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EDUCATION AND SKILLS

INSIGHTS

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A GK Strategy Publication

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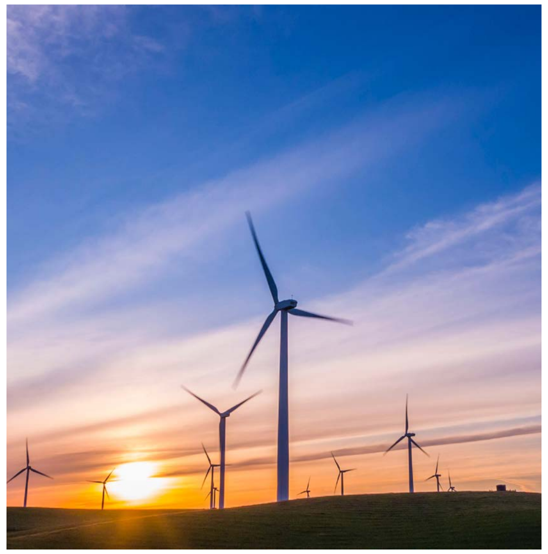
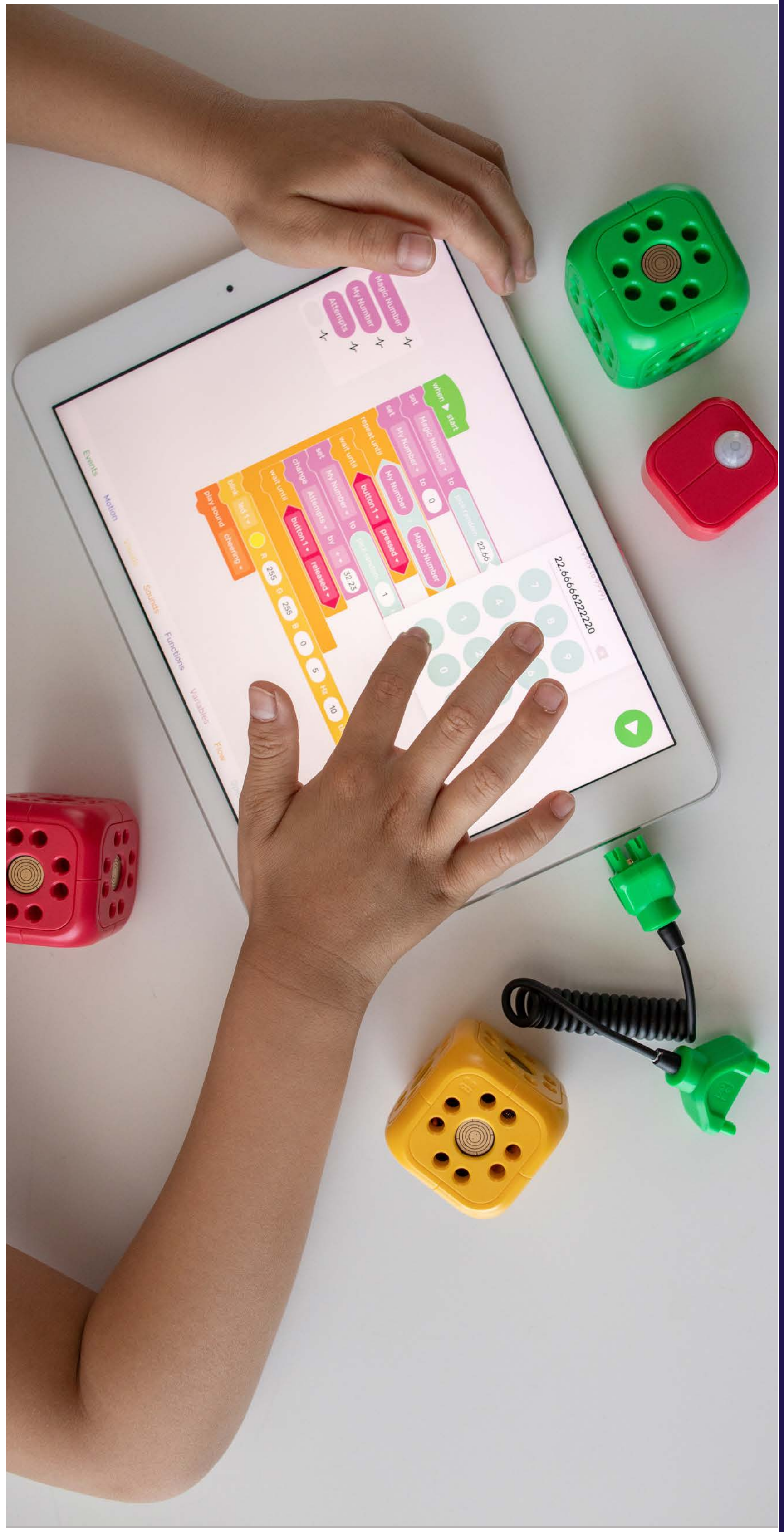


