

Education Committee

Oral evidence: [Higher Education and Funding: Threat of Insolvency and International Students](#), HC 807

Tuesday 21 October 2025

Ordered by the House of Commons to be published on 21 October 2025.

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Education Committee members present: Helen Hayes (Chair); Jess Asato; Mrs Sureena Brackenridge; Darren Paffey; Manuela Perteghella; Mark Swards.

Home Affairs Committee member present: Chris Murray.

Questions 51 - 93

Witnesses

[I](#): Neil Smyth, Partner, Mills & Reeve LLP; Adam Leach, National Civic Impact Director, Civic University Network; Carol Prokopyszyn, British Universities Finance Directors Group; and Vivienne Stern MBE, Chief Executive, Universities UK.

[II](#): Professor Brian Bell, Chair, Migration Advisory Committee; Dr David Pilsbury, International Higher Education Commission; Dani Payne, Head of Education and Social Mobility, Social Market Foundation; and Rachel MacSween, Director of Client Partnerships and Stakeholder Engagement, UK and Europe, IDP Education UK and Ireland.

Examination of witnesses

Witnesses: Neil Smyth, Adam Leach, Carol Prokopyszyn and Vivienne Stern MBE.

Q51 **Chair:** Welcome to this meeting of the Education Committee. This is the first of two evidence sessions in our mini-inquiry on higher education funding and the threat of insolvency. Welcome to our witnesses. I will ask you to introduce yourselves, perhaps starting with Carol.

Carol Prokopyszyn: Hello. I am the CFO of the University of Manchester and I am here representing BUFDG.

Adam Leach: Hi there. I am the programme director for the National Civic Impact Accelerator, which is a publicly funded initiative to try to help universities across the UK to deepen their civic impact.



Vivienne Stern: I am chief executive of Universities UK.

Neil Smyth: Good morning. I am a partner and I head up the restructuring and insolvency group at Mills & Reeve solicitors.

Q52 **Chair:** Thank you very much. I am conscious that the Government made some significant announcements yesterday in relation to the exact topic we are discussing today, so please do make any observations that you would like to make about those as we go. We would welcome your feedback on that.

I will lead off our questioning. Why are so many higher education providers facing financial difficulties? Are there particular distinct factors facing the providers that have the greatest challenges at the moment? Are there any common features that perhaps lead to a higher probability of an institution being in the most acute phase of crisis at the moment? Has poor governance played a role in increasing the risk of the threat of insolvency for some institutions?

Vivienne Stern: I think the starting point is that we have a problem in all four nations of the UK. It has different features, but in each part of the UK you see a university system—a higher education and research system—that is under enormous financial pressure. The short answer to the question, “Why is that the case?” is gravity. Costs have been rising and the income that universities receive, both for teaching and for research, has not kept pace. For a long time, the rising income from international student fees had helped to bridge some of the gap between the costs of teaching home students and conducting research. Recently, that has been under pressure as a result of various Government policy interventions and a wider range of factors.

The result is what you see. It is like a slowly boiled frog: we can see this problem emerging years before we get to a crunch point. UUK has been consistently pointing this out for several years. At a certain point, you get to cooked frog, and I think in some cases we have reached the threshold of cooked frog.

Carol Prokopyszyn: Universities are not all the same—they all face slightly different challenges, and they all have different make-ups and different teaching and research balances—but they have some themes in common, which are not helping the financial situation. There is the structural underfunding that Vivienne mentioned, in terms of teaching UK students and research, and the reliance on cross-subsidy, for which the main lever is international students, who are dominated in scale by the China market. Our universities are relying on international students to keep their funding solvent.

We have recently seen a lot of geopolitical issues. Although we have global excellence and a top reputation in the world, we are in a global market for international students. All policies across the UK affect the attractiveness of the UK for international students. Some universities



have seen dramatic drops in international students, and they are the ones that are facing the most significant risks at the moment. Where they have been struggling for years, as Vivienne said, and their cash is reducing, that continuing decline and then a big shock in international student numbers has led to a significant crisis in several universities.

Q53 Chair: Vivienne, can I come back to you on the issue of governance? Is there a difference between somewhere like Dundee, for example, and other places, where perhaps the crisis situation stems more obviously directly from the wider policy context and those pressures?

Vivienne Stern: There was a clear governance failure at the University of Dundee. In a big sector, you cannot argue that quality of governance will be uniform or that everything will be as it should be in all cases at all times. In Dundee, the evidence of significant governance failure is pretty clear. The Gillies report, which I imagine the Committee has read, points to a failure of the governing body and the leadership of the University of Dundee to act in response to the financial challenges that had been building up. The financial challenges were not purely the result of a governance failure. The absence of decisive action to avert a crisis was the principal problem.

In a sense, that is what we are now facing. We think that this is just a different era of leadership and governance in the university sector. As you know, the CUC is doing a review of governance to try to ensure that the basic framework that guides governing bodies in the exercise of their functions is robust for the times we are now in. We think we need to do quite a lot in supporting leaders at the executive and board level, because it is a very difficult climate in which to lead a university.

Q54 Chair: Thank you. Adam or Neil, do you want to come in?

Adam Leach: Frozen fees and falling international student recruitment is clearly part of the reason here, but the real hidden victim in all this is university civic work, which is undermining the Government's own regional priorities. The role that universities play in their places and with their communities—what we refer to as “civic”—is a choice by universities to value and invest in a set of inclusive practices and relationships that happen for the benefit of a place. This place-based work includes the connector roles that build those very valuable partnerships in communities. It is about giving students community-engaged learning experiences, linking students with local businesses and charities, and providing much needed capacity in our local places and the practical experience that leads to students generating their democratic participation and citizenship skills.

It is also about universities acting as convenors in places, bringing together councils, the NHS and businesses around shared challenges in their towns and cities. None of this has a dedicated funding source, so it is often subsidised by international fees and institutional budgets. Many



universities take their civic role incredibly seriously and have a strong cultural ambition to transform lives and places.

Q55 Chair: We will come to some more questions about that wider role of universities. The question for now is why so many are facing an acute financial crisis at the moment, which I think is perhaps the opposite of the issues that you are speaking to. Do you have any comments specifically on why we are seeing a crisis of this scale at this point in time?

Adam Leach: I think that is part of the problem: we don't value civic working in universities and we don't fund it effectively. We expect our university sector to have this incredible role in their places but without providing the funding mechanisms to do it, which is compounding the crisis.

Neil Smyth: To add to what has already been said, from a macroeconomic point of view—I do not think there is much dispute around the stats—in rough terms, it costs in the region of £12,000 per student to fund a university. The tuition fees are not at that level, so there is an obvious and substantial financial gap between those two numbers, which is having a knock-on effect. As Vivienne has said, to the extent there are any concerns around governance, that is not caused by the numbers. All the universities are in a similar position; they are all approaching this in a slightly different way.

Q56 Mark Sowards: Thank you so much for being here today. When private providers have become insolvent, there have been procedures for teaching out the remaining students. However, when a university has a royal charter or is a higher education corporation, several pieces of evidence we have received say it is uncertain what would happen, if anything, should they become insolvent. What would happen?

Neil Smyth: As the lawyer, I will do the legal bit. As a matter of law, there is some debate or dispute around whether not just royal chartered entities, but any entities that are not incorporated as companies can go into an insolvency process. That knocks on into a number of different issues, particularly in advising, as I do, trustees of universities who are in financial distress. In the corporate world, the way that these matters are policed is through personal liability. Directors can be personally liable for their actions in relation to an insolvent company if they do not do the right thing by creditors.

I go in and talk to trustees about personal liability. People are obviously interested to know about personal liability—they are concerned about it—so for me to go in as a solicitor and say, "It might be this, it might be that; the law is not very clear," is not what they want to hear and not what they are paying for. Unfortunately, it is the reality of the legal position at the moment, particularly where you are dealing with royal chartered entities. It is not clear whether any of this legislation applies to



them, so from a governance point of view that is very difficult for the trustees in an insolvent situation.

Your question, "What would happen?" is a very good one, which everyone is asking themselves. At the moment it is believed that the only insolvency process that would be available for a royal chartered entity or non-corporate entity would be to be wound up by the court as an unregistered company. That is a terminal process; it is a shut-down process. It is not a process that allows you to continue to trade. There is a by-product of that process, whereby the official receiver is appointed as liquidator and appoints special managers, which has been done in various situations—Thomas Cook, British Steel and so on—but the usual administration process, which allows you to trade a business in an insolvency process and teach out on a more organised basis, does not exist.

The fundamental answer to your question is that no one quite knows, which is obviously concerning when you have financial distress in the sector, as is well acknowledged.

Q57 Mark Swards: So it is your best guess at the moment.

Neil Smyth: Yes, and no one likes a best guess from a solicitor, because they are paying for it. They would like more certainty, and there is certainly a lack of certainty from the advisory point of view at the moment.

Q58 Mark Swards: Would anybody else like to come in on that?

Vivienne Stern: What Neil says is true. When we started thinking about this, we also thought that there was a problem that ought to be fixed, perhaps by the creation of a special administration regime. We have concluded that we do not think that that is the right course. Perhaps we will get into the reasons for that, but I suppose in answer to your question, "What happens?" this is not a totally new set of circumstances. If you think about the history of the higher education sector, almost any university you can name has a history of predecessor institutions. When you dig into it, there are a surprising number of instances of universities having to change their form or disappear or merge or somehow be taken through a process from being unsustainable to being sustainable.

There is a very good piece of work by Public First called "Institution Overboard". It has a figure that I had never seen before. It thought there had been something like 49 such organisational change processes in a period of about four decades. That is very interesting. If you think about it that way, we do know what happens when an institution gets into big trouble. In most cases, but not all, because it is in the interests of all the people who have a stake in the institution to make sure that there is not a disorderly exit—a situation where an institution kind of falls out, leaving students and all the other stakeholders dependent on it high and dry—a



variety of interventions take place in order to make sure that there is a transition from whatever it was to a more sustainable form.

