



Industry and Regulators Committee

Uncorrected oral evidence: The work of the Office for Students

Tuesday 16 May 2023

10.30 am

Watch the meeting

Members present: Baroness Taylor of Bolton (The Chair); Lord Agnew of Oulton; Baroness Bowles of Berkhamsted; Lord Burns; Viscount Chandos; Lord Clement-Jones; Lord Cromwell; Lord Gilbert of Panteg; Lord Leong; Lord Reay.

Evidence Session No. 14

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Questions 132 - 151

Witnesses

I: Robert Halfon MP, Minister for Skills, Apprenticeships and Higher Education, Department for Education; Anne Spinali, Director of Higher Education Reform and Funding, Department for Education.

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Examination of Witnesses

Robert Halfon and Anne Spinali.

Q132 **The Chair:** Good morning. This is the Industry and Regulators Committee of the House of Lords. We are conducting an inquiry into the Office for Students. This is a public evidence session; we have had several already. This morning, we have the right honourable Robert Halfon, who is the Minister of State for Skills, Apprenticeships and Higher Education, and Anne Spinali, who is the director of higher education reform and funding in the Department for Education.

Thank you for the evidence that the department has sent in. We have talked to quite a lot of people about what is happening in the sector and their relationships with the OfS, but can we start by asking you about the health of the higher education sector? We heard from the chair of the OfS last week that he thought that the sector was very healthy and there was little cause for concern, but we have heard from others that the banks have a list of 20 or 30 universities that are causing them concern. We have heard about problems with individual universities and the loss of Horizon funding being very significant—with suggestions of up to £8 million in one case—as well as how many universities are becoming increasingly dependent on overseas students, which creates other vulnerabilities. Could you give us your overview of the actual state of the sector?

Robert Halfon: I would be delighted to. I do not know whether I am able to give a few opening remarks for context and then come on to your specific question.

The Chair: Of course, yes.

Robert Halfon: Thank you. I am very pleased to have the opportunity to appear before you today to highlight the work of the OfS and the Government's agenda on skills, jobs and social justice. As you know, higher education plays an essential role in our society. As well as developing the academic talents of our country, advancing knowledge and innovation, it must also meet the skills needs of our economy, provide high-quality qualifications leading to excellent jobs and advance social justice so that everyone, whatever background they come from, not only enters university but achieves good progression and outcomes. Higher education is a vital rung on this ladder. As the independent regulator of higher education, the OfS is in my view essential to upholding the quality of our higher education system.

Before I specifically go on to the OfS, I want to highlight that we have an ambitious skills agenda. You mentioned that my brief is combined; that is very much so. There is an increase of £3.8 billion over this Parliament. We are also investing an extra £750 million in the higher education sector over the three-year period to 2025 to support high-quality teaching and facilities. I have also managed to get an increase of up to £40 million over the next two years to support degree apprenticeships through strategic priorities grants.

This leads me to the OfS and its work in supporting the Government and Parliament's priorities. I strongly support the OfS's current focus on quality and standards, including outcomes. The Government want to make sure that all students benefit from high-quality, world-leading higher education. There is good evidence that suggests that the higher-education system is preparing students for high-quality employment. Three-quarters of graduates from full-time first degree courses progressed into higher-skilled employment or further study after graduating in 2020, but a lot more has to be done to tackle pockets of poor quality that persist. In some areas, there are also not enough good outcomes for students from disadvantaged backgrounds, particularly those on free school meals.

The OfS is committed to doing that. It has revised its registration conditions in relation to quality and standards to ensure that they are robust, and it is now rightly taking action to investigate and enforce those conditions. However, the IFS has estimated that, on average, the net lifetime return from an undergraduate degree is £100,000 for women and £130,000 for men. I know that the OfS registration fees have recently been criticised at the inquiry for being too high but, in some ways, if you look at it overall, they offer value for money. That is £26 million a year, around £13 per student. That is not a high price to ensure that we have a high-quality system.

Finally, I talked about social justice. I was delighted that, in 2022, a record number of 18 year-olds from disadvantaged backgrounds were admitted into higher education. Data from 2022 shows that disadvantaged students are 86% more likely to go to university now than in 2010. OfS-registered providers wishing to charge fees at the higher amount must have access and participation plans in place and deliver on those plans. The OfS has recently launched its equality of opportunity risk register to highlight the key risks that can impact negatively on disadvantaged and underrepresented student groups across the whole of the student life cycle. It will empower higher education providers to develop effective interventions to support at-risk students in order to help them not just get in but get on.

If I can now answer your specific question, Chair, we are in a very difficult financial context, as you know. We are £2 trillion in debt. We spent more than £400 billion during Covid. There are enormous pressures on the public sector. There are enormous pressures to get the debt down. There are enormous pressures on the Government in spending up to £100 billion to help people with the cost of living. I absolutely recognise that there are financial challenges for universities, as there are across the board for everyone, particularly in the public sector.

If you look at the figures on tuition fees, other income, research grants, funding body grants, investment, donations and endowment, universities get up to just under £40 billion; that is among 400 registered institutions. That is not a small sum of money, especially given the context that I

have just set out. We also know that 75% of universities are in good financial condition.

The question I would ask—the OfS has been looking at universities that have had financial difficulties—is why the vast majority of universities are able to be in good financial health while a few are not. That is not just a question about resources. I will of course always put more resources in, as we are doing. I did not mention the 5% increase in the strategic priorities grant, up to £1.5 billion.

Nevertheless, despite the challenges of Covid, the cost of living, energy bills and so on, on the whole, given the current context that we are in, HE—higher education—is not doing too badly financially. If you compare HE to my other passion, which is further education, there is no comparison whatsoever. If you look at the funding that HE has got compared to the funding that further education has got over the last few years, there is no comparison.

The Chair: I hear what you are saying. There is a report out today saying that international students bring in £41.9 billion, so HE is an earner as well. Leaving that aside for a minute, are you satisfied in your own mind that the approach of the OfS to monitoring the financial situation of universities is appropriate? Do you not think that things might be slipping under the radar if it is only using a risk register and occasionally delving into certain universities, such that some could be coming into difficulties without the OfS knowing? We had one vice-chancellor who said that, if he thought his university was getting into difficulty, he would be reluctant to go to the OfS because he thought it would come down on him like a ton of bricks. There may be things happening that could cause us concern.

Robert Halfon: I do not think that. As I understand it, the OfS is looking at roughly 30 universities with financial difficulties at this current time. I think that it does the right thing. If it was not a risk-based regulator, everyone would be arguing something else: “Why is it intervening too much?” They are already doing that, even under the current system, so I think that it has the right approach.

DfE officials, universities and the OfS look at these things together. I was recently made aware of one particular university that has significant financial difficulties by its MP; I met the MP and representatives from the university and the union only a couple of weeks ago. At the end of the day, universities are autonomous, so you have to accept the good as well as the bad. I would have Lord Willetts here asking why I am interfering with the autonomy of universities.

The priority of the Government when it comes to financial difficulties at universities must be to look after the students. That is where I believe a government intervention would be, if there was severe financial difficulty for a particular higher education institution, to make sure that they had a provider to go to.