In this month's Education and Skills insights, we'll be covering:



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Hello

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.

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A NEW UNIVERSITY ADMISSIONS SYSTEM?

By David Laws // GK Strategic Adviser

Over the last few weeks, we have seen a sudden surge of interest in changing the UK system of university admissions, to try to help students from more disadvantaged backgrounds.

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Universities UK (UUK) published a report of its Fair Admissions Review, and UCAS also indicated that it wants to consider two different options for reform. Hard on the heels of these interventions came an announcement from the Education Secretary that he also intends to begin a consultation on this matter in the next couple of months. All three "reviews" seem agreed on the direction of travel - with university offers only made after A level results have been received, and presumably with a reduction or termination of unconditional offers. The Education Secretary sounded as if he wished to make an even more radical change - to post qualification applications as well as offers, which would imply a major change to the current university admissions process and probably to the timing of the university year.

It is perhaps surprising that we have seen this sudden convergence in thinking. Changes of this kind have been considered many times over the years, but until now they have always been rejected. The consensus view has previously been that the extent of the possible benefits would not be worth the risk and disruption.

There is a case for "PQA" to support better access for disadvantaged students, on the basis of underpredicted grades. Giving young people longer to make their choices might also lead to better decisions and to lower university drop-out rates, which policy-makers see as one of the key indicators of quality.

However, there are some very obvious risks if the system is changed. The compression of the window of university and course choice into a short period of the summer, after schools have likely closed, could mean that students have considerably less advice and support from teachers and others as they make crucial and often difficult decisions. This would risk increasing the divide between those who receive good support and those who do not - and it would be surprising if this did not follow on from the usual advantaged/disadvantaged divide.

Policy-makers are perhaps justified in looking at this issue again, to assess the merits of different options, but they should also consider other ways forward

There would also potentially be a need for major changes in university, and possibly, school timetabling - particularly if the Secretary of State's model of post qualification applications were to be followed. Are we willing to have students leave school in July, and then wait until, say, January to start at university?

So, PQA might come with significant costs, and the benefits must be considered uncertain. The truth is that the major reason for the post 18 social mobility gap, is the pre-18 attainment gap. While poor children continue, on average, to be 18 months of learning behind the average of all other children at age 16, access to university is not going to be anything like "equal".

Policy-makers are perhaps justified in looking at this issue again, to assess the merits of different options, but they should also consider other ways forward - including whether "contextualised admissions" could be a better way to handle under-prediction of grades, and whether "elite" universities could do a better job of encouraging applications from more disadvantaged students. And at a time when Covid impacts are likely causing the school disadvantaged gap to rise, much more attention needs to be given to helping poor children to "catch up" and close the gaps in attainment that arise from the beginning of a child's journey through education. Whatever PQA is, it is no "magic bullet" for dealing with the inequalities in our education system and society.

