliver policy impact training workshops exploring the different channels for communicating research into the policy-making process and looking at the policy landscape in different areas. To provide expertise and capacity to help researchers engage with policy-makers alongside their busy research and teaching schedules, we run research communications campaigns. This includes personal strategy sessions, agreeing a bespoke plan for building relationships, and communicating research findings to those with power to put ideas into action.

A successful engagement programme requires mapping of the key decision-makers and influencers and effective messaging, communicating complex research findings into clear, actionable recommendations which are relevant to government. Messaging can be communicated through different channels, from policy briefings, departmental and select committee evidence consultations through to being profile in parliamentary debates. At the final hurdle, to convince REF assessors of the contribution of research to defined impact, we can support with writing-up case studies, making a compelling narrative and theory of change.

Changing public policy for the better is what motivates us, and what better way to improve policy than making sure it is based on recommendations from thorough academic research? We are eager to help researchers communicate with government to bridge the divide and make evidence-based policy a reality, but success requires the research community to prioritise policy impact through the whole research process, from design to output. Better policy-making is possible and research impact is the key.



Edward is a Senior Account Manager at GK Strategy. He specialises in research impact and has worked with several universities to promote research findings into public policy. Prior to joining GK, Edward worked as a parliamentary assistant in the House of Commons.

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CONSULTATIONS

by Jennifer Hollis // Head of Client Services



Jenni has advised businesses, government departments, political parties, NGOs and communications agencies. She has delivered large public sector campaigns on behalf of the Department of Education. She specialises in insight-driven campaigns which add value to businesses, raise awareness, and achieve political change. She heads up GK's integrated client service team.

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Here are a few of the key consultations of note for investors and businesses in the education and skills space. GK works with investor backed businesses and corporates to shape the political, policy and regulatory sector by helping to respond to consultations. Of note this month:

Review of post-16 qualifications at level 3: second stage

Deadline: 15th January 2021

<https://www.gov.uk/government/consultations/review-of-post-16-qualifications-at-level-3-second-stage>

Regulating independent educational institutions

Deadline: 27th November 2020

<https://www.gov.uk/government/consultations/regulating-independent-educational-institutions>



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