I would just remind the committee that, during Covid, there was a higher

education restructuring fund. That was for Covid but it showed a precedent. It does not mean that there is going to be a new one but it does show a precedent that, where there is an emergency, the Government have in the past stepped in to help universities that face significant financial difficulties.

Q133 Lord Cromwell: Good morning, both. Minister, you emphasised the amount that is being spent, quite understandably, but you also acknowledged that there are concerns. You have mentioned 30 possible targets for the concern of the OfS alone. I am not quite clear what you started saying. What has caused these financial difficulties for universities? It seemed to me that you are almost implying that they should tighten their belts, they are not being very efficient and efficiency savings could be made. Is that your view? Secondly, just to save me wasting further time, do you think that there are some that are just too big to fail?

Robert Halfon: I go back to my central premise. If 75% of universities are in relatively good health—I am not saying that they have it easy—why is it that the rest of them are not? What are those 75% doing well that the other 25% are not? I cannot talk about individual universities. I know about one particular university that was doing quite well a few years ago and has suddenly had financial difficulties, but the crucial thing is that this is monitored by the OfS. The OfS has plans and ways to work with the university to make sure that it is supported.

If so many universities can be in health, it suggests that some of it—I am not saying all; I am wary of making myself unpopular with university management—may be down to the management and leadership of that particular university rather than the funding system, given the funds that universities get, as I have set out, and the very difficult financial circumstances that our country is in.

Lord Cromwell: So some are just inefficient.

Robert Halfon: I will leave you to judge that. I go back to the point; I will repeat myself. If 75% of universities can be in good financial health, what is it about the leadership and management of those other universities that has led them to face financial difficulties? There may be extenuating circumstances—that I do not know—but it just strikes me that it is not like it is 50% of universities; it is 75%.

Lord Cromwell: What about the “too big to fail” question?

Robert Halfon: That is a very interesting question. I have quite an interesting view about universities and what they should be. Are some universes too big, like Tesco, so to speak? It may be the judgment of some. I prefer mobile, agile universities—no doubt we will go into those questions later on—but there are some very big universities that are doing brilliantly. Again, it goes back to the central point: why are some big universities doing brilliantly and why are some not?

Anne Spinali: On risk monitoring, because you asked a question around that more broadly, there is really active risk monitoring. It is not a question of just taking in the OfS judgment. We talk to mission groups, to universities themselves, to financial institutions and to advisers in order really to understand what is going on within the sector as a whole. However, because it is a hugely diverse sector, we are also looking at individual institutions and where the risks are; discussing with the OfS whether it has particular concerns and what discussions it is having; and bringing to its attention any specific concerns that we have so that it can look into them and take pre-emptive action if needed.

I hear the concern that some institutions have about approaching the OfS directly. I have seen them approach us first in order to raise flags around rising costs and a number of pressures that they are facing, with a view to discussing what can be done about it.

The Chair: You are saying that a university might approach you about difficulties before it would approach the OfS.

Anne Spinali: That can be the case because it has a direct relationship with us or it has the ear of the mission group, with which we talk very often. Our first reaction would be to say, "You need to talk to the OfS about it", since it is responsible for monitoring the financial sustainability of providers and acting in the interest of students when there is a risk.

Robert Halfon: I mentioned that the MP in one university's constituency contacted me so that is how I found out about that particular university.

Q134 **Baroness Bowles of Berkhamsted:** Following on in particular from what Anne has just said, we have been told by university finance directors and registrars that the current financial model of the sector is not sustainable. One of the issues there is how long one can rely on having overseas students as much as we do. Has that already been brought to you and is it something the Government would intervene on or do something about? It may not yet be featuring on a risk register but it is a systemic thing and it could hit really hard and quite fast, possibly over a period of just a year or two.

Robert Halfon: Chair, I forgot that I should probably have declared at the beginning that I am an honorary professor at Nottingham Trent University; I beg your pardon.

I will start answering the question then pass over to my colleague. First, it is worth remembering that 76% of students are not international students; they are domestic students. Secondly, I am actually very supportive of international students. I think that they are a good thing. I have to declare another interest: my wife was an international student some years ago at Anglia Ruskin University. They bring benefits to our country. They help with the finances, absolutely, but they are examples of soft power as well as being worth 25 billion quid to our economy. That is a lot of money. Our target is 600,000 international students. At the moment, we have surpassed that, at 679,000. I do not see having too

many international students as a risk. If you have 76% of students as domestic students, I see that not as a risk but as a good thing.

Baroness Bowles of Berkhamsted: I was not saying that it was a bad thing. I was just saying that our relative popularity internationally could fade for a variety of reasons and could therefore decline, despite efforts.

The Chair: It is about dependency on overseas students because there is insufficient income from domestic students.

Robert Halfon: I do not believe that there is a dependency. I do not think that our international students will decline. In fact, they have been going up. As I said, we surpassed our target of 600,000, at just under 680,000. There may be some universities with a higher preponderance of international students; I have tables of that, which I can write to the committee about. Given that 76% of students are domestic, I do not necessarily think that it is the problem that some people view it as. I know you are not saying that it is.

Q135 **Lord Agnew of Oulton:** On that, Robert, I am delighted that we have a Minister so passionately concerned for education—that is a great starting point—but I just want to respectfully challenge you. So, 24% are foreign students. They are paying about double so they are making a very substantial contribution financially. Every vice-chancellor we have met has said that that was key to their business model.

Today, there is a report in the *Times*—you may not have seen it yet—showing that, in the latest international rankings, 12 of our top 20 have gone down and those that are coming up are the Chinese universities. I do not think that the reliance on foreign students is a sustainable business model over the next five years. I do not have a problem with them. I agree with you that it is great soft power and so on but the idea that this is sustainable for more than the medium term is too optimistic.

Robert Halfon: Of course I am concerned about the reports I have read in the papers. By the way, thank you for your kind words at the beginning; I appreciate them.

I do not see this as a problem in the way that may be felt by yourself. It is a good thing, especially given the current financial context we are in because there is not loads of money to go around, that we have international students benefiting our education system and our economy. It is worth £25 billion; the ambition is that it will be worth £35 billion by 2030. That is very significant. If you look at the cost benefit of those international students, it outweighs the issues you may raise, such as that we have an unsustainable model.

We also have a cost of living crisis. The last thing I can do is go and tell students that we are going to raise their tuition fees. I feel a lot of pressure in the House of Commons from Members on all sides about why we did not raise the maintenance grant or maintenance loan higher than we did, although we do give £276 million to the OfS to help

disadvantaged students. Nevertheless, you have to be fair to students and to the taxpayer.

The underlying part of your question is perhaps not even about the loan system but about whether the funding of universities and their business model should be done differently. That may be right. It requires a lot of thinking and work to see whether the current system is sustainable, as you suggest.

I went to a Russell group university, Exeter. I had the best time of my life but my dream university of the future is the Dyson Institute. The reason for that is that it has a business on-site. It does research. It does vocational degree apprenticeships. The people who complete them get jobs in Dyson afterwards. It is very agile; I would like to see a lot more of that. That is a sustainable model for the future. I also want to do more to encourage degree apprenticeships because, again, you then avoid the whole issue of tuition fees.