WHAT WILL COME FROM THE NEW GREEN JOBS TASKFORCE?

by Joe Berkhout // Account Manager

The Government has made a range of high-profile announcements on its environmental policy in recent weeks, with the Prime Minister announcing a 10-point plan for a green industrial revolution. These priorities were underpinned during the Spending Review, with the Government clear in its intention to ensure that the UK's post-Covid recovery is green. New investment in decarbonisation technology was among the measures announced by the Chancellor alongside major new spending on infrastructure, designed to move towards net zero emissions.

It is within the context of a green recovery that the Green Jobs Taskforce was launched this month. A joint venture by the Department for Business, Energy and Industrial Strategy (BEIS) and the Department for Education (DfE), the taskforce has set itself the objective of delivering two million highly skilled jobs by 2030, as part of the Government's 'Build back better' and greener objective. It will assess what is needed to create high-quality, well-paid green jobs to facilitate the transition to Net Zero.

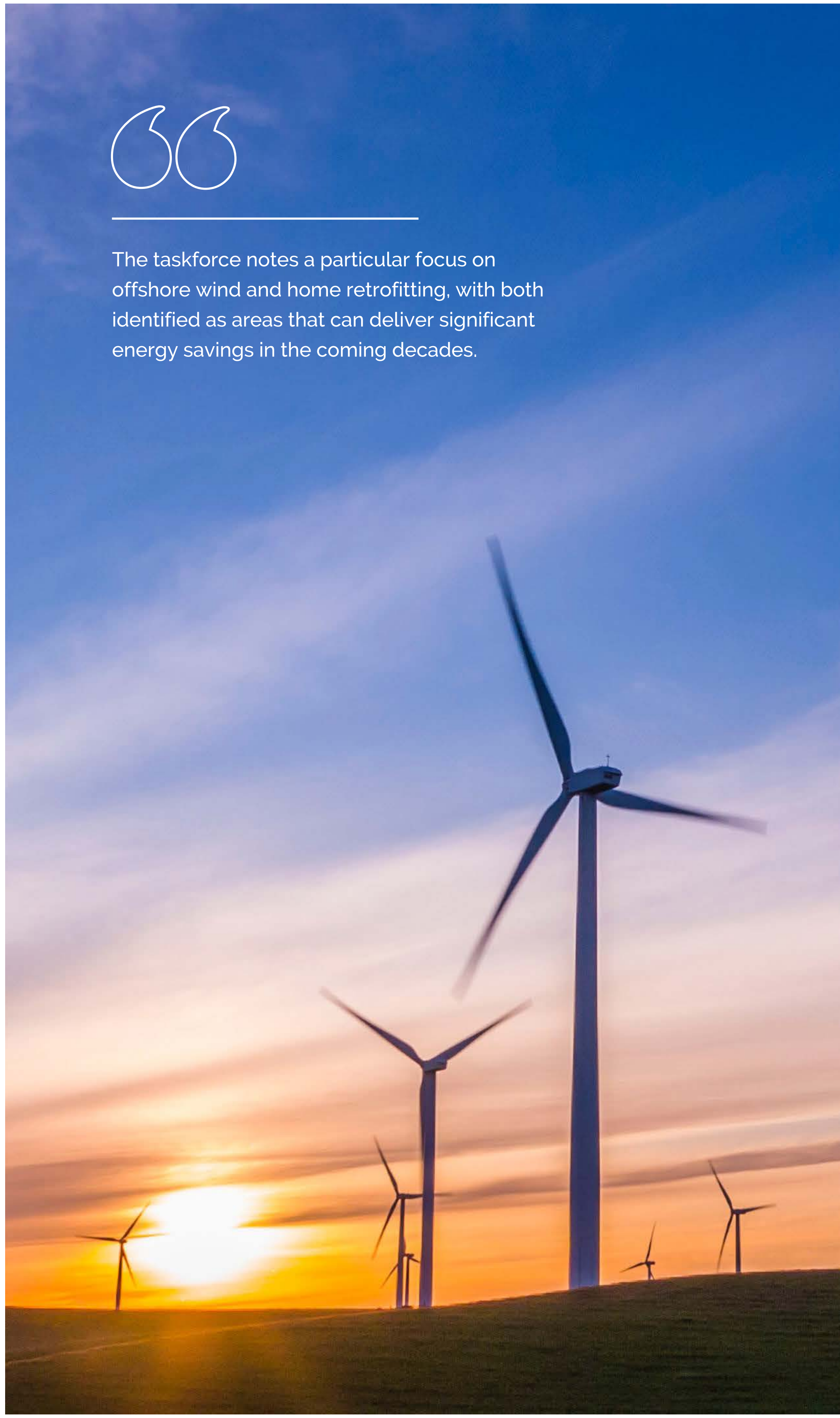
Skills providers will be particularly interested in the launch of the new taskforce, which offers opportunities to work with the taskforce's Co-Chairs – Business and Energy Minister Kwasi Kwarteng and Apprenticeships and Skills Minister Gillian Keegan – to inform Government policy on the creation of green jobs.