In the period in which we had the Higher Education Funding Council, certainly in England—we have examples in other nations too—I think it was a bit easier to manage that process. There was a degree of funding and the structures and remit of the funding councils allowed for that stewardship role. I do not think we quite have that now, but it does not mean that an administration regime is necessary or that it is arguably in the interests of the nation as a whole that we have one.

The reason I would say that is my starting point—and what I would urge the Committee to consider—is that our job is to prevent a disorderly exit, in which a university shuts its doors overnight. We should think about the best way of achieving that aim—the best way of managing the situation so that the institution is either wound down over time or enabled to go from an unsustainable to a sustainable position. The conclusion we have reached is that if you create a special administration regime, you might make it more likely that the institution effectively collapses.

I do not know a huge amount about the experience of the special administration regime in the FE sector, but it has not been used very often. I think that is one of the reasons, because as soon as you go down that path—in fact, Mills & Reeve's evidence to the Committee says this—you crystallise the closure of the institution. It is almost impossible to see how you then avert the institution ceasing to exist.

Mark Sowards: That makes sense.

Adam Leach: There is a principle here as well. I think we all recognise that universities serve a vital public function through the work that they do, and the Education Secretary has said herself that they should. From my perspective, any insolvency framework must protect those benefits and those local interests. We need to think about the supply chain that is at stake here in the local economies. Some of our towns are university towns. That will have a massively detrimental effect on our places.

Mark Sowards: Absolutely right.

Carol Prokopyszyn: It is fairly clear that when you are in a position of insolvency, you are in a total disaster position. You probably have failed on your banking credit, so you are in a position where the trustees and lay members of the institution need to manage, for financial reasons, to the best result possible. That is not in the interests of students or the community; their obligations are going to be financial, unfortunately. There is a scale there between total disaster and preferably avoiding it a long way ahead. Funding to avoid insolvency is the first stage, but then as you drop down towards what I will call a financial disaster situation, you need break points where there is some intervention along that route. I do not know what those are, but given that total insolvency is legally



unknown and definitely a disaster for a community and students, there needs to be some approach along that route.

Neil Smyth: I think the problem with the process is its name. It makes it sound very simplistic. I think because it has “administration” in the name people are focusing on that as an insolvency process. I think “restructuring regime” or something similar is probably a better way of describing it, because the process that we have in FE is as much around governance as an insolvency process. As Vivienne said, there have only been effectively one or two colleges, but connected colleges, that have gone into special administration in the FE sector. It has not resulted in a rush of entities going into an insolvency process.

There is also legislation around governance that would help. I think that if there was that process and there was an enforcement process for lenders—this sounds quite perverse—it would assist the sector, because lenders would be more prepared to lend into the sector if they had a route to recovery. They have had that route to recovery in FE; they have not used it. In the FE sector, you have to get the Secretary of State’s consent to enforce your security and go down the administration route. It has not been used. I do not think there is any appetite on behalf of the lenders to put universities into an insolvency process and put 15,000 or 20,000 students out on the streets, but if there was a clearer legal structure around HE, that would assist the sector from a lending perspective as well.

Q59 **Mark Swards:** Thank you all. Adam, picking up on your previous point, we know the role of higher education providers in local economies and the community is enormous. In the event that one did become insolvent, what measures would need to be taken to mitigate the impact on the local economy?

Adam Leach: University insolvency could devastate regional ecosystems. That is potentially thousands of jobs lost overnight, as well as partnerships that have taken decades to build and develop; there are no protections in place at the moment for the vital civic relationships that universities have in their places. In a lot of regions, universities are essential partners, and a large university going insolvent could lead to immediate economic devastation.

It is about the civic infrastructure that would collapse as much as it is about the university. It is about the passionate public engagement manager who has spent years building trust between lots of different partners in their place to try to get around shared challenges. It is about the inspiring lecturer who is equipping students with the skills to navigate their citizenship and providing charities with capacity as part of their programming. It is also about the innovation pathways in places. There are a huge amount of risks here. There have already been 12,000 job cuts across the sector in the last year alone, with some institutions cutting more than 500 individually, and 72% of institutions projected to be in deficit.



To get back to your question, the frightening part of all this is that we have developed a system for higher education in which those regional impacts do not even seem to be part of the mainstream debate. We have not incentivised, measured or funded the vital place-based role of universities. There are no safeguards in place to stop the impacts being felt in our regions and communities, should the worst happen. We are relying on fragile and precarious systems that often depend on passionate individuals doing excellent work, because as a country we do not currently support this type of working through our policies or funding.

Q60 Mark Sewards: As Adam just said, the regional and local impacts are not being discussed at the moment. We are not talking about the broader implications of insolvency. Do you have any recommendations for what should happen to mitigate the impacts of insolvency, should one happen to a university town, for instance?

Vivienne Stern: When you think through the consequences of an institution of a significant size collapsing in a disorderly fashion, I do not think that anybody who has been seriously involved in working through a scenario like that thinks that it would be possible to avoid very significant damage to the local economy. We have focused a lot—perhaps understandably—on the students who would be affected, but when you start pulling away at the threads, as Adam has said, you start to realise just how complicated it is.

You might be an institution providing the majority of the public sector workforce in hospitals and schools and other local public services. You probably have a relationship with a network of small, medium-sized and perhaps even global enterprises that will have contracts or will be dependent on using your facilities. They might have postgraduate students in their businesses working on business challenges. You have national research capacity, which you cannot just pick up and move somewhere else. In some universities you have research projects that are very difficult to stop. For example, in the clinical sphere, you cannot just pull out of a research study. You might have facilities like animal houses. When you start to examine the complexity of it—Adam is absolutely right—and the number of jobs that would be lost, in many places, universities support theatres and museums, and they provide the glue that brings local stakeholders together to do a lot of the civic economic stuff.

It is very hard to see, which is why I keep coming back to the point that our focus should be preventing this from happening. That is not to say that the impact would be the same everywhere. There are some parts of the UK where the provider landscape is quite crowded and you can think about whether there would be a way of reconfiguring it. That may be starting to happen. We can also build resilience through regional partnerships. You mentioned yesterday's White Paper. There are some things in it that I think are the right direction of travel: forming regional groupings that might be able to do more around shared facilities and



supporting the teaching of subjects that are vulnerable. Even the lifelong learning entitlement creates a bit of an opportunity.

The Government wants universities to ensure that there are exit qualifications at level 4 and 5. If you are in a regional structure where there are pathways from one level 4 qualification in an institution to something, maybe there are ways through that. I do think our focus should be building resilience.

Mark Sewards: I completely appreciate that point.

Carol Prokopyszyn: I will just say that in a disaster or an insolvency, it is not going to be okay. There will have to be some radical thinking about how to rescue the situation, but it is still not going to be okay. As Vivienne mentioned, the local context is also important. Manchester works very well together as the city, the university and the FE sector, and they would pull together to try to make things as good as they could be, but it would still be a major disaster. The University of Manchester is a £1.4 billion organisation. It is the same size as our two football clubs—Manchester City and Manchester United—added together. It is a massive organisation with 45,000 students. It is not going to be okay for the city at all if that fails. It would need a supreme effort of regional working to try to pull and rescue some of the threads of brilliance from that terrible situation.

Q61 **Darren Paffey:** We have talked a bit about the case for insolvency or not, but we drifted on to it rather than focusing on it. Neil, your organisation has made the case for a special insolvency regime. Do you want to outline again for us what you see as the key benefits of that? Then we can get others' views, because I know they differ.

Neil Smyth: There are four key reasons why I think there should be a process. Maybe special administration is not the right name for it, as I said earlier. This comes from the lack of legal clarity around a number of the providers and whether they fall under particular legislation. The least important of those reasons is to have an insolvency process for HE providers. We have talked about this already and I think we are all agreed that it would be a disastrous outcome to have a disorderly exit through an insolvency process.

The most important of the reasons, as I have touched on, is governance and being able to advise trustees clearly on how they should approach the situation. The second reason is connected. When we advise trustees, they inevitably have the interests of students very close to their hearts, because what they do is all around the students, but from a legal perspective, it is very unclear whether the students have any higher priority than any other creditor. That position is not clear for trustees as the law currently sits.

The third reason is around lending, which I have touched on already. If it was clearer for the lenders how they would recover their money, I think



they would lend more into the sector. As I said earlier, I know that sounds perverse. I do not act for lenders; I tend to act for borrowers—for universities—but in those conversations there is no appetite on behalf of lenders to put a university into an insolvency process. They are supportive of the sector. They work with universities and HE providers that are in financial difficulty to find a solution.

The least important thing, but I think it is still necessary, is to have an insolvency process if one is needed. As Vivienne said, our view is that while in theory administration in any other sector allows a company to trade through its difficulties and come out the other side intact, we cannot realistically see that happening with an HE provider. It is a competitive market. It is a market where, thankfully, there have been very few failures. As Vivienne said, they have normally been resolved by mergers behind the scenes rather than anything public, but if you are a student looking at the market and deciding where to go to university, if one of those providers is in an insolvency process or has been in one, that inevitably will have a bearing on which provider you choose. I think it needs to be there as a safety net, but I do not think it is a process that you would look to use unless you were looking at preventing a disorderly exit of an HE provider from the market.

Q62 Darren Paffey: In making the case for any future arrangements—and any further comments colleagues want to make—have we learned lessons from previous regimes, like the one that was in place for further education?

Neil Smyth: From a governance point of view, I spoke to a lot of FE colleges when that legislation was coming in. It came in in 2018 and was first used in 2019. There was much concern among governors of FE colleges—who, even more than in the HE sector, were volunteers; they were not paid—that they were going to be pursued personally for their positions. It was quite difficult. There was a concern that they would not get people to volunteer for those roles. That has not happened, as far as I am aware. In relation to the one special administration, regarding Hadlow and West Kent colleges, there were claims commenced, as far as I understand it, but apart from that I am not aware of any claims against FE governors.

I would not anticipate just because there is a clearer position that trustees of universities would be in a more difficult position. I think it has only been used once in FE. Undoubtedly, lessons will have been learned, but I think from a legal perspective it gives a much clearer structure, being able to advise governors of those FE colleges.