Q136 Viscount Chandos: You have just mentioned the cost of living crisis from the student's point of view but my concern is that the number of universities that are already under financial stress is the tip of the iceberg because there are lags. Some cost increases for the universities come through quickly; others will work their way through the system over a much longer time. It seems to me that the question is not whether there are only 30 institutions in intensive care now but what it will be on unchanged policy in two or three years' time.

Robert Halfon: It is hard to be a crystal ball gazer. I do not think that the model is wrong. These things are decided by the Treasury, obviously, and I cannot speak for what the Treasury is going to do in terms of funding for HE. Given the current circumstances, given that universities get £40 billion from a variety of sources, given that 75% of them have a surplus and given everything else that is going on in the economy and the public sector, HE is in a fairly strong position compared with other parts of the public sector.

Viscount Chandos: Is the message that you and your department are giving to the Treasury that there is not a looming crisis?

Robert Halfon: The message that I would give to the Treasury is that I will always welcome and champion more resources for HE and FE, of course, but I want more funding for skills rather than just saying, "Well, we're going to give HE institutions more funding or lobby for that". I want to ask, "What's the best way to ensure that we have more qualified people who get good, skilled jobs at the end of their education?" That is the way I look at it. I look at it not as "university, university, university" but as "skills, skills, skills".

Q137 Lord Clement-Jones: I declare an interest as chair of the governing council of Queen Mary University. I applaud your emphasis on social mobility and graduate apprenticeships but I ask you to make it clear, Minister, whether you accept the fact that, because the tuition fee is

worth less and less in real terms, there is an increasing level of cross-subsidy from international students into universities. We have been talking about this model but do you accept that that is an absolutely central component and an increasing component of the financial viability of universities now?

Robert Halfon: I have to deal with the world as it is, as well as the world as one would like it to be. In the world as it is, there is a cost of living crisis. I cannot say to my Harlow constituency taxpayers, many of whom do not go to university, that they have to fund this more out of their taxes. I cannot just get a blank cheque from the Treasury. Given the circumstances that we are in, it is inevitable that there will be some cross-subsidisation.

Going back to your Lordship's question a moment ago, if the economy improves, we get back into surplus again, we get rid of our deficit, we get down the £2 trillion debt and we pay back the £400 billion that we spent during Covid, maybe, God willing, we will have more money and will be able to increase tuition fees. However, I am not an advocate of increasing tuition fees. It would hit the student, importantly, at a time when things are very difficult. That does not mean that they are never going to go up but the approach of the Government has been the right one.

Anne Spinali: In addition to the freezing of the tuition fees, the Government committed to investing £750 million over the life of this Parliament to support universities to provide high-cost subject funding. Similarly, the Government have made a commitment to increase R&D funding to £20 billion by 2024-25 and recently announced £100 million of funding to invest in state-of-the-art research facilities for the best researchers. There is funding flowing to the strategic priorities that the Government have, which is meant to ensure that the funding is there for those projects and research activities that universities need to take forward.

Robert Halfon: This is all in the current difficult financial climate, which we have to remember, whatever our passion is.

The Chair: Many universities have also been hit badly by the withdrawal of Horizon funding. The £20 million is nowhere near making that up. That is an extra pressure on them at this difficult time, is it not?

Robert Halfon: I know. That is not my area—it is for the Department for Business, as you know—but negotiations are going on about Horizon. I very much hope that, whatever comes out of them, we will be able to support universities in the way that Horizon did.

Q138 **Lord Cromwell:** Can I just nail this issue about the benefits of foreign students? I do not think that anybody on this committee feels that there is anything other than a benefit from having foreign student input—I hope that we can put that to rest—but it is important not to occlude that with the financial model of universities.

I have two questions. First, are you saying that you do not feel that we

should be concerned not only that is there a very large input of foreign student money but that much of it comes from one source? Secondly, are you hearing at all from the sector—perhaps I am putting words in your mouth—that there may be a temptation to expand your international high-fee-paying student numbers at the cost of squeezing out those students whom you say are the 76% at the moment?

Robert Halfon: On the latter part of your question, no, absolutely not. I think that 76% is a huge proportion. I know that no one in this room is against international students but that is not the case everywhere. I keep getting questions about it in the House of Commons and from the media, given the current debate about migration and so on; that is why I made the point. Given the financial situation that we are in, if universities are getting cross-subsidisation from international students, that is not a bad thing.

I agree with you that it is dangerous to rely on one or two countries. We are doing a lot of work on diversification there. I was at the World Education Summit last week, meeting representatives from different countries all over the world, and was very keen to convince them to send students to the UK. I worry about dependency on one or two countries. A lot more work needs to be done.

Anne Spinali: Building on what the Minister said, recognising that depending on two or three markets is not sustainable or wise, the international education strategy is very clear about the Government's objective to diversify those markets and bring in international students from a much more varied base—hence the activity done with the Department for Business and Trade and the Department for Science, Innovation and Technology to attract those students and future researchers into this country.

Q139 **Lord Leong:** Morning, Minister. Let me first declare an interest: I chair the Council for Education in the Commonwealth. I am very pleased to see in the education portfolio someone who is passionate about skills and apprenticeships, which are very close to my heart.

Coming back to international students, do you not agree that it is an international market? We are one of many countries that the students can go to. It becomes very expensive for universities to go out there and sell the university to get them over here. If anything happens geopolitically, we may lose that. For universities to put all their eggs in one or two particular country baskets, if they were running a business, they would probably be hauled before the board of directors, which would say, "Look, this is the wrong model".

Coming back to the question of the funding of higher education, like you said, Minister, 75% of universities do very well. Why do not we go for the crunch and let those that are not doing very well fail? Let us take the bull by the horns and say, "Look, you guys are not doing a good job, so you fail"; reallocate the money to the universities of the future; and have more universities that do what you just said, such as the Dyson Institute, so that graduates come out and actually have jobs. Why do we nudge

students who—I need to be very careful about how I say this—may not actually benefit from going to university? We push them into university and they come out expecting to get a high-paid job. Why do we not look at the policy and redraft everything?

Robert Halfon: Thank you for your kind words. On international students, as I said to the previous question, we absolutely need more diversification of international students from more countries. It is our job at the DfE, along with the Department for Business and Trade among others, to do everything possible to help with those educational exports. You are completely right about that.

In terms of a university failing, there are a number of questions here. The first is the autonomy of universities, which is very important. Every time you try to interfere with a university, you have a barrage of people saying, “You’re interfering with the autonomy of universities. This is a disgrace”, and so on.

The second question is this: how do you judge failure? That is a much harder question. I told you that I went to a Russell group university. I had the best time of my life at Exeter but, if you look at Russell group universities, just 65% of students on free school meals get good progression rates. I think that is wrong because Russell group universities—I know that it is based on research, the teaching excellence framework and so on—are judged as our elite universities. They are the Patek Philippe of universities.

If they are judged as elite, lots of students go to those universities, not because they know that they are brilliant at research—many of them do brilliant jobs; I am very proud that we have them—but because they are expecting a good education. My constituency of Harlow is a wonderful place but it has fair deprivation. A student from there who does well enough to get into a Russell group university knows that 35% of his intake will not get a good progression. Do you judge that as failure?