The taskforce notes a particular focus on offshore wind and home retrofitting, with both identified as areas that can deliver significant energy savings in the coming decades. There is also an appreciation that skills must be developed in these sectors to allow them to deliver on this vast potential. This is likely to encourage engagement from skills providers working in the construction and energy sectors. However, the taskforce will not limit itself to those sectors, a point that is demonstrated by the diverse group of stakeholders and industry leaders that make up its membership, ranging from Tata Steel to the WWF.

Kwasi Kwarteng underlined the Government's motivation for launching the taskforce: 'This Government has promised to do all it can to provide good quality, secure work as we build back better and greener from coronavirus. The Green Jobs Taskforce will oversee the UK taking strides towards long-term economic prosperity'.

His comments were supported by Gillian Keegan who highlighted how crucial skills retraining will be in supporting the UK's economic recovery: "It is widely accepted that the UK workforce will need to retrain vast swathes of its workers, the Green Jobs Taskforce is a strong step towards ensuring that the UK has sufficient numbers of employees that can plug gaps in the UK economy".

If businesses are interested in informing the Government's work on green jobs provision from a skills or employment perspective, GK would be more that happy to discuss ways of engaging on the taskforce's activities.



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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THE NATIONAL TUTORING PROGRAMME, FUNDING, AND MEDIA SCRUTINY

By Ian Perrin // Senior Account Manager

Ian is a consultant at GK. Ian delivers communications and policy engagement across a range of areas, including businesses in the education sector. Prior to this, Ian worked at a global healthcare consultancy

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On 20th July 2020, the Government announced a £1bn support package for children and young people to catch up on education lost as a result of the coronavirus pandemic. In particular, this funding was to help vulnerable and disadvantaged pupils. The £1bn package comprised a £650 million 'catch-up' premium paid directly to schools, and a £350m National Tutoring Programme targeting the disadvantaged and vulnerable pupils most at risk during the coronavirus pandemic.

The National Tutoring Programme (NTP) is officially underway with the backing of the Prime Minister, who hailed the tutoring programme as one of the most innovative ideas to have come out of the crisis, adding that he wanted to see it continue in the post-pandemic era.

GK Strategy *Insights*

Tuition Partners

One strand of the National Tutoring Programme involves NTP Tuition Partners, which provides schools with subsidised high-quality tuition from an approved list of providers. Inevitably, watchful eyes have waited for the list of Tuition Partners which arrived in early November, listing 32 in total, 21 of which are for-profit providers.

Despite the Prime Minister's enthusiasm, there has been criticism of the involvement of for-profit providers. One MAT leader suggested that the value of the NTP would be "quite limited" and that 'expecting cash-strapped schools to pay 25 per cent of catch-up tutoring costs is a "real crunch point"'.

Elsewhere in politics, there is scrutiny of Government procurement practices for a range of services related to COVID-19. In this environment, the media is hawkish in its monitoring of the rollout of the NTP, ready to capitalise on the narrative that the providers labelled Tuition Partners might not be delivering the value they promised.

This month, Schools Week reported that the NTP press team had prevented providers from speaking to the media without signing off any comments themselves first.

Can you blame them when journalists are eager to pick holes in the scheme's realisation?