Vivienne Stern: The fact it has only been used once is instructive. You will presumably take evidence from the DFE. It is interesting to see that even after the special administration was created, the DFE has used alternative mechanisms to address financial failure in other FE circumstances. In the one instance in which it was used—and my understanding of this is pretty surface level, so you can correct me if I



am wrong—it was an expensive process. It ended up with the exit of at least one of the two colleges involved and it took three years. If you compare that with using other measures, I think that probably tells you something: in other cases, the continuity of provision was secured at lower cost and in a shorter period of time.

As I say, we started out where Neil is, thinking that we probably need such a regime. The more we have pulled away at the thread, the more we have concluded—and I do not think we are alone in this; it may be what the DFE tells you—that you need to zero in on the problem you are trying to address. Neil is right that clarity is an issue. Are there other ways of providing clarity over what intervention mechanisms might be available?

We have argued that rather than creating a special administration regime, which will necessarily be an expensive process, probably resulting in the final closure of the doors of the institution, it would be better to spend that money up front and create a transformation fund. That would allow institutions that are in a position where they feel that continuing as they are is not viable to do the very significant change that we have described in some of the work we have done in UUK in the transformation and efficiency field. What we have said is, “Look, start with the principle that you do not want a disorderly exit. Think about what other tools you have to achieve that outcome and spend the money before and not after a failure.” That is what we would argue.

Q63 Chair: Can I push you a little bit on that? At the moment we have a situation where the position of the Minister, when asked about this, is, “Universities are private institutions and it is for them to manage their finances.” We have heard quite a lot this morning about how catastrophic a failure would be if it were to happen in a disorderly way and about the lack of any formal or documented scaffold process at all, either at the preventive stage or further down the line at the failure phase. What you have described, Vivienne, is a situation where because the outcome of a sudden and disorderly failure is too bad to imagine, essentially everybody steps in and somehow works together and then that is not what happens.

The thing that is different—and it is the reason why we are holding this inquiry—is the potential scale of those challenges in lots of different places at once all across the country. I suppose that begs the question whether, in that context, good will—as per the Minister’s position—and the reality of the catastrophe of a disorderly failure will be enough to ensure that, without any formally documented process at all, everybody steps in and does the preventive work, because it would be too bad to imagine a scenario where that did not happen, if this happens. And we believe it is the case that there are universities in great financial distress all across the country at the moment.

Vivienne Stern: That brings us to yesterday’s White Paper. I strongly support the approach that the Government have taken, which is to try to move us out of the danger zone. The sector itself has a huge



responsibility to manage its way through this set of circumstances, accepting the state of the public finances and the economy, and I think that is what is happening. We can talk a little bit about the actions universities are taking to avert the crystallisation of the scenario we are talking about. That has to be combined with action by Government to stabilise the underlying conditions. The decision yesterday, unpalatable though it will have been, to increase domestic tuition fees in England in line with inflation and to do that on an ongoing basis was an exceptionally important and necessary decision.

I think what we should be doing—the sector working with the Government—is to try to craft a path out of the wobbly position we are in and give confidence to all those people who need to have confidence that a university is a good bet, either the students or the investors. I think we are beginning to make progress on that path. Universities themselves have a colossal responsibility. They are autonomous institutions; they do have agency, and they are using it. Adam mentioned the scale of job losses, which is really quite considerable. We have been monitoring the other decisions that universities are taking: closing courses and reducing module options. We have been doing a huge programme of work on efficiency and transformation, but we have to get to a position where this is a stable, not unstable, system.

Q64 **Darren Paffey:** Does anyone else want to comment on the case for or against, whether we think lessons have been learned and what it would need to contain? If everything has been said, don't worry.

Adam Leach: I will add one very small point. I completely agree with Vivienne that yesterday's announcement is welcome, but there is still a missing element: we still expect our university sector to have this public benefit, but we don't provide it with the necessary resources to make that happen in a financially constrained environment. Often in universities those civic roles are the first to go. They are often seen as nice to have. Community roles are the first to be cut when universities go to restructuring. We have already seen an active dismantling of some of the critical civic functions that universities do in response to the financial challenges that they face. I would argue that we need some clearer funding streams for the civic role that universities do if we are to be a partner in delivering the Government's priorities.

Q65 **Chair:** Where would that money come from?

Adam Leach: That is a very good question, which I do not have an answer to.

Neil Smyth: Just briefly, I think there is a need for an insolvency process in the HE sector that all providers can use as an absolute matter of last resort. Luckily, there have been very few failures. I acted on one for ALRA three years ago, which was a drama school with 250 students. That was a very traumatic time for those students for a two-week period before another provider was found for them. I do not think that anyone is



suggesting that it would be a go-to by any stretch of the imagination. In certain circumstances it might be needed, but it is not there at the moment.

Q66 Jess Asato: Following on from that, what additional protections might students and staff need in the event of insolvency that they currently do not enjoy?

Vivienne Stern: In England, the Office for Students requires universities to have student protection plans. If it thinks that an institution is at an increased risk of what it would call provider exit, it will require those plans to be significantly expanded and for much more detailed and specific planning to take place. We have said in other places, and we have said in our evidence, that we think that that approach probably needs to evolve. In practice, in many circumstances it is quite hard to imagine that there would be a smooth process of transferring students, who are often studying quite specific things on courses that may be unique, or cannot travel, or have ties to wherever it is they are studying and would find it difficult simply to move. In practice, it is more difficult than that.

I did wonder about the announcement yesterday that the Government are going to consult on requiring universities to have exit points or break points in a full undergraduate degree. A full undergraduate, as you will know, is level 6. They want to consult on universities having break points at level 4, which is year 1, and level 5, which is the end of the second year. Obviously, it is linked to the lifelong learning entitlement, but I wonder whether it is also partly to build resilience so that it is easier for a student for whom it is not easy to see how they can continue on the course that they are studying to exit with a qualification that has value and then take that qualification in order to enter an institution of their choice, rather than it being somehow managed top down. In practice, managing it top down—I do not know anybody who has been very close to it who thinks it will be easy to manage.

Q67 Jess Asato: Could you set out a little more about what the student protection plans look like?

Vivienne Stern: Universities are asked to map the content of the courses that their students are on: "How many students do you have? What are they studying? What is the content of those courses? What other options might there be for those students if they could not continue with you?" There is quite detailed mapping and identification of potential options.

One of the difficulties—and I may not be the best person to ask—is that I do not think you can have a hypothetical conversation with an institution about receiving your students in the event that you were not able to teach them. That would be a time-specific conversation: does that university have capacity; does it have spaces on its courses; does it have accommodation if you need it; at what point in the academic year did this



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happen? Those things might have theoretical value, but in practice you would end up doing something quite difficult in the moment. It is perhaps not something I am perhaps best placed to answer.

Carol Prokopyszyn: I am not best placed to answer in terms of student protection either, but as Vivienne said, they are all doing different courses and we do not have resilience plans in place, under which “if I fail, you take my students”. That is not how it works. They are not set in stone in that way, as far as I understand it. They are more, as Vivienne said, trying to map out where there might be benefit. It is very hard to find matching courses, because courses are not the same. That is the beauty of higher education and that is the choice that we want for our students. The courses are not the same, so it is not easy to transfer, physically or academically. Other people are probably better placed than me to answer that point fully.

Neil Smyth: I have advised clients. This is a slightly unhelpful answer, but to confirm what has been said, it is incredibly difficult. Legally, there is not a structure around it. It is more regulatory, as Vivienne has talked about, regarding the intervention of the OfS—not so much around student protection plans but probably more around student protection directions that will be issued by the OfS. Those are more about the practical side: “What would happen if your institution exited a market? How would you map courses?” However, as has been touched on, from the trustees’ perspective, how do they go and approach another organisation and say, “If we were having to exit, could you take on our students?” How does that work from the competition side? All those legal issues are still very thorny.

As I said earlier, from a company insolvency legislation point of view, the staff and students are of no higher ranking than any other creditor, which is a natural tension. Many of these organisations are charities and therefore they have charitable objectives. From a charity law point of view, there is a bit more focus on the students, but again there is no clear legal path as to who wins out if you have a conflict between company insolvency legislation and charity legislation. There is guidance from the Charity Commission suggesting that you should follow the insolvency legislation, but there is, of course, a tension, as I have talked about, where you are talking to trustees who have students at the heart of what they do but legally are not able to put them at any greater priority than any other creditor.

Vivienne Stern: May I just mention postgraduate research students? We have a kind of generic idea, and it is possible to have a discussion about this that focuses on undergraduates. In some respects, that is the least difficult thing. A postgraduate research student—somebody doing a PhD—will be in a very specific setting. They might be attached to a research group; they might be supervised by somebody who has a unique research interest or background. Those folk are not easy to reallocate.



That is something that Research England and DSIT have thought a lot about.

Q68 **Jess Asato:** Should the Government intervene to prevent insolvency?

Vivienne Stern: To start with, there are a lot of people who think that there are too many universities in the UK. There are lots of people, including politically, who have said, "If a university fails, so be it; we should just allow that to happen." In fact, as I have said, there are examples of higher education institutions that have shut their doors and there has not been a great disaster, but they tend to be tiny, with quite small numbers of students, in areas where it is possible to deal with the impact.

That is quite a different thing from looking at an institution of the type that we have been focusing on, which are predominant in UUK's membership, that are these massive civic actors. They are not just a small college doing very simple teaching; they have research projects, public service links and industry links. It would be difficult to imagine the Government, local stakeholders, the institutions, Research England and the OfS all standing back when the rubber hits the road and saying, "We can't do anything; we're just going to let it happen." The reasons for preventing that are in many cases—but not all—likely to be overwhelming.

Neil Smyth: Yes. In the private sector, if you are manufacturing widgets and you cannot make money out of manufacturing widgets, you either stop and close down or you sell your business to someone else. This is an entirely different sector. You could be talking about a provider that has 20,000 students. As Vivienne said, you cannot—you can legally, but practically you cannot—simply shut down and allow those 20,000 students to go and try to find another university place on their own.