By the way, I also think that this makes the case for the need for an OfS. A lot of Russell group universities do very badly on part-time students completing and progression. Many do very well—I reiterate that I am very supportive of these universities—but we have to look at the stats; I have the table here. Again, I can write to the committee if you would like.

It is hard to judge failure. I would rather have a regulatory body or an intermediate institution between the Government and universities, such as the OfS, rooting out that failure rather than just shutting places down. Of course, if one place particularly becomes a basket case for financial reasons or otherwise, yes, it would be a role for the OfS because we do not interfere. That may happen but let us go around as a Government, an OfS and a Parliament rooting out failure. If 35% of students at our elite universities are not getting good progression, to me, that is a failure.

Q140 **The Chair:** That is very interesting. Can we talk a little more about the OfS itself? You made it clear in the evidence you gave us that you are

generally happy with the structure of the OfS and the legislation that exists there. You have mentioned autonomy a few times. I would like to probe your attitude a bit more—and yours, Anne—because many universities feel that the OfS does not understand or respect their autonomy, in wanting not just to check that they are doing the right things but to micromanage. That word has been used on several occasions in terms of the amount and type of data, the kind of consultations that it does—there are 60 pages, I think, on how to deal with harassment—and what should be happening. Do you have views on that?

Robert Halfon: Yes. Overall, the OfS regulatory framework has not changed that much since its inception. It has reduced some of the regulation, whether it is information and data sharing or whether it is through the access and participation plans. It has further plans to deal with that regulation.

Of course, the relationship between any regulatory body or intermediate institution, as I call it—not intermediary—and any industry or organisation is always going to be difficult and not as good as it might be. As a Minister, I try to go to a university, college or apprenticeship organisation around the country at least once a week, almost every Thursday, and I have discussions with vice-chancellors and so on. One thing I have noticed is that there is not enough informal engagement between the OfS and the universities—not about the formal stuff that has to go on but about the informal.

I know that it visits some universities and so on but, if I was it, I would be doing what I do, which is going to universities once a week and having discussions. No offence to my brilliant colleague but I learn a lot more by going to a campus and speaking to vice-chancellors, students and principals of FE colleges face to face than I do from all the submissions that I get every night in the red box.

The Chair: I am sure that is the case.

Anne Spinali: There is a difference between institutional autonomy being impinged and regulatory burden, which I detected in the question you asked. This Parliament's legislation is very clear on the OfS's role in protecting institutional autonomy and the Secretary of State's duty to have regard to it. Both the OfS and the department are absolutely clear that institutional autonomy is paramount. Whether the regulatory burden is proportionate is a question for the OfS. It has recognised that it could do more to tackle this and is actively looking at areas where it could reduce its regulatory activity by taking a more risk-based approach.

Q141 **Lord Clement-Jones:** Moving on to the relationship between the Government and the OfS, a number of witnesses have raised concerns about the OfS's independence from the Government and noted that the Government give extensive guidance to it—letters, for instance—directing it to the subjects that they believe should be investigated. To what extent do political priorities drive the OfS's work? Will the department confine

itself to providing high-level strategic guidance in future, rather than directing the OfS's operation in granular detail?

Robert Halfon: Walter Bagehot talked about the right to encourage, to advise and to warn. That really is the relationship that the Government have with the OfS.

First, we follow the Higher Education and Research Act to the letter in terms of guidance. We do everything that was set out. Secondly, the Government's role is to involve themselves with the appointment of the board and one member of the student panel, in terms of the OfS, and setting the terms and conditions for funding. There are clear duties set out.

In terms of guidance, I have to be really resolute on this. I do not micromanage the OfS, and no one should. As I said, I believe that it should be an intermediate body between the state and HE, being a bulwark for, rather than against, university autonomy.

My colleague mentioned the £750 million and the £1.5 billion that goes on the strategic priorities grant. If we are funding the universities with these huge whacks of money, if we are subsidising the student loan system in the way that we do and if they are getting £6 billion in research, the Government have a right—not just the Government but Parliament because both your Lordships and Members of the House of Commons decide these things—to set out what they think our priorities for universities should be.

I have not yet sent a guidance letter to the OfS—I have sent one to universities—but I believe that it is perfectly within the right of the Government, given that they are funding HE through the taxpayer to a great extent, to have strategic priorities that they believe in and, therefore, to guide these institutions into what they think should happen.

Lord Clement-Jones: We have consistently heard about the number of letters that are sent to the OfS by Ministers. How many have you sent?

Robert Halfon: None. I have not sent any yet.

Lord Clement-Jones: So you have deliberately adopted a different approach to that of your predecessors.

Robert Halfon: I have met with the OfS, of course. I am sure that we will talk about students. I interviewed a member of the student panel, which I am allowed to do, but I have not yet felt the need to send a letter. I have had discussions with it about things that I was concerned about. I have also sent a general guidance letter to universities about the things that I think are most important in terms of skills, degree apprenticeships, medical students and so on.

Lord Clement-Jones: Was that the first thing you did?

Robert Halfon: When was the one we sent out where we talked about degree apprenticeships and so on?

Anne Spinali: It was a few months ago.

Robert Halfon: It was fairly early on. I also wrote a speech for the *Times Higher Education Supplement*. I do not really recommend people reading my speeches unless they cannot sleep but it was an important speech. The whole idea, when I first got in, was to set out my priorities: job skills and social justice for HE.

Lord Clement-Jones: You used the phrase “intermediate body”, not “intermediary”. What role do you see the OfS playing in relation to the Government and the sector? Is it an independent mediator, to use another phrase, between the Government and the sector or an instrument of government policy?

Robert Halfon: It is neither. It is absolutely not a mediator. It was never set up for that purpose. It is certainly not an instrument of government. Of course, it was created by Parliament and pushed forward by government, but the role of the OfS is, as I say, to act as an intermediate institution between the state and universities. In my view, it should be there partially to protect the autonomy of universities. The Government do not always get their way. They are perfectly able to refuse to adopt the guidance that we suggest.

I mentioned Walter Bagehot and the right to advise, encourage and warn. The “warn” bit is that, in the legislation—this is quite important—it says that the Government can direct the OfS to do X or Y. We have never used that direction. That is the warning bit but we have never used it. The body is an intermediate, risk-based regulator. That is what it is and should continue to be.

Lord Clement-Jones: In the light of what you say, we have heard concerns that the political affiliation of the OfS’s chair gives rise to questions about the OfS’s independence. I wonder whether that is consistent with what you have just said about the role of the OfS. Do you think it is odd for the chair of an independent regulator to take the whip of a political party?

Robert Halfon: This has been raised in the House of Commons. Only a couple of weeks ago, there was an OfS debate that I participated in, led by a distinguished Labour MP, Emma Hardy. Having checked this, first, it is not unknown for people of political parties to sit on or chair these bodies; there are other examples of that. Secondly, when this individual was interviewed, it was done by an independent panel chaired by the Permanent Secretary. This was not Boris at the committee interviewing or whatever; it was the Permanent Secretary and a genuinely independent panel. This individual, the current chair, was seen as the best fit for that job. I should also say that, in my previous capacity as chair of the House of Commons Education Committee, that committee consented to his appointment.