Engaging the media

Regardless of sector, this highlights the need for companies involved with delivering public sector services to be prepared for media scrutiny. The media views its role as being focused on holding government to account. Unfortunately for companies, this includes by extension those contracted to deliver government services. The media will publish their articles whether you engage with them or not, and by engaging, you show you are prepared to be accountable for your actions, defend your position, and demonstrate that you have nothing to hide. Nothing implies malpractice more than 'the company declined to comment'.

> Regardless of sector, this highlights the need for companies involved with delivering public sector services to be prepared for media scrutiny.

Businesses involved with government activity must control the public narrative about their work by engaging with journalists, responding to queries, and sharing as much information as they can about the work they are doing and the value they are providing.

Focusing on reputation management now, and working with organisations who specialise in this, can help weather future storms and proof against becoming wrapped up in bad news stories by accident. The example of the NTP can act as both a cautionary tale and a story of success in this regard.

CHILDREN'S SOCIAL CARE IS STILL RIPE FOR INVESTMENT: HERE'S WHY

By Ioan Phillipss // Senior Political Consultant

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, covering devolved and national policy issues.

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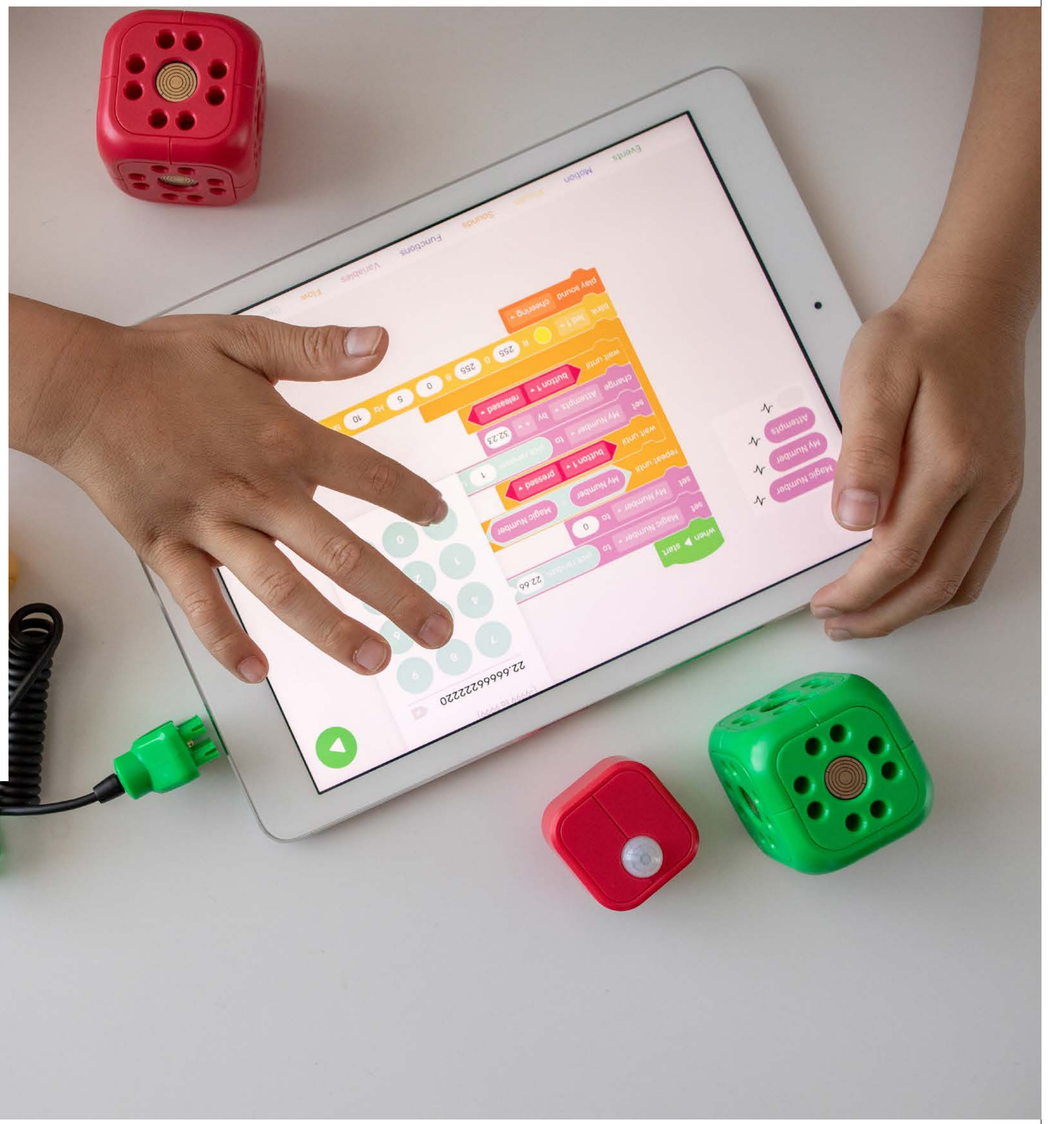