Inevitably, the Government and various Government agencies, which Vivienne talked about, will have to get involved in that process to try to house those students in other organisations. That is the disorderly market exit that we talked about. It would be phenomenally complex and expensive, which is why, as we have all talked about, the driving force here is to find a solution that does not involve an insolvency process, because that really would be the last resort.

Adam Leach: I also answer yes. We would need to protect this vital civic infrastructure if that was the scenario. The Government have identified that civic engagement is one of the top five priorities for the sector. That was reinforced in the Secretary of State's letter to VCs and in yesterday's White Paper. Universities are key delivery partners in driving the regional development agenda. Right now, in universities, there are teams working on regional development activities and strategies who are losing their jobs. We need immediate action to stop that happening and the Government should intervene. We need to see that the impact this has is wider than the individual institution and a lot more about our regions, our



places and our communities, which will feel the pain of such a thing happening.

Carol Prokopyszyn: As we have said, universities play a great part in our regional and national economies. We need to help them survive and definitely intervene if there is a significant issue. Good will—Helen, you mentioned that earlier—will go a long way. I think there would be a lot of local activity to support an institution that was in crisis. However, at the end of the day, they are going to need cash to keep going. We see that playing out with Dundee at the moment and the funding required to keep them going while they sort out what the future looks like. That is the inevitable conclusion of a serious problem of insolvency in higher education.

Q69 **Darren Paffey:** You have all rightly said that we should be looking at alternatives to insolvency rather than just preparing for the worst. Thinking about mergers, super-universities and so on, we have had some written evidence from GuildHE, which represents a lot of specialists and smaller HE providers, raising concerns that mergers would lead to a more homogenous sector. What are your thoughts? How would you reassure specialist providers about what some of these future alternatives might look like?

Vivienne Stern: We have done a lot of work on mergers—not at the pointy end, where Neil might have been, but our efficiency and transformation taskforce has been looking at this topic. It is not only mergers, but other forms of structural collaboration, such as multi-academy trust-type models, federations and other forms of group that might allow you to collaborate. There is a huge amount of interest in this.

Most people start at: “If you have two universities that are unsustainable you should merge them.” That is a terrible idea. To quote David Willetts, why would you send a weak swimmer to rescue a drowning man? The person leading our transformation and efficiencies taskforce is Nigel Carrington, who is a mergers and acquisitions lawyer. He also led the integration of the University of the Arts, which was a messy federation, to try to make it a more coherent single institution. He says the costs are enormous and most institutions in a weak financial position will not have the up-front finance to invest in all the very expensive professional services needed in order to achieve it. There is this strategy point that came out beautifully from the work that KPMG and Mills & Reeve did in their “Radical Collaboration” report, which is that you have to believe that at the end point of the merger you are going to have a stronger institution.

The Kent and Greenwich multi-academy trust-type model might be a more viable route for some. There is a huge amount of interest in it, but it is still going to be expensive. You have to believe that at the end you are going to be better able to fulfil your mission, attract students and be a strong economic and local contributor, and that is not just about saving money.



When people tell you that the answer to a university system under stress is large-scale mergers, do not believe them. It is just not true. In small specialist institutions it is often the case that, yes, they are having a hard time—and it would be great if the Committee would pay particular attention to whether the Government are going to continue to fund world-leading specialist provision through the strategic priorities grant, because those specialist providers cannot live without it—but some of them are doing all right and would not necessarily be financially strengthened by merging with another provider. It is not as simple as people sometimes imagine.

Q70 Chair: For our benefit, could you give us one or two examples of the kinds of specialist institution that would not be able to survive if the Government do not continue to fund them?

Vivienne Stern: The Guildhall School of Music has a model where most of the teaching is one to one, in a room on your own with your instrument and, probably, a world-class musician. They are often extremely resource intensive, but we are so lucky in this country to have this little group of institutions that are the best in the world at what they do. It would apply to a number of institutions.

I have a soft spot for the Courtauld Institute. If you look around the major museums and galleries of the world, they very often have somebody who came through the Courtauld. It is tiny but it is very good at what it does. We have a set of examples of institutions like that, but it is an extraordinarily intensive teaching model.

Q71 Darren Paffey: On the specific concern about homogeneity of the sector if you lost some of the specialist provision, whether it is provided by smaller providers or more established, bigger providers, are there comments or concerns that you would raise? What would you say to that?

Neil Smyth: Following on from Vivienne's comments, last year my firm acted on two strategic solvent mergers, it is acting on the merger that has just been announced, and it is talking to various other clients about potential mergers. Just to be clear, I am not acting on any of those. They are solvent. Despite our incredibly reasonable rates and charges, as Vivienne says, they are expensive, and they are time consuming and complicated. There are some that have been born out of a certain necessity, but ultimately they have to work on a strategic level.

In relation to your question, there may be mergers that have knock-on effects in other areas of the industry. That is not my area of expertise. It is something that a number of providers are looking at at the moment, because they are having to cut their cloth in this current financial distress situation. They are having to look at how they can make cost savings, and obviously one of those conversations is mergers.

Q72 Darren Paffey: For the sake of time, I will not repeat the question about super-universities and the mergers model. What other opportunities—



what alternative structures—can give hope to the sector as they are looking down the barrel of the next few years? What else can they pursue other than preparing for insolvency, which we have all agreed we want to avoid wherever possible, or simply looking at who else might want to join a merger, given the points Vivienne raised about swimmers and rescue? What other options are out there to give hope to the sector?

Vivienne Stern: In the interest of brevity, the report we published in the first phase of our efficiency and transformation project identified seven opportunities. Structural change is one of them, but there are other things; for example, exploring what might be possible at the national level in terms of shared services. Universities have a good track record of doing large-scale shared services, like UCAS or Jisc. There are other opportunities and things that we could be doing together.

There are also lots of existing shared services that only have 10 customers. Why not 100? We could do a lot through that. There are opportunities to do things differently by taking advantage of new technology. Digital transformation is an avenue that we need to pursue. There are different ways of offering teaching and learning. Thinking radically about how that is done might be part of our next phase of work.

I will send the Committee the list of the seven opportunities, but we are now in the second phase, working through them and trying to do practical things to push forward on each of the seven.

Q73 Darren Paffey: The other risk that is concerning many is the emergence of cold spots in particular subject areas. Is that something we should realistically be concerned about? What are the specific Government policies or interventions that could help us avoid those cold spots?

Vivienne Stern: Yes, we should. We know that about half of the universities in our membership have closed courses in the last year, and they are often in the same areas. People are well aware of modern foreign languages, but chemistry has been under a lot of pressure. There are two things that we need to do. First, the sector itself needs to think about how we might be able to collaborate to sustain disciplines that are vulnerable. Secondly—and this is where Government have a real role—we need to move away from a regulatory and legislative environment that puts competition in a market at the heart of the philosophy.

We need to think about stewardship of the system. The Government have started doing this; they talk about creating a market monitoring mechanism in the White Paper published yesterday. The Government need to make funding available through the strategic priorities grant to sustain vulnerable disciplines. That used to happen under the HEFCE regime. It no longer happens, which means that if you cannot balance the books by teaching a small number of students or subjects that might be nationally important, it is vulnerable to closure. This is not just a pure market. It is national infrastructure. We need to start thinking like that a bit more.



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Adam Leach: An important dimension is thinking of cold spots geographically as much as about the subject. Where might we see cold spots if we allow our universities to collapse and lose that vital infrastructure in places? It will come as no surprise to anyone here that some of the most financially vulnerable institutions are in the most economically vulnerable places in our country. Whether it is about mergers, partnerships or restructuring, we need a geographical dimension to our thinking about how we apply some solutions.

- Q74 **Chair:** On the super-university situation that we have seen with Greenwich and Kent, as far as those of us who are in the general public are concerned, that proposal emerged suddenly from nowhere. I am sure there were people in the sector who knew about discussions, and there may have been people in Government who knew about discussions. If something like that is going to happen, should it be left predominantly to Greenwich and Kent to decide that they are the right partners? Why not Greenwich and East London? Why not Kent and Canterbury, or Kent and Christchurch?

I am not suggesting that there are better examples in that particular scenario, but is there is a need for transparency and additional inputs into the decision-making process, with the public good in mind, rather than the expediency of two institutions that might be feeling their own internal pressures and a sense of internal urgency? Does that also speak to the need for the wider scaffold that we talked about earlier?

Neil Smyth: I will stay off the actual merger because we are acting on it. In principle, there is a challenge for HE providers that may or may not be thinking about merger as an option as to how they actually go about that. The trustees on the board may not have any experience of conducting mergers, so they may or may not have the skillset or, as I think you were touching on, the answers to the questions, "Who do we talk to? Why do we talk to them?"

There has been a suggestion recently—not from me but in an article from my firm—that there needs to be an HE commissioner who can sit above this. At the moment, the OfS is probably playing that role, but there should be some interaction to assist HE providers that might be thinking about a merger as to who they might want to talk to, because, as I touched on earlier, there are competition issues in relation to these providers talking to each other regarding mergers. There could be assistance there for the universities to look above the parapet and have a wider view of what might work and what might not.

- Q75 **Chair:** There is assistance to universities, but there is also the wider question of the public good. We have seen with schools and with colleges, to some extent, examples—I can think of examples from my constituency work—of institutions that have taken a decision to academise and then gone into a trust because the headteacher knows another headteacher in a different part of the country. That is the entire basis for the decision as to which academy trust to enter into, with no discussion about whether



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there is a local group of schools that they could join and what the public interest is.

We saw the same with Lewisham college going into a group with Newcastle, to the detriment of the relationships with the local area. That is my question about public intervention: is there a set of considerations at play here that are bigger than simply the economic interests of the institutions directly involved?

Vivienne Stern: I agree with you about the public interest in all this, and I would argue that if the Government created a transformation fund, one of the things they could do is incentivise things that they can see are in the public interest that might not necessarily be the conclusion reached if you were just thinking about the individual interests of two institutions. It is an autonomous sector, and autonomy has pluses and minuses.