Lord Clement-Jones: Would it not be better if he just went to the Cross Benches?

Robert Halfon: As I say, it is not unusual for people of a political persuasion to sit on boards or chair government or independent bodies, whatever it may be. That is a matter for him.

Viscount Chandos: There is a difference between somebody of one particular political persuasion and somebody who takes the whip in Parliament. That is what it seems to me Lord Clement-Jones is saying, and is what we said last week to the chair of the OfS. Would it not be in the interest of the OfS, in terms of the perception of it as an independent regulator, for the chair to follow the time-honoured tradition of becoming non-affiliated in this House?

The Chair: It is a tradition in the Lords that a chair in that position becomes non-affiliated.

Robert Halfon: I am sure that the OfS will hear what you say. You have just asked me questions about intervention from the Government. I am not able to tell the chair of the OfS whether he should sit as an independent, a Cross-Bencher or a Conservative. I was told that such situations existed in the past, not necessarily with the OfS, but that may be wrong.

Q142 **Lord Cromwell:** There is clearly a dialectic between autonomy and government steering. You have been very emphatic about your focus on the Dyson model, with skills and education leading to employment. How does the Office for Students translate that definite, clear, headline priority into universities without impinging on their autonomy?

Robert Halfon: Like you say, the guidance is important but it is limited. I cannot say what I want in the curriculum, for example. I cannot decide the management of universities; neither can the OfS. This is what B3 and all the different indicators are about. We also hope to publish the response to the consultation on HE in the near future, which will set out more fully some of the answers that you are asking for.

Anne Spinalli: Can I add two points on this? The Minister referred to the strategic priorities grant, which used to be the teaching grant and which the OfS allocates to providers. In allocating that, the OfS has regard to strategic priorities that the Government set out. This Government have set out very clear priorities, particularly but not just with regard to capital funding, to increasing the amount of funding that goes to technical qualifications, to degree apprenticeships and to high-cost subjects, which influence how providers respond to government funding into specific areas.

Lord Cromwell: So it is a case of, "Do what we say if you want the money".

Anne Spinalli: In order to access the money, you need to put forward projects that meet those priorities.

Robert Halfon: Let me give you an example. As you know, mental health is a huge issue at the moment in higher education. I probably get more letters on that than on any other HE issue, I would say, in my Minister's mailbox. There will be a big debate in Westminster Hall and the House of Commons in a few weeks' time. We have had to respond to that because there have been a number of tragedies across our universities. We gave the OfS £15 million but said, "This must be spent on mental health for continuous professional development", which it is helping universities with because some have not been of as high a quality as others in this particular area.

We talked about the cost of living earlier. Again, I get a lot of stick on the other side about not increasing funds for students in terms of the maintenance loan. We increased that by £16 million, to £276 million overall, for the OfS to help poorer students. Again, that is with a direction to say, "Look, you can spend it how you like, but it's got to go to poorer students". That is the aim of it—to help disadvantaged students. That is how it works.

Q143 **Lord Burns:** Good morning. We have heard from quite a number of universities that they feel the OfS framework has become more prescriptive over time. They feel an increasing regulatory burden and a lot of pressure in relation to data collection and consultation requests. To what extent are you concerned about this and whether it is diverting the attention and resources of universities away from delivering the education part of what they are there to do?

Robert Halfon: I will bring Anne in after me but, of course, nobody likes regulation. Who does? It is a nuisance; it diverts you from tasks. There are two issues here. In terms of the OfS itself, I mentioned earlier that the overall regulatory framework has remained the same. It has reduced regulation in terms of access and participation. It has reduced regulation in terms of information and data sharing. As it has said to this committee, it is setting out a number of consultation documents and work in terms of reducing regulation still further. I am absolutely in favour of that.

Where I have an issue is not so much with the OfS but with the preponderance of regulators. Again, I met a whole load of university vice-chancellors who went through it all with me. Sometimes, the amount of regulators that an HE or FE institution has is almost like the "Ben-Hur" movie. It is a cast of thousands. To take degree apprenticeships, you have Ofsted, Ofqual, IfATE and the OfS. I am doing a lot of work on that because I would like a much more streamlined system, ideally with one regulator for a particular institution, making it a lot easier for people.

When I spoke to a university yesterday, it talked about digital upload. It had to do it three times on three different systems, so it had to spend hours and hours uploading. That is wrong, in my view. I cannot force the OfS to change that.

Lord Burns: You can warn it.

Robert Halfon: Exactly. I definitely think that that has to go. I always use this phrase in the department in terms of regulation: I call it Operation Machete. We just have to get rid of the nonsense that is diverting universities from hiring a degree apprentice. The reason why they do not do it is that they have to spend their time filling out forms for different regulators. That is absolutely wrong; I am determined to do something about it. We are doing a lot of work on that at the moment.

Lord Burns: This came up quite a lot in relation to data collection: the fact that the different regulators that institutions had to deal with were asking for similar types of information but it had to be presented in a different way. They have to spend time doing this in multiple ways.

Robert Halfon: The digital systems are not even the same so they have to go from one digital thing to another. They have to employ somebody to do it. That has got to stop.

Lord Burns: You say it has got to stop but how is it going to be stopped? Is this a role for you or for the OfS itself?

Robert Halfon: It is for the OfS but I have asked universities to send me examples of this. Just to go back to FE, if you do not mind, the principal of my FE college, Harlow College—I love my college—sends me stuff all the time. I have asked her to do it on WhatsApp. I say, “Please send me some of the crazy stuff that you have to do so that I can go to officials and ask why on earth this is going on”. That is the kind of exercise I want to do before sitting down with the OfS—officials are working with the OfS—to see how we can cut through using that machete and get rid of all this stuff.

Anne Spinali: The Minister is really passionate about this so he is definitely putting the challenge to us. One such development that this has led to, for instance, is to do with the introduction of the lifelong loan entitlement. Rather than creating a new additional regulatory burden, a whole new body of regulation and, potentially, a new regulator, we are looking at creating a third category of registration that will look at existing commitments, existing data and existing conditions of registration that the OfS can use in order to validate the registration of providers.

Lord Burns: In a sense, you are the people who have to pull this together and try to encourage the various bodies to reduce this burden.

Robert Halfon: Yes, exactly.

The Chair: This is something that we have heard about time and again, so there is a degree of urgency on the part of institutions that they should not have to be doing unnecessary work in order to comply with the regulatory framework.

Q144 **Lord Reay:** Minister, you mentioned your enthusiasm for skill-based new entrants. Witnesses have complained to us that the process with the OfS is both slow and opaque in terms of not knowing what stage they are in

in the process. Is this an area where you have brought any influence to bear?

Robert Halfon: This is an important question. The OfS has registered around 400 institutions since it has been in existence. I want more new entrants. I mentioned Dyson to you; that is a new entrant, as is the London Design and Engineering UTC. I would like a lot more of that. I would like it to be faster and more agile. When we bring in the lifelong loan entitlement—it is going to come to your Lordships' House fairly soon—it will be transformative because we are moving to flexible and modular learning. There will be a lot more new providers wanting to offer flexible and modular learning, shorter courses and higher technical qualifications. Things will change but I will keep on top of this. I would obviously like more HE institutions to be registered. We have 400 at the moment so there is a fair whack of them.