A recent report on private provision in children's social care by the Children's Commissioner for England, Anne Longfield, has renewed debate about the role of private equity-backed firms in this space.

While the report laments "increasingly fragmented, uncoordinated and irrational market", it tacitly acknowledges the extent to which private provision is entrenched in the provision of children's services – a reflection of heightened overall demand. In less than a decade, the number of children looked after by private providers has increased by 42%. At the same time, approximately a third of children are now placed with foster families via private agencies.

So why is children's social care such an attractive area for investors? Much of the answer lies in the fact that it has not been subject to funding cuts. Despite significant reduction elsewhere, councils have protected spending on children's services – with many looking to private providers to help them meet their statutory obligations under the Children and Families Act 2014. Businesses in this sector also benefitted from the Government's decision to keep children's homes open and continued funding for special schools during the height of the COVID-19 pandemic.

Investors should, however, familiarise themselves with increased political scrutiny around investment in children's social care – and associated reputational risks. Much attention has already been drawn to the cost of using private providers, relative to services directly provided by local authorities. The forthcoming Care Review is expected to highlight further issues around public-private cost differentials, as well as how services are commissioned by councils.

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On commissioning, there have been calls for local authorities to make better use of their power as purchasers – through greater use of regional commissioning and frameworks – to increase their market power and better pool risk. It appears the Government is at least open to exploring this, with the Department for Education (DfE) recently announcing funding for five projects to explore new ways of planning and managing foster care placement – one of which included the creation of commissioning partnerships.

Additional scrutiny need not be taken as indicative of a clampdown on private provision, though. The Government is ideologically comfortable with the role played by private providers in delivering children's services. Moreover, it now faces a Labour Party that seems to be less outwardly hostile to the outsourcing of such services by local authorities. On this basis, scrutiny will likely focus on value for money and quality when assessing private provision, rather than how to curb its sectoral presence.

Although it is the proliferation of private providers that often makes the headlines, the core enablers of investment in children's social care – a sizeable market, growing outsourcing, and increased demand – remain undeniably solid.

WILL COVID-19 CHANGE ANYTHING FOR EARLY YEARS?

By Olivia Rohll // Senior Political Analyst

Olivia is a researcher covering a range of sectors for GK's political due diligence reports. She previously worked in the finance sector covering UK and European political developments, and also has first hand experience of Parliament having worked in an MP's Westminster office.

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Despite the lip service often paid to the importance of early education, the sector and its workforce have often been overlooked by policy makers in recent years. The number of private nurseries – the segment of most interest to investors – had already been falling in years up to the pandemic, and a further one in six now do not expect to be in business in 2021.

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Signs of a 'new deal' for nurseries have not been forthcoming, however, even in light of the increased strain caused by the pandemic. As a result difficulties and uncertainties for the sector seem set to persist.

A 'Perfect Storm'

Though nurseries were targeted for business rates relief at the start of the pandemic it has not outweighed the impact of reduced attendance (just 55% in October) and restrictions on their ability to furlough staff while also receiving early years entitlement funding.