In this circumstance, it is the responsibility of the governing body to work out what the strategic rationale for a merger is. There have been examples, particularly in Wales—although there are examples of this in Scotland, too—where mergers have been imposed on institutions. What we have said is that if you are going to go down that path, or even the formation of a group, you have to be clear that there is a strategic rationale for it. It cannot just be about what other people need from you. It also has to be about what you as an organisation would be able to achieve. If the Government came forward with a transformation regime, they could then insert the public interest into the conversation in a way that is not possible at the moment.

Neil Smyth: From a legal framework point of view, as I said earlier about the interest of students and the lack of clarity on that—particularly in a financially distressed situation, as there are a number of solvent mergers happening as well—if students were at the top of the priority list in the view of trustees, then your example of Lewisham and Newcastle, on the face of it, should not get off the ground. On what basis would that be in the best interests of the students of either of those two organisations, if you are talking 16 to 18, to be studying at the other end of the country?

Q76 **Jess Asato:** Will the Government's target for two thirds of 18 to 25-year-olds to enter higher education, technical education and apprenticeships be achievable given the financial challenges facing HE?

Vivienne Stern: That is a great question. It is the right thing to do. It is pretty ambitious—more ambitious than a lot of people realise. It was presented at the Labour party conference as distancing the Government from the 50% target. It is a massive expansion of the 50% target, but we are not necessarily talking about more people doing three-year undergraduate degrees.

I am a big fan of a three-year undergraduate degree. It is a curated programme of study that takes you deep into something and allows you to develop academically over a period of time. Pick and mix does not



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necessarily fulfil the same function, but we are going to need to find more flexible ways of allowing people to enter higher education at different points of their lives, not least because we have a declining birth rate and because the labour market is changing so fast.

It is ambitious. It will not just be about expansion of full three-year degree opportunities; it is also about level 4 and level 5. It will depend on things that happen at earlier stages in terms of getting a greater proportion of the population qualified to level 2 and above. That is why if you take the White Paper as a whole, it is right to say that if you want a higher proportion of the population to be educated at these higher levels—which, by the way, all the evidence suggests that our economy is going to demand—you have to start at an earlier stage. That coherent view is very important.

Carol Prokopyszyn: I completely agree with the ambition—that is really good—but at the moment UK students are underfunded, so unless there is a change in the cost model, if we are adding students we are adding more underfunding. We are making the position worse by putting more demand on universities. As we said before, the lever for profitable work across universities is international students and, in that field, we are facing a levy on international fees. My only answer is that I do not understand the financial model to support that growth at this point.

Q77 **Jess Asato:** What modelling have you done, if any, to understand the impact of a levy on international students?

Carol Prokopyszyn: There has been quite a lot of modelling across the sector and it depends on the percentage that are applying, but for different universities it can be up to £40 million a year, so that is an extra cost coming out. If you are looking at organisations that are financially stressed already, that is quite difficult.

It is not just the elite universities. If you look at the data, Hertfordshire has more international students than Manchester; Bedfordshire has more than Cambridge. It is not necessarily the universities that you think of that have the largest number of international students. They would all be impacted by that and they all have very different financial resilience positions at the moment to be able to deal with that.

It is a tricky additional cost that we do not currently know how we would absorb. We have looked at pricing. At the moment, pricing for international students is based on the global market, and that, as I said, is an internationally competitive market. We are vying with Australia, America and Canada to get international students to the UK. We price competitively internationally, and we would expect to raise those fees every year with inflation. We do not feel that we can pass that extra cost on to those students, because we are already pricing at market prices. That is why we are saying it is an additional cost that we would have to fund somehow. We do not know how we would do that at this point.



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Vivienne Stern: I genuinely find the levy extremely difficult. What the Government did yesterday in increasing the undergraduate tuition fee will bring in about £370 million this September and maybe just over £400 million next year. We think the levy will take out about £600 million this year, and the expectation is that that increases next year, so it will be somewhere between £600 million and £700 million. What a waste.

I said that our point here should be to try to get to a point where the sector is stable and to put down the measures that will effectively stop boiling the frog. A lot of the things that came forward in the White Paper are setting that direction. The thing that the Government did yesterday in agreeing to increase the domestic tuition fee in line with inflation was a hard political thing to do. It will completely undermine the benefit, plus some, if they introduce the levy in the way that it is currently proposed. What a waste.

We have a little graph, which I will send the Committee—we included it in our evidence, but I will update it—that shows that the income that the sector will receive from an uplift in fees from September has been counterbalanced by an increase in costs and cuts in funding, including the levy, and that the net position is a £1.4 billion loss. Given what we have just talked about, that cannot be the right answer. We need to start getting the curve moving in a different direction. The Government get this, but the introduction of the levy would be a step in the wrong direction of colossal proportions.

Q78 **Jess Asato:** Would any levy at all, at any amount, result in financial difficulty?

Vivienne Stern: We think 6% is about £600 million. Obviously, if it was a smaller figure, then the difficulty would be less. The Government assumes that universities will pass it on in increased fees to international students. I find that a little bit difficult to swallow because international students are already subsidising our domestic education system to a colossal extent. It is well understood by everybody. My argument would be: if universities could have increased their fees, do you not think that is what they would have been doing instead of cutting jobs, removing courses and doing the difficult things we have been describing this morning? If they felt that the price elasticity was there, they would have taken the opportunity to increase fees before this point.

We have lots of evidence of universities that, over the last couple of years, did some market analysis, looked at their competitors, put the fee up by a small amount—sometimes even below inflation—and saw a drop in volume, which means that in the end you earn less than you thought you would. I believe that will happen at a national level. It also raises the question, if the Government is banking on that income to fund a grant commitment, how robust that will be as a mechanism?

The final thing I would say—and this is not a political point—is that once you introduce a levy like this, it stays, and the only way will be up. What



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this Government, who really do understand the importance of the university sector, have done is create a mechanism that will be there in perpetuity and used by future Governments in different ways. It is a big mistake and there is just about time to persuade them to think again.

Q79 Jess Asato: Finally, if maintenance grants were to be reintroduced, what should be their terms and conditions?

Vivienne Stern: The increase in financial support for students is really important. The maintenance uplift announced yesterday is also really important. Targeted grants can be an important part of the picture. What the Government have said so far is that they want to target grants at students from the poorest backgrounds in priority subjects. One of the big things that the White Paper is doing is signalling a shift that public funding will go towards priority subjects—the industrial priority strategies.

As the Tony Blair Institute has recently, acidly, pointed out, the average lifespan of an industrial strategy in the last couple of decades has been about a year. I do worry that there is a danger of over-specification—that you start putting a lot of money into a small number of areas and you send very strong signals to students. There are two risks to that. The first is the over-specification of the system. If I was here 15 years ago, I would have been given a hard time by MPs around the table about all these students who were studying this nonsense: “Computer game design? Why on earth would that be an academic subject?” They are not saying that any more, because our computer games industry is a massive economic engine and that technology is being used in healthcare, architecture and all sorts of things. Politicians are often wrong in their predictions about what economic opportunities exist.

The second risk is that if you send too many signals to a group of students that they should all go and study X, you get an oversupply in X. Look at what has happened in computer studies. In the last couple of years, the enrolment rates in computer science have been falling. Why? Because I think there has been a bubble. There has been oversupply, and that starts to affect your ability to get a job afterwards.

Therefore, my big argument would be: don’t over-specify the system. You might want to direct public funding according to national priorities, but you must be careful not to over-engineer the system.

Chair: Thank you. We have run substantially over with this session. I thought it was important to do that because your evidence has been important to us. I am going to call an end to it now so that we can go on to our second panel, if that is okay, but thank you very much indeed for coming to give us your evidence today. If there are any matters that you did not feel you had adequate time to get across to us today and you would like to write to the Committee following the session, please do that. We would certainly welcome it. Thank you very much.

Examination of witnesses

Witnesses: Professor Brian Bell, Dr David Pilsbury, Dani Payne and Rachel MacSween.

Q80 **Chair:** I thank the witnesses on our second panel for their patience while we dealt with a slightly longer first session. I will let this one run on a little so that we have adequate time for it.

I should have said at the beginning of our meeting that we are pleased to have Chris Murray with us today from the Home Affairs Committee. Chris will be asking some questions a bit further down the agenda.

I invite each of our panellists to introduce themselves, starting with Professor Brian Bell.

Professor Bell: Hi. I am chair of the Migration Advisory Committee and professor of economics at King's College London.

Dani Payne: I am head of education and social mobility at the Social Market Foundation.

Rachel MacSween: Hi. I am director of partnerships and stakeholder engagement at IDP Education, which is a student recruitment organisation.

Dr Pilsbury: I am secretary to the International Higher Education Commission.

Q81 **Chair:** Thank you much. Can you outline the importance, financial or otherwise, of international students to the higher education sector?

Dr Pilsbury: The International Higher Education Commission tried very hard over the last two years to document the contribution—not just the financial contribution but the academic and operational contribution—of international students through a series of evidence-based reports. I think, at the time we did that, it contributed something like 50% of revenue to universities and. As was identified in your earlier session, the reduction in international student numbers has been a significant part of the problems that the sector is facing, I guess compounded by the fact that the sector thought that the growth that had been going on since 2019 was going to continue without challenge. That is part of the issue that the sector needs to address. You identified governance as a particular challenge. Obviously, there is also an issue around data insight and the role of executive teams in understanding the volatility of international markets.

Rachel MacSween: A report by HEPI and Kaplan in 2023, using 2021-22 data, suggested that the economic value of international students to the UK was net £37 billion. That accounted for £4 billion of public services costs, but the gross was £40 billion to £42 billion a year.



Dani Payne: Currently, the financial situation in universities is being upheld by international student fees. In 2023-24, the proportion of fee income that came from international students to UK universities across the whole sector was about 23%. International students can also provide great benefits in terms of diversity of student culture and institutions and by contributing to the academic and research capabilities of the UK.

We do think that there are wider economic benefits, but I have not been able to find figures that were not commissioned by the sector and some of the wider economists cast doubt on the exact number of that benefit, so I keep that in mind. However, we do think that there is a larger economic benefit and that that is widespread across the UK, particularly in regions where the Government have an interest in expanding opportunity and expanding local economies.