Lord Reay: Some from the sector have described the relationship between providers and the OfS as distant and often combative, characterised by a lack of trust. Do you accept that there is a need to rebuild trust with providers?

Robert Halfon: I go back to my previous comments. It is never going to be easy or harmonious between a regulator and organisations. It is a completely different regulator but look at the arguments and debates that we have about Ofsted. As I mentioned earlier, there needs to be much more informal engagement between the OfS and HE because, in my six months in the job, that has come up time and again. That would be beneficial.

To be fair to the OfS, it does a lot of round tables and a lot of events with universities. It is not perfect but, inevitably, you are going to have some difficulties because of what the OfS is tasked to do.

Lord Reay: Do you agree that part of the basis of the poor relationship is the perception that the OfS places burdens on the sector at the behest of the Government?

Robert Halfon: I absolutely do not believe that we place burdens on the sector. We have a duty under the Higher Education and Research Act and we have a strategic view about higher education. Given the subsidies that universities get, such as the loans and the grants, it is right for the Government to set out guidance on what we expect for people who go to university. Ideally, they should be coming out with a good job and a good skill. I do not think that is a burden. That should be the absolute fundamental requirement of going to university.

Lord Reay: You have mentioned that you believe in constructive dialogue between providers and the OfS. Do you have any concerns that improved dialogue could lead to regulatory capture?

Robert Halfon: In what sense? What do you mean by that?

Lord Reay: The two sides become too close through dialogue.

Robert Halfon: I see. No, I do not think that at all, because the OfS has particular duties. Its duties are clearly set out. I have looked at some of the minutes of the previous evidence, as you have, about quality, fair competition, the interests of students, good progression and good continuation. It has to do those things under the law. I do not think that a day will ever come when the two sides become too cosy.

Anne Spinalli: If I could give you an example, the director for fair access and participation, John Blake, is going around universities and talking to them about their access and participation plans, as well as reviewing them. The Minister and I have heard from universities that this dialogue has been extremely constructive. The universities have really felt listened to. Their plans have been properly scrutinised. There has been a constant dialogue in terms of what needs to be included, in particular with regard to improving social mobility and social justice. There has been real progress and we will see that translated in the access and participation plans—not in a way that the regulator has been captured but more that there has been a constructive approach to reviewing those plans.

Q145 **Viscount Chandos:** We have heard in our previous evidence sessions that value for money is a difficult issue in higher education. Allowing for that, do you feel that the OfS's approach to it has been too narrow? Are the proxies that it has looked at too narrow and too short-term?

Robert Halfon: No, I do not. I mentioned a moment ago the duties that the OfS has, as defined by the Higher Education and Research Act. Those are about quality, fair competition, the interests of students, good continuation and good progression. Those duties are set out. Could you just remind me of the premise of your question? I beg your pardon.

Viscount Chandos: That value for money is a difficult concept.

Robert Halfon: Yes. Value for money is incredibly important but the OfS is doing the duties that it is supposed to. Inevitably, there will be different emphases at different times. For example, I talked about mental health earlier. There is the freedom of speech legislation just passed by Parliament. I have a really firm view: in terms of HE and value for money, it must be about outcomes and jobs with good skills and progression. Otherwise, if you do not achieve what you should afterwards, what is the point of spending all that time at university and taking out the loan?

Viscount Chandos: Students ask, "What is the money?" It is obviously the loan that they are taking down but with unknown repayment, according to their income in the future, and with unknown rates and periods of interest.

Robert Halfon: A very important part of the Government's strategy before I came in was to sort out the student loan system. From September, in the academic year coming up, students will know exactly what is going to happen. They will not pay back any more than they borrowed except in real terms. They have 40 years, then it is written off.

That is a fair system. It is fair to students and to the taxpayer. If you are earning £28,000, you know that you are going to pay only about £8 a month back on that loan. It is a much fairer system than we have at the moment, where the interest rate is much higher and often very difficult for students. We are moving to a much fairer system.

Viscount Chandos: Do you think that universities and HE institutions give enough information to help students make what seems to me to be quite a complex judgment? There is what we have just talked about but there is also the extent to which the university is drawing on other sources of income, with the cross-subsidy that Lord Clement-Jones mentioned.

Robert Halfon: That is a really important question. It is mixed. Some universities do not give enough information. It absolutely has to be a requirement. Again, I cannot force universities to do this or, for example, to state how much online learning they are going to be doing. Often, students do not know. That is totally wrong, in my view—unless you go to the Open University, where you know what you are going to get; that is a brilliant university. Students should be getting more of a face-to-face teaching experience, not Zoom in a room.

They need to know and that needs to be transparent. For transparency, as much of that information about help with loans or for international students should be put on their website as possible so that students know what they are doing and what that university offer is when they apply. We have to do everything possible to make sure that that happens across the board.

Q146 **Lord Agnew of Oulton:** Robert, I am interested in your views on the interaction between the OfS and students. There should be a clue in its name but the students we have met feel quite distant and disconnected from the OfS. I am interested in your thoughts on this.

Robert Halfon: I have my own view about this. There is a lot that goes on with students. There are three things. The OfS is publishing a student engagement strategy. It has the National Student Survey but, most importantly, it has the student panel, of which 31% is made up of existing students. I have a right, as a government Minister, to have a say over one of those students. When my brilliant colleague sent up the submission, I could have just nodded it away but I wanted to interview that person. I took an active role in interviewing that one student because I wanted to make sure that, in my view, they were the right fit and reflected the priorities of the Government. So I think that students do have a say.

When the OfS had its social justice risk register announcement in the House of Commons a few weeks ago, I went and met members of the student panel. They were incredibly engaged but I would say that the panel is not able to make every student happy. It cannot agree to every request or every question in a survey—that is its right—but as long as

there is genuine engagement and, on top of that, the survey and the strategy, things are, on the whole, moving in the right direction.

Lord Agnew of Oulton: Picking up on Viscount Chandos' point earlier, you were sympathetic to the idea that students are being encouraged to apply to universities without enough information and that, essentially, this could be the second-largest financial undertaking that they make in their lives, beyond a mortgage. Often, when they make these decisions, they are children and still at school. Do you not think that the OfS should be more vocal in pushing universities to be much clearer on the offer, including, as you say, how many contact hours they will get, the proportion of Zoom lessons and all those kinds of things?

Robert Halfon: As I say, I cannot intervene on this, but I absolutely agree. A number of universities have had too much online learning, for example. The students who contacted me said that they had not been aware of this. The OfS is looking at a number of institutions that have had too much online learning. In my discussions with the OfS, I have always argued for as much information as possible to be given to students via the OfS. UCAS and school careers services have a role as well.

I have what is called a ladder of opportunity in the department. There are various stages on that ladder. The very top rung is job security and prosperity. The first rung, which underpins everything, is careers advice. We have the National Careers Service. We are looking at big reforms to that. I would like it to be more of a national skills service because there is a lot of replication and duplication of different bodies and of the work that goes on in other departments, whether it is the business department or the DWP.