Nurseries have also suffered from a lack of ring-fencing for childcare entitlements within council budgets. In many cases, central government grants intended to compensate nurseries for absent children have reportedly been redirected by councils, with only the minimum legally required passed on.

Redundancies forced by the pandemic will add to the workforce issues faced by the sector. Employers in this space are experience high staff turnover driven by low wages and limited progression opportunities. Enrolment in early years qualifications introduced in 2013 reached a new low in 2019-20, and a supply of experienced workers from the EU will be largely cut off from 1st January 2021. EU workers account for 3% of the early years workforce nationwide but 9% in London.

What happens next?

The Government plans to increase the minimum wage to £10.50 by 2024, though only if 'economic conditions allow.' No significant change is now likely over the next year, but longer term wages (along with pensions and NI) will continue to be a strain in the absence of an improved funding deal.

The profile of the sector is being raised via research from well-regarded institutions. For example, the Education Policy Institute and Sutton Trust have recently highlighted workforce issues including pay, recognition and progression barriers, along with the precarious financial state many nurseries find themselves in. This work raises the likelihood of MPs and Ministers engaging with the problems.

Over the coming year the sector should throw its weight being securing permanent relief or exemption from business rates – something it had been campaigning for pre-COVID. In July 2020 HM Treasury launched the promised 'Fundamental Review of Business Rates,' which noted the 100% exemption for nurseries in 2020-21. The fact that the exemption currently applies strengthens the case for making it a permanent feature of the rates system, and would bring England in line with rules for nurseries in Scotland and Wales.

IN DIFFICULT TIMES, RESEARCH IMPACT CAN BE A BEACON FOR THE HIGHER EDUCATION SECTOR

By Edward Jones // Senior Account Manager

The COVID-19 pandemic has put the Higher Education sector under financial pressure. Universities' pension fund investments to have performed poorly during the economic down-turn brought on by lockdown measures, while PHD researchers are not being granted extensions to their doctorate research by UK Research and Investment (UKRI). Although student numbers have held up during the pandemic (particular after the Department for Education U-turned on teacher-assessed grades this summer), the Treasury will ultimately have to pick up the bill from lower repayments of student loans from graduates who have lost income and consequently made lower loan repayments. As the Treasury gets to grip with the impact of COVID on public finances, this could tighten public education and research investment in the long-run as the Government reigns in spending to deal with the deficit.

Against a bleak financial backdrop, it may be easier for HE leaders to overlook for research impact on their list of priorities. However, it should be a priority for the sector: it can be an essential vehicle for demonstrating to decision-makers the value of continued public investment in the research and HE. A good place to start is with Ministers and Government: by proactively communicating research findings to inform policy-making, helping Government to make better policy, the HE sector has the opportunity to re-emphasise the value of a thriving research community to the Ministers and officials who shape budgets.

Many academic researchers have extensive knowledge from their work which is relevant to improving public policy-making. However, universities often do still not achieve the full potential of this research when it comes to influencing policy. Government aspires to evidence-based policy-making but it needs the research community to both deliver and communicate research in a way in which Government can apply it. Although some civil servants and special advisers are alert to academic research evidence and will try to "feed it in" to decision making, generally contacts between the research and policy worlds are poor. In normal times, researchers rarely meet decision-makers and Ministers receive very little briefing on the latest research evidence. Ministers and civil servants are incredibly busy and do not monitor research journals – relevant research needs

> The HE sector has the opportunity to re-emphasise the value of a thriving research community to the Ministers and officials who shape budgets.

to be proactively brought to their attention. Pro-active communication of research is therefore as important as its production and needs to be prioritised.

To inform public policy, the research community can be better to draw attention to key findings and articulating evidence-based recommendations. By having a resourced plan, universities can make sure the output of their research informs the work of Ministers and civil servants and enhance the reputation of the UK's HE sector in the eyes of those who set and vote through its budgets. Given the importance of reputation, research impact can be a beacon for universities to remind Whitehall while investment in the HE sector should always be a national priority.

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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