There can also be pressures on institutions and local economies when the over-reliance on international students is so high. For example, in the same period that the number of international students coming to the UK rose by 200,000, the number of purpose-built student beds being built reduced from about 30,000 per year to under 9,000. That can also create pressures on local services, local housing and so on, so there is a trade-off in that reliance that the sector has.

Professor Bell: The easiest way to think about this is that universities basically do three things—they teach domestic students, they teach foreign students and they do research—and only one of those things makes any money. They lose money when they teach domestic students and they lose money when they do research because there is not full economic costing. It is like any business: unless you have a profitable section then you are bankrupt, and that is what international students do.

Q82 **Chair:** We have received contradictory evidence about the patterns of international student arrivals for 2025. What can you tell us—I will start with you, Professor Bell—about the overall trend and, with a bit more granularity, how that breaks down in terms of students coming from different regions of the world and to different types of education provider?

Professor Bell: I can give you the most recent figures for what we describe as entry clearance visas. Up to the year to September 2025, the Home Office has issued 435,000 main student visas. That is higher than last year. The previous year it was 407,000, so there is a bounce back in international students for the sector as a whole. It is still below the peak, which was 500,000 in September 2023, but it is important to recognise that it is around 200,000 more than in September 2019.

In spite of the Government's immigration changes and what is going on internationally, the sector is still having an awful lot more international students than it did pre-covid, but it is down from its peak. That bounce back is encouraging in the sense that the sector is recovering. That is all you can tell from the statistics, because the breakdown does not actually



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do it by nationality at this point and unfortunately, because August and September are the two months that matter most in international student arrivals, looking at the June data does not help you because people do not come in June.

The anecdotal evidence we have seen is that higher ranked institutions are doing reasonably okay. You may have seen a report in the newspapers a few weeks ago that UCL had to go to the Home Office to ask for additional certificates of acceptance for students because it had overshot its numbers. More had accepted than expected, so I guess UCL is doing pretty well. I think that is broadly true of the high-ranked universities. Some of that is because of the markets they recruit from and some of it will be that if you are a higher ranked institution and you need to get your numbers up, you can cherry-pick from the lower ranking institutions. That then just pushes the pressure down the system, and I think it is in the lower ranked universities where there is real pressure.

With regard to patterns and nationality, I think there are two that are particularly important. One is that we are continuing to see difficulty for Nigerian students, which historically were not a big group in the UK higher education sector but became a big group, particularly in the lower ranked universities, post-covid. The financial crisis that is hitting Nigeria is still having serious effects there. I think we are also beginning to see a significant softening of the Chinese market, which is more important for higher ranked universities than others.

That is primarily a function of two things: the graduate unemployment rate is high in China, so it is not obvious that getting more qualifications is the attractive thing at the moment, and Chinese universities are creeping very quickly up the international rankings. Why would you go to a UK university if you can go to a Chinese one that is already highly ranked?

Dr Pilsbury: In addition to ranking, the other thing that determines success is strategy. Not all Russell Group universities are doing well. I agree with Brian that overall we are in a much better position at the moment for this intake than we expected. There is a squeezed middle. There are some well-known former polytechnics, which used to recruit big numbers, that have lost their way, but I would point out that small and specialist institutions that which are being quite strategic are actually doing quite well. In my day job for Oxford International we partner with those institutions, and we are seeing a lot of buoyancy.

The other thing I would note is that the change in policy has seen a collapse in postgraduate numbers. The market that is coming now is mostly undergraduate, which obviously has enormous benefits because it reduces the cost of acquisition for institutions, with students being here longer. That helps to improve the financial situation for universities and means that the students feel more invested in the UK if they have been here for three or more years.



Rachel MacSween: Over the last couple of recruitment cycles we have seen a big decline in Nigeria, as Brian mentioned. A lot of that was linked to the removal of the dependant visa in 2023, when a lot of Nigerian students were taking advantage of that perk. When that was removed, we did see a massive drop-off in Nigerian students.

We have also seen India overtake China as the biggest sending market for the UK, and that has been happening over the last couple of years as well. That is two things. It is India being more drawn to the UK, but also the softening of the China market. Brian mentioned the unemployment. I think in China alone there are 12.2 million university graduates a year and a shrinking job market and a softening economy there, so there is not quite the same willingness to invest in an overseas education at that cost.

The other patterns that we are noticing, particularly through IDP, is the global competition that we are facing as the UK. Carol mentioned before how we compete against the United States, Australia and other markets, but there was a comment in the press this week that it used to be the big four and it is now the big 14. We are seeing Korea, France, Germany, China itself, Singapore and Malaysia being just as attractive to international students as some of those big four markets were. We are facing that global competition. We are facing changes in immigration policy in the UK, which then changes the types of students that we end up attracting.

There will be universities this year, like UCL, that have recruited really well, but there are others that are quite worried about their recruitment population this year.

Dani Payne: On patterns of recruitment—on the concern, for example, that high-tariff institutions are recruiting a lot more international students and that that might have a knock-on on lower tariff institutions—we see the same for home students. For example, this year the clearing data showed that high-tariff institutions admitted more students than they did even when, with predicted grades during covid, suddenly there were far more young people getting the grades that they wanted to be able to go to a higher tariff institution.

I mention that because we often talk about HE in its own bubble, but when high-tariff institutions are scooping up students from mid and low-tariff institutions, what those mid and low-tariff institutions tend to do is scoop students from the FE sector, and it so can destabilise local ecosystems there, too. That competitive nature, with no real co-ordinated plan across the sector of where it is best for students to study and what to study, inevitably leads to unhealthy competition.

I would also add that at the moment, and for the last few years, the higher education sector has relied very strongly basically on four source countries for international students: China, India, Nigeria and other Asian countries. Because different institutions will recruit predominantly from



different source countries, they will face different pressures and risks. For example, Nigerian and Indian students tend to be more motivated in terms of what country they study in based on how welcoming they perceive that country to be and the employment prospects that they might get from studying in that country, whereas Chinese students, and students from the US, Canada and so on, tend to be more drawn towards the prestige of the institution and the specific course that they want to study. This means that when policy changes it impacts institutions differently, which is why we have seen the decrease in students from Nigeria and India following tightening of requirements on dependants, but also on further work opportunities as well.

Q83 Mrs Brackenridge: The Government have announced that revenue from the international levy will be used to fund maintenance grants. What effect will that have?

Dr Pilsbury: The commission did not ever form a political position on the levy. We did meet with policymakers once it was floated about what might be done with it. The first thing we would say is that the welcome focus on bolstering the domestic higher education infrastructure is going to address an important disconnect between local populations and universities where they have not seen the benefit of universities engaging internationally. That is important for the social licence of universities and plays into the regional agenda that you discussed in your earlier point.

If I may just answer the previous question again, when overseas students come here, they do not come to the UK in equal proportion across the regions and the devolved nations. London was growing at three times the rest of England. We know that most of the devolved nations have benefited from growth in international students in this autumn's intake, but I think Scotland has not. One of the real things that the levy might do is better address the regional spread of the benefits of overseas students across the UK.

The other thing that the commission suggested was that if we are going to address the fragile nature of the UK higher education system, the one thing we should be doing is better marketing the excellence. Any metric you choose shows that the UK higher education sector is world class. That is not an opinion you would necessarily come to when you read *Times of India*. We do not have a way of messaging coherently to international markets in the way that the Australians do. There is a significant difference between how sophisticated Australia is and how sophisticated we are. Therefore, investing some of that money in a destination marketing campaign so that we have consistent messaging would be fantastic and would link to the agenda outlined yesterday, which is a focus on value and quality, not on volume.

The other thing, going back to your earlier point about risk, is the development of TNE. I was previously at Coventry University, a big TNE player. We did not make a lot of money, but it is a crucial part of what the sector does. We have some big developments that will yield



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academic, operational and financial returns, but everybody makes it up as they go along, so Government funding of a TNE academy would make a tremendous difference.

The last thing we need to do, which is an important part of any of this, is to sort out the immigration system, not generally, but—like the Australians do—to be clear when students arrive in this country and when they leave. I do not think anything we want to do in the policy arena is going to be effective unless we can give the people of this country confidence that we have a grip on the number of international students who come—that we can basically count them in, they contribute, and then we count them out. Everything else is going to be difficult without that, and somebody will need to fund that. The e-visa system is a great start but there is a long way to go.

Rachel MacSween: Public First did some great work on this a few weeks ago. It speculated that there would be 77,000 fewer students if the levy was passed on as a cost directly to the international students. The point was made earlier that international student fees are already high and we are losing out.

We do a lot of surveys in IDP. We send 100,000 students a year around the world, so we sit on a lot of data. We know that three of the top five reasons that students are declining to go to study overseas are financially linked: tuition fees are too high, the cost of living is too high, and student visas are too expensive. If you add on another 6% to those fees, I think students will vote for cheaper destinations. The Public First modelling showed that 77,000 students not coming as a result of the levy would mean £2.2 billion less coming into the economy. It said that the 10 most affected constituencies would each lose on average £40 million in income.

Dani Payne: The Social Market Foundation strongly supports the reintroduction of maintenance grants. Our view is that it is better to have maintenance grants for the most disadvantaged young people in this country funded by a levy than it is to have no maintenance grants at all, and, hopefully, that this signals a shift that, when the fiscal situation allows, larger and more widespread grants will return.

In terms of the impact, in theory you could see this policy in quite a progressive way. You could see it as the intention being to take wealth from the largest and the wealthiest institutions and redistribute it to disadvantaged students. Analysis by the Higher Education Policy Institute found that of the top 20 universities that will be paying the most from the levy, 18 are large, selective, high-tariff institutions. My concern is less about the ones that are paying the most and more about the ones that may be paying a mid amount. They might have a lot of international students but charge them less, or they might have a lower number but be very reliant on them—particularly the post-'92 universities, which often recruit heavily from Nigeria and India.