The careers service also has a major role in advising students about the best options, for example advising them that there may be a degree apprenticeship on offer. Every single time I go around and meet apprentices, I ask them, "Did the schools tell you about degree apprenticeships?" Eight out of 10 times, they say no. It is changing because we have strengthened the law thanks to Lord Baker, with the Baker clause. We are doing a lot of work in schools. The answer to your question is that it is not just down to the OfS. It is also down to careers advice, what the schools do, what UCAS does and so on.

Q147 **Lord Leong:** Minister, you mentioned several times the impact of the cost of living and the financial pressures on everybody. You also mentioned that the OfS gets about £26 million, but £13 per student. The OfS is proposing to increase its fees by about 13%. Do you not think that these fees will put additional pressure on the providers and really frustrate them when, currently, their income is not being increased? That is the first part of the question. Secondly, to what extent does the department hold the OfS to account on value for money and efficiency of operations, given the department's role in deciding the fees?

Robert Halfon: It is worth remembering that the OfS has reduced fees once already.

Lord Leong: When was that?

Robert Halfon: What year was that?

Anne Spinali: It was 2021-22.

Robert Halfon: They are inevitably going to have to go up because of the QAA coming in but we are consulting with government and the OfS on that at the moment.

Lord Leong: The 13% is not fixed.

Robert Halfon: We are consulting on it. We will make an announcement on it in the very near future. That is all I am able to say at the moment, I am sorry.

Anne Spinali: Shall I cover the departmental scrutiny of how the OfS spends its fees?

Robert Halfon: Yes, I forgot to add that bit. I beg your pardon. Fire away.

Anne Spinali: It is the role of the senior sponsor of the Office for Students to scrutinise those plans. We have quarterly discussions with the OfS on its efficiency, its spend and how it is discharging its responsibilities with regard to the spend. The economy, efficiency and effectiveness of the way in which it discharges its responsibilities, and what it does with its £26 million of fees, are monitored really actively. It is robustly challenged on resources associated with activities. It is a difficult challenge and discussion sometimes in terms of the level of resources needed to carry out the whole breadth of activities that the OfS has to carry out.

Robert Halfon: We have quarterly meetings with the OfS to look at the finances, as well.

Lord Leong: When will the decision be made on the fees? I know you said that you cannot say anything.

Robert Halfon: I cannot. I do not have a date in my pocket. I would be delighted to give it to you if I did, but it is in the near future.

Q148 **Lord Cromwell:** I am sure you are aware that there has been a sort of wrestling match between the OfS and the QAA, which we have heard quite a lot about. If I can continue that analogy, in one corner, you have the QAA—and probably quite a lot of the sector, from what we have heard—which would prefer an independent voice looking at quality and standards without any political influence on it. In the other corner, you have the OfS, which wants to bring this all in-house.

Could you venture to tell us which of those two outcomes you would

support and emphasise? It is something that the QAA favours—it would, would it not? However, the sector also appears to favour independence rather than bringing in-house. I wonder where you are with that.

Robert Halfon: It is an important question. We do not need to go through it all because I saw from the evidence of your committee what went on. The fact is that the OfS was not happy with the QAA. The QAA did not want to do it any more. That is what it boils down to.

Lord Cromwell: I can intervene there. It has said that it would be very happy to come back if its independence is respected.

Robert Halfon: I saw that. There might be a separate debate about that particular issue. I am just setting out the facts as they were. We have to deal with the world as it is. I am completely open-minded as to whether it is an independent body or is done by the OfS. Both could do it well. If an independent body comes forward and we are able to resolve issues, I will be very happy with that, but there is not one at the moment. Maybe the QAA has said that but that has not been our clear understanding. I have had meetings with university bodies about this, of course.

Importantly, though, I think that the OfS can do this job perfectly well. It can be independent. It has appointed a 70-person panel of teaching and academic staff to make sure that the job is done properly. In the foreseeable future, it is likely to remain in the OfS unless an independent body comes forward that the OfS feels it can work with. As I say, I am genuinely open-minded about it. I have no problem either way.

Lord Cromwell: Because the OfS is so quickly bringing it all in-house, it is probably going to be a fait accompli anyway. We are where we are, as you rightly say.

I have one further point on this. The sector and, again, the QAA have expressed some concern that we are going to diverge from the international regulatory framework. This is a taking back control-type issue. Going back to our earlier discussion about international students attracted by our universities, do you see a danger of us losing that international market share if we diverge from those international standards?

Robert Halfon: I saw this in your evidence. I do not feel that we are diverging from international standards. Let me explain. There is a very big difference between the OfS and the regulators in Europe. They have cyclical regulators; we have a risk-based regulator, as you know. I do not think that we yet have one university in the country asking for the OfS to become a cyclical regulator—not in a million years, given the discussion that we have had this morning and your previous evidence sessions. You are comparing apples with pears.

The crucial thing is that we maintain our international standards. Despite the *Telegraph* or the report from the *Times* that was mentioned to me earlier, we still have some of our great universities in the top rankings. The important thing is that we set a framework to make sure that this

continues but also that we focus on what is going on in this country. Our students should be coming out of universities with good progression.

Lord Cromwell: Good progression is a given but I am thinking about the passporting of qualifications if we diverge in our standards.

Robert Halfon: I have not seen any evidence that we are diverging in our standards. I do not know where this is coming from.

Q149 **Baroness Bowles of Berkhamsted:** Minister, when we were talking earlier about financial situations, you mentioned something very important about protecting students in the event of any kind of failure. If there were a failure of a large institution, would the Government, rather than the regulator, be involved at all in dealing with that? Does the OfS discuss the situations of institutions in financial difficulty with the department?

Finally—this is possibly a slightly cheeky point—are failures to some extent necessary as part of moving the models towards degree apprenticeships? You might then get rid of some of the old-fashioned types of standard that we presumably all went through and get more of the new. That needs a different type of institution, perhaps in a different place.

Robert Halfon: Inevitably, if a university is in significant difficulties, I am going to know about it. To go back, the OfS has to be autonomous. The OfS is there to work with them to sort these things out.

I always describe degree apprenticeships, as the department knows, as my two favourite words in the English language. They are the answer to so many problems. I am not saying that this is a government target—I am just talking to you personally—but my dream would be to have 50% of our students doing degree apprenticeships one day. They help the disadvantaged. They build our skills base. They guarantee jobs for people who complete them. Now, we have Russell group universities as well as traditional vocational universities doing them.

We can do more on that, which is why I go back to the James Dyson model. It does the research; that is a very important part of a university. It has a business on campus that students can walk into. It has a campus. It does degree apprenticeships. To me, that is a model of the future.

It is not just for STEM, by the way. You could have one easily in the creative industries. You could have the British Museum doing the same thing, for example, where people can study archaeology or curating or whatever it may be. If I was thinking of universities in the 21st century, it would be more on that model.

Baroness Bowles of Berkhamsted: I want to go back and go around again.

Anne Spinali: The OfS has a really crucial role in ensuring that there are student protection plans in place. In its risk monitoring of the financial risks of providers, it will ensure that those plans are up to date and suitable, particularly where it feels that the institution is more on the risky side. We will have constant dialogue with the OfS on institutions at risk and actively discuss what plans the institution is putting in place to deal with its risk. If it is heading for a market exit, what is happening to the students? Will they be able to transfer to another institution and another course?