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There will be some source countries and groups of international students who may well pay 6% more for a degree, particularly if they feel that degree to be especially prestigious, to come from a prestigious institution and to hold a lot of weight in the workplace. Students from Nigeria and India are more likely to be financing their tuition fees through personal loans and do not have any more disposable income to pay 6% more. They might also be applying to institutions where they feel that what they are getting from the degree in employment might not be worth an extra 6%. Therefore, there might need to be some transitional support, particularly for those lower ranking universities that recruit international students from source countries that are more price sensitive.

Professor Bell: Let me start by saying that I do not recognise anything like 77,000 as the likely impact of this policy. I just do not understand how you could come up with that number. In the White Paper, the Home Office estimated the impact of the 6% levy and predicted it would reduce student inflows by 7,000. I think that is broadly right. This is based essentially on the price elasticities that we observe in the market, so I think 77,000 is a slightly bizarre number. It is also slightly bizarre because universities have been increasing international fees for years and years now, often at much higher rates than inflation. There is a market here.

Now, of course it is true that all universities will not be able to pass on the 6% immediately. In the long run, I suspect almost all the costs will be passed on to international students, because that is what happens when you tax people. When you tax people, it is always the consumer who ends up paying, because firms pass on costs, and that is what universities will do. In the long run, I would not expect much impact on student numbers. In the short run, I think there could be an impact, which may caution the Government if they insist on going ahead with what I think is a fairly half-baked policy.

If they do insist on going ahead with it, perhaps they could do it by raising a 2% levy in year 1, a 4% levy in year 2 and a 6% levy in year 3. That would help universities. I have a bit of a worry that some policymakers do not recognise how hard it is to run a business. Just imposing a 6% cost as if that is neither here nor there and you can just adjust I think is slightly bizarre.

In terms of the policy itself, you can see an argument for it, which is simple. Nobody chose which universities expanded most in terms of international students, and a policymaker may not have chosen those expansions. They may have said, "Actually, we don't want that university to double in size in three years. We might have preferred this university to increase." Therefore, you can see an argument that says, "We will take some of the money that is being generated there and use it to do something else in the university sector."



Vivienne made a point about how much would be lost to the university sector. Actually, not a penny needs to be lost. The Department for Education could use all the revenue from the international levy to put back into the university sector. It would just allocate it differently. I can see an argument for why that might be very sensible.

For example, if I were in charge—happily I am not—I would take the levy and use it all to fund an increase in STEM subjects for domestic students. I would essentially make it profitable for universities to put on engineering, computing and science courses. We are not doing that at the moment. There is a flatlining. The only group of students that we have not taught more of in the last few years is domestic students doing science subjects. It is utterly insane when you think about our industrial strategy. We have trained lots of foreign students to do lots of STEM subjects, and we train more British students to do non-STEM subjects, but because STEM universities lose too much money when they teach STEM, they do not put them on, so they do not increase the numbers.

Therefore, you can see a way in which you could justify the levy to increase something that is actually strategically good for the UK and would grow the economy. That is not what the Government are doing, because the Government's plan is to use it for maintenance grants, which is literally taking the money out of the university sector. It is giving it to students, but it is out of the university sector. I think it is fairly half-baked and it relies fundamentally on an assumption that the Department for Education knows better than universities how to spend money. I am not sure that history tells us that that is true.

Q84 Mrs Brackenridge: Are there lessons from other countries, like New Zealand, in the way that they structure their international levy?

Dr Pilsbury: The Australian universities accord showed us a good example, certainly of good intent to strategically manage the system. In my view, it then went off at a bit of a tangent. It focused on issues that the Committee has evidenced some concern about, such as regional cold spots. But it does show that you can manage the sector effectively.

What Brian has articulated—actually, I will put it in my own words. We are sort of reinventing HEFCE, which for me, as somebody who worked at HEFCE, is a long overdue and welcome development. We are moving away from a simple market-orientated system to a managed system and the levy, like it or not, will be a source of funding, as HEFCE had, to propose strategic developments in the longer-term interests of the sector. I have more faith than Vivienne in that process and that we can make some simple decisions about where money should go.

Rachel MacSween: The Australian accord did refute or reject the 6% proposal from about 18 months ago. The New Zealand levy seems to sit between 0.5% and 0.89%, depending on the type of institution, which equates to about 4.4 million a year from a percentage of their tuition fee income, but it seems to be directed towards administrative schemes. I



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have a list of a few, including the pastoral care of tertiary and international learners code of practice from 2021 and an international student contract dispute resolution scheme. They are using it for quite a narrow range of enterprise rather than broader maintenance grants or anything that we have seen from the levy this time around.

Dani Payne: On New Zealand, there are probably two things that are most relevant. One is that they have far fewer international students than we do so the levy raises less. It is also set at a lower percentage, but the money that they are raising from the levy they are predominantly putting back into services for international students. Their reliance on international students is much lower. That means that they are not facing some of the pressures on public services that we have started to see in the UK, which Canada and Australia have faced, so that is not their reason for passing a levy. It also means that they can directly reinvest it into the students they are taking it from. There is a direct correlation between the levy charged and the person who is benefiting from that levy.

The main thing to take away is that it should be ringfenced in some way. Our view would be that it should be ringfenced for the support of disadvantaged domestic students. We know that in this country, for better or worse, if you have a disadvantaged young person in front of you from a lower socioeconomic background and you want them to experience social mobility, the best thing you can do is send them to university. Different students will have different experiences. It will not be the right route for everyone, but if you look at average outcomes that is the best thing that we can do.

There are too many students who feel university is not for them, they could not go, it is unattainable financially and, therefore, they never apply, or they will come out with far more debt because they do not have parents who can pay for them. Ringfencing it for supporting disadvantaged domestic students helps the public, and helps students see directly the benefit of welcoming international students into this country. It helps restore some of the public contract, which might be breaking down a little, as to how the public feel they do or do not benefit from immigration into this country.

Then, if there were additional funding through the levy, I would direct it at research. Often the sector will focus on the loss that teaching home students makes. That makes a loss of about £2 billion. Research makes a loss of £6 billion. It is a much larger loss and a much larger contributor to the deficit in universities. Therefore, I would ringfence the levy, but within those two areas.

Professor Bell: Let's call it a tax, because that is what it is. We usually tax things for two reasons: either we want to discourage them or we just want to raise revenue. It seems that the Government do not want to discourage international students through this tax because the Home



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Office estimates it is not going to have very much effect. In fact, net migration will be almost unchanged as a result of the tax.

It does not seem that the Government want to discourage international students. If they did, you might know that probably the right rate of tax would be a flat rate per student. It would not be a percentage of fees, because the harm that international students cause to the local community by congestion and extra use of services, to the extent they cause those problems, is a function of the number of students, not whether they are paying a high or a low fee. You could argue that, if that is your worry, you should charge a flat fee.

Therefore, all it is, really, is a revenue-raising measure, and that is inevitable when there is a tight spending round and you want to spend money on other priorities in higher and further education. I do not think there is anything wrong with that. It is just what you do with the money that I think matters.

I would caution that ringfencing sounds attractive, but I don't know how you convince the Treasury that something is truly ringfenced. It will say, "We would have given even more to higher education, but we are not going to because there is some ringfencing," whereas what it really means is, "We weren't going to give the money, but we can pretend." That is what it normally does, so I am not sure ringfencing really works here.

You also want to be cautious of what you wish for. Suppose you give the money to lots of disadvantaged students by way of maintenance grants. The money is lost to the university sector, but it goes to the student. You may think that increases the number of disadvantaged students getting into university. What happens if the universities say, "We are now facing a £600 million loss. Let's start closing down the courses that are most costly to us. Where we are losing the most money?" You might find out that those disadvantaged students, just like other students, cannot get into those universities any more because they have closed down courses. There is a macro effect here. You cannot just think about the single, simple stories. There is an overall effect on the university sector.

Q85 Mrs Brackenridge: On that point, given the Government's intention to reintroduce maintenance grants for students from low incomes for priority courses, how would you suggest that that is structured and funded?

Professor Bell: That is a question for the Chancellor. You will just have to raise taxes if you want to pay. Basically, you have choices. I understand that. You have choices that you have to make and what the Department for Education is saying is, "The choice we have made here is that the priority for us is to help disadvantaged students get into university."



I can understand why that is the Department's priority. I am just saying that would not be my priority. When the Government's overall mission is to achieve growth, I think the more important priority at this stage is to increase the number of students we are educating domestically. Of those, there will be disadvantaged students as well as advantaged students in STEM subjects and the like, where we actually have gaping skills needs. It is part of the industrial strategy. With my immigration hat on, it would also reduce immigration, because we are seeing the most immigration in IT and engineering, where we are failing to educate domestic students.

Dr Pilsbury: We talked earlier about the problems with cold spots and the rise in commuter students. One suggestion would be to enable students to travel to study where courses are taking place that they are interested in and which will contribute to the economy. If we are talking about there being a limitation of provision, we need to enable students to go to where that provision is, otherwise they will be doubly disadvantaged.

Q86 Mark Swards: Very briefly before we go to Chris for some more immigration questions, the Government are proposing stricter criteria for the basic compliance assessment. A lot of the written evidence we have received suggests that that is not that welcome. That is not universal; the University of York, which I know you used to work for, Rachel, welcomed the new visa refusal rate. What are your views? Please feel free to only answer if you have something to say and try to keep it as brief as possible.

Rachel MacSween: Universities that have a low risk profile because they recruit from low-risk markets are probably very welcoming of the changes because they do not impact them. Universities that may have to recruit from higher risk markets to meet targets are probably the ones that are a bit more concerned about some of the changes.

The three metrics are visa rejections, enrolment rates and completion rates. Naturally, by the nature of visa rejections from higher risk markets, there are some universities that expose themselves more to that. That begs questions about whether they should be recruiting from higher risk markets if there is the risk of visa rejections and students that may not fit the right profile for the UK. I think people see that it is being done for the right reasons, but there is a question about the speed of change and how to pivot to different recruitment markets.