In addition, it is not necessary to have failure in future. What will probably happen, as we have seen in the FE sector, is the consolidation of institutions and evolution of business models. A direction of travel, in terms of what provision is going to be valuable to employers and students, is going to emerge and institutions will think, "We need to change our business model and look at other approaches".

Robert Halfon: As HE Minister, if, God forbid, a university was going under, I would regard it as my duty to work to make sure the students had another provider to go to. I do that with apprentice organisations. An independent training provider or a bootcamp provider, whatever it may be, might go under for one reason or another; we work very hard to make sure that they have new providers. I would apply exactly the same principle. I would work very closely with the OfS to make sure that these students had an alternative place to go to and were looked after.

Q150 **Lord Agnew of Oulton:** I want to come around the circuit again on the business models of universities but taking a slightly different tack. I agree entirely with you about the parlous nature of our nation's finances. We have quintupled the national debt in the past 15 years to £2.5 trillion. The interest bill now dramatically exceeds what we spend on education, including on universities. The idea that we can just keep throwing money at it is for the birds.

I worry about this mantra that everybody should go to university. You speak fondly of your time 30 years ago but there were two important differences. First, you pretty much had it for free and, secondly, there was a substantial salary premium for most university graduates in those days. Neither of those things exists today so why are we not having more of a dialogue to steer children away from universities if they are not academically suited to them?

We have this dreadful idea of so-called foundation years where students rack up another year's debt because they were not bright or well-educated enough and probably were not able to go to university. They get very low A-level results but we bring them in and take some more money off them so that they might get through into a proper degree. Why are we not having a debate about the minimum level of academic entry into university? There has been a lack of courage to say these things.

I did not go to university so I can say these things. I did not benefit from these institutions. If we sent only, say, 25% or 30% of children to

university, we could then have the debate about spending 50% more on the ones who go. The others can go to the degree apprenticeships and all the other routes that are available. I would just like to hear your views.

Robert Halfon: I do not want to sound like a bighead, especially to this committee, but I have certainly not lacked courage in talking about some of the things that you have talked about over the past few years. I fundamentally disagreed with Tony Blair when he said, "University, university, university". I thought that that was all about quantity over quality. The Blair Foundation did a recent report saying that we should increase the numbers from 50% to 80% or something. I have always felt the mantra should not be "university, university, university" but "skills, skills, skills".

I am absolutely with you in terms of the different offerings. We have an incredible apprenticeship offering. We have transformed apprenticeship qualifications from frameworks to standards. There are more than 650 high-standard apprenticeship qualifications in everything from legal to engineering and traditional crafts. Half of those are in STEM subjects. We have the higher technical qualifications, at level 4 and level 5; 50% of entrants have level 6; just 4% of under-25s have level 4 and level 5; and just 10% of adults have level 4 and level 5 across the country. That is wrong and it is not what employers want. I absolutely agree with you that we need a diverse offering. The obsession should be about skills and jobs, not "university, university, university".

We are looking at the foundation years. There is some validity in what you say, though foundation years work for some students. For example, I went to Morley College last week. Some of the students from disadvantaged backgrounds there are doing foundation or HE preparedness. That was of significant value to them but I have sympathy with some of what you said about foundation years. As I say, we are consulting on these issues and will respond in the near future. I know that that is a dreaded government term but it is genuinely in the near future.

One of the things that I will be most proud of, however long I am in this job, is introducing the LLE—the lifelong loan entitlement. That is going to do all the things you want to happen. It is going to be revolutionary once it is embedded because, instead of a student having to go to a university for two, three or four years, they will be able to do short courses or modules of courses at times of their own choosing.

If I think of a single parent in my constituency of Harlow with a five year-old, they may not have the time to go to a university to do a course. If they want to be a social worker or a teacher, they can do a short course, such as an HTQ; if it was social work, they might do it in child psychology, for example. They could then stop that and move to a different institution, whether it is an FE college or a university, and do another part of that course, which might be adult psychology. They build up credits along the way. Instead of education being about going to a place and staying there, it is a train journey. The end destination is the

qualification. You get on and off at different stations, building up courses along the way.

I have said that degree apprenticeships are my two favourite words in the English language. My model is that we push more people to do degree apprenticeships. The amount was £8 million. We have just managed to get more money into it. It is going to be £40 million over the next two years to encourage more degree apprenticeships. That would be the answer to a lot of things. It helps social justice because you get more disadvantaged people doing them. It helps with building our skills needs. The Government should have a requirement to build our skills needs in areas that we do not have. Of course, the students who do them do not have any debt and they get good, skilled jobs at the end.

I have been all over the country seeing the most incredible degree apprenticeships. We have a very backward view. I have often talked about this. I call it the dinner party test. If you are at a dinner and somebody says, "I went to Oxbridge", everyone starts going, "Wow, how incredible. What are you doing? Isn't that amazing?" It is, by the way, of course—they are great institutions; I try to go there every year for the Tolkien conference because I am a massive Tolkien fan—but what I would like to happen at this dinner party is that somebody says, "I went to Oxbridge", and somebody replies, "That's nice", then somebody else says, "I'm doing a degree apprenticeship with Jaguar" or "I'm doing a degree apprenticeship with the Dyson Institute", and people go, "No way, that's incredible". That is when we will have changed the system. That is the kind of higher education system that I want us to be, without negating all the brilliant work that universities do. Of course, some people will not want to do short courses; they will want to do university courses and be more academic. It is absolutely their right to do so.

Lord Agnew of Oulton: That is very helpful, thank you.

Q151 **The Chair:** You have outlined there quite a vision for the future in terms of what you would like. You are right. Many people's understanding of higher education is very limited and based on their own experience many years ago. The OfS supervises 400 institutions but the majority of them are not conventional universities so things are changing, partly because of the degree apprenticeships that you have just mentioned. There are lots of pressures that we have been talking about and trying to bring out earlier.

Have you any plans for pulling all of this together and helping the Government to produce an actual strategy for higher education? It seems to me that everybody is agreed that there are lots of difficulties and opportunities, and that the mood is changing to a large extent, but surely we need the Government to have some overview and responsibility to consult, involve others and, ultimately, come out with a viable strategy for post-16 education across the board.

Robert Halfon: There is a strategy. The first part of it was changing the student loan system to make it fairer; I think that it is fairer. Before my

time, a consultation document was published. Inevitably, there have been different Ministers and one or two political upheavals, which have dragged it out. That consultation was about foundation years and progression. The results of that will be published, genuinely, in the near future. I hope to be able to say more to your committee or others when that is published.

The Chair: These are individual areas and individual problems rather than an overview of what the whole sector will look like in five or 10 years' time.

Robert Halfon: Yes. If you look at what I said in my speech in the *Times Higher Education Supplement* when I first got the post, the vision is clear: it is jobs, skills and social justice. It does what it says on the tin. In my view, apart from the stuff that it does brilliantly already—research, et cetera—the engine of HE should be geared towards those purposes. That is the strategy of the Government.

The Chair: Thank you. It is now 11.59 am and we said that you would be here until noon so we have done very well on timing. Thank you to everybody involved, and thank you both for coming along and giving us your answers this morning.