For example, we know that universities across the UK are making decisions that, "We are no longer going to recruit from market X." If they have recruitment targets that their finance director is looking for them to achieve, they might need to find another market to get those students from. It is not quite as easy as saying, "We will stop recruiting from market X and go into market Y," because they have to do a lot of work to make sure that their brand and their recruiting profile is raised in that market. I think it is probably nervousness about where they can find



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those students that don't pose a risk to those three metrics, and it will take a couple of recruitment cycles for them to feel safe.

The modelling that was done showed that 22 universities would not pass under the new metrics if they were assessed right now. Those are the universities that are probably having the sharpest conversations about how to respond. There will be certain universities that are already operating in the new measures anyway because they have low-risk recruitment markets, and that tends to be the Russell Group.

Mark Sewards: Yes, exactly right. Among the higher risk ones, we have seen examples of universities that have simply stopped recruiting from certain overseas countries because they just know that they will not meet the figures.

Professor Bell: I am strongly in favour of the Government's proposals. Students represent the largest group of long-term visas that we issue each year to foreign nationals. The public have a right to expect that there is high compliance with visa rules and with immigration policy. We require it of firms. We require it of all the organisations that we issue visas to. We should require it of universities as well. My own view is we should publish those metrics university by university. The public have a right to know what those numbers are.

The one thing I would caution—and it goes back to your discussion with the earlier panel—is what the policy of the Home Office is when you fail a metric. Theoretically, you can suspend the licence, and indeed revoke the licence, of the university involved. There is a real conflict there. I am sure you would not fail if you just marginally failed one of the tests, but failing a test and then no longer being allowed to bring in international students would immediately destroy the finances of the university.

There is a real question, which goes back to the question of resolution: if you are going to be tough on the immigration side and make sure that people are complying with the rules at universities, you have to work out what you do if they do not comply, because the current method is rather sledgehammerish and disastrous.

Dani Payne: On Brian's point about public consent, universities, and the country generally, can only continue to increase the number of international students, or indeed maintain it at fairly high levels, with the public's consent. As we have written in our reports, the changes that the higher education sector has experienced in international student rolls have been minor in comparison with the much more substantial changes in the wider immigration system.

The higher education sector has a strong, successful lobbying machine behind it. We saw that, for example, in the MAC review of the graduate route. We would like the sector to be less defensive and to acknowledge concerns. This relates partly to what you were saying about how some institutions have not welcomed the changes to compliance. What we



saw—we have seen it lots of times, but it was most acute during the review of the graduate route—was the HE sector briefing against the review, even though there was good evidence that it was merited and it actually came out quite favourably for them anyway. The sector was saying that the review was mindless, insinuating that where people had concerns about pressures from international students in certain areas, that was rooted in prejudice, and continually repeating that the public are very positive about international students, which is true on the whole but that positivity has been declining over recent years.

I think that when we have these conversations, there is a need to call out prejudice when claims are rooted in prejudice, but there is also a need for the sector to say, "Look, the public is concerned that we are not handling this properly." We have media stories, for example, of international students potentially taking places from home students. The sector does not believe that to be true, but how can we engage with those concerns rather than dismissing them? How can we make sure that we retain the public's consent and the public's trust in our institutions instead of shutting down those concerns—not just those of the public but also of economists and those outside the sector?

Chair: Thank you. In the interests of time, I am going to go to Chris now. Can I ask you all for as much brevity as you can give us in your answers so that we can get through everything we would like to ask you before we have to finish?

Q87 Chris Murray: Thank you, Chair, and thank you to the Committee for having me from the Home Affairs Committee.

I want to ask about the immigration White Paper. What do you think is the likely income of the proposed reduction from 24 to 18 months for taught graduate visas?

Dr Pilsbury: I do not think it will be significant as long as we make the graduate route deliver on the promise. The other thing that the levy could do is help universities shift from the focus on employability to employment. That is the USP of the UK. We know that students increasingly come for employment. The problem with the graduate route is that nobody owns it. There is a metric that sits there in the cloud. We know from the all-party parliamentary group that a lot of people are confused about what it is currently, let alone what it is going to morph to. If somebody could take control of it and focus it on enabling its mission, in particular connecting with SMEs that are desperate for this talent—the British Chambers of Commerce came out strongly on this—not only could the effects be mitigated, but the impact of the route could be enhanced.

Rachel MacSween: We conduct biannual surveys called Emerging Futures. We are now on to Emerging Futures 8. We ask students twice a year for their perceptions on major policy changes across the major destination markets that we recruit to. The UK is bottom in perceptions for post-study work attractiveness when you stack us up against Australia



and the US, even though the US has something called OPT, which is probably going to be removed, or it is suggested that it might be removed. Students still perceive us to be the least attractive for post-study work opportunities.

I think some of it speaks to David's point: how do universities help students get graduate opportunities, even if they are for 18 months? We were pleased that we kept that—18 months is better than no months—but the perception is about how students make the most of that 18 months: whether they then want to go home and use the experience, or whether they want to use it to try to become a skilled migrant instead.

Q88 Chris Murray: That is interesting. I take your point, but I wonder what the impact of that is on the HE sector. According to the Home Office, the shortening to 18 months is only going to lead to a 3.5% reduction in international students, and apparently only 2% of students say that they would not have come to study in the UK had it not been there.

Rachel MacSween: That contrasts with our own perceptions data, but that is students' perceptions rather than reality. Our data suggests that 61%, I think, of students would change their destination if there was no post-study work visa available to them. We do not have the data at the moment on the percentage of students who would not come because it was reduced rather than removed, but it is something we can look into.

Dani Payne: We would expect the difference to be quite small. The Home Office impact assessment put it at about 10,000 at the peak—I think that was projecting for next year—and then said it would reduce and level off. The bigger structural factors that tend to impact UK competitiveness are the wider immigration policies: the salary threshold for skilled worker visas, the conditions for longer-term settlement and the associated visa costs, like the NHS surcharge and so on.

Professor Bell: The change itself will have very minor effects, as the Home Office predicts. It is broadly right on the magnitude. Essentially, you do not really change your decision if it changes from 24 months to 18 months. It is a fairly minor change. On the overall impact, the number of students who will stay long term in the UK will change significantly, but it will change entirely because of the skilled worker route changes.

The Government legislated in July to change the threshold for skilled workers to be graduate jobs only. That will essentially close down the transfer from the graduate route into the skilled work route for a large percentage of those who are currently on the graduate route. They will have a short-term option for care, but that itself will be closed down. Once that is all closed down, all we will really be saying is, "Come for a year's master's study and, instead of leaving straight away, you can stay for 18 months but then you will still have to go home." The effect on net migration will be quite significant in the long run.

Q89 Chris Murray: My next question—we have touched on this already—is on



the impact of international students in the communities where they go to study. We have talked about the numbers going up quite a lot. They are not quite at their peak, but they are high. Obviously, they are going to lots of institutions throughout the UK, not just in the big cities, and people have an impact on their communities. We all do; that is not an anti-immigration point at all. How do you think institutions should be engaging in mitigating any negative impact and maximising any positive impact that international students have in the areas where they go?

Dani Payne: I would start by saying that it is not just international students. Again, with the recruitment pressures, it is also when institutions recruit a whole load more home students than they had originally planned or than they had in previous years.

Chris Murray: I represent central Edinburgh, and I agree with you.

Dani Payne: Broadly, the most important thing that institutions can do is plan with their local councils, but there is no requirement for them to do so. The largest pressures are going to be on housing, as I mentioned. While the number of international students was rising by hundreds of thousands, the number of student beds was reducing. Prior to the changes in the dependant rules, there were also particular pressures on schools and other local services. But there is no requirement for an institution to go and have that conversation with their local council.

Institutions will forecast many years in advance how many students they think they are going to be taking in, or at least how many they are going to try to admit, and how many of those will be home and how many will be international. The local council will know what housing and resource pressures there are, and there should be more conversations between the two. There was an example in the MAC review of the graduate route. It pointed out, I think, Sheffield, which it said did a particularly good job in this area of working with its local council to align university recruitment forecasts with local services. As far as I know, that is not a widespread activity.

Dr Pilsbury: There are many formal and informal regional groups. One of the things the commission suggested was that we should propagate Sir Steve Smith and that there ought to be a whole raft of regional education champions. Again, it cannot mandate collaboration, but it could provide a structure and involve the regional mayors. I think we are missing a real trick in higher education in not engaging with metro mayors.

Q90 **Chris Murray:** Before coming to the rest of the panel, I want to think a little bit more about the day-to-day impact on the local community. As I say, I represent central Edinburgh, and you know that international students often do not speak English as their first language. Do you think we need to toughen the rules on universities mandating and testing properly for English language abilities, for example?



Rachel MacSween: English language is what I wrote down when you asked the question, Chris. I think it provides a real social licence for students to feel more integrated as part of communities, but also for communities to receive international students in a more inclusive way. I think about international students being encouraged to do volunteering opportunities and take part in helping the communities that they are joining. I think they would probably do it more willingly and quickly if they had the right English language skills. I do think there is a need to make sure that universities are testing at the right level to make sure students can join a community as well as joining the classroom and feeling like they are able to contribute. I think that is a real point.

Professor Bell: I agree on English language. Housing seems to me to be the key metric that causes problems. On most of the other effects that you could think of—health, for example—they tend to be young, healthy students who come. It is housing that is the biggest problem.

It is mainly to do with the speed that you sometimes get these increases. It is not that the University of Hertfordshire or whoever cannot manage an extra few thousand over a five, 10 or 15-year period; it is that often you get them in a one or two-year period. We saw phenomenal growth rates in 2020, 2021 and 2022 that were unsustainable for the local community. I think that is the problem.

Although I normally do not think this is a good idea, I think this is an area where the Government should cap international students at the institution level. The Government should set a cap, not to reduce international student numbers from their current level, but to prevent significant growth, and say that you can only vary the cap once you have proved all this stuff about engaging with the local community. Essentially, there should be a tick-box exercise where the local councillors say, “Yes, we are happy with these plans as well,” and the Home Office should take control of that. That would be good for the stability of the system.

Q91 **Manuela Perteghella:** I want to look briefly at international students in the context of the UK’s immigration policies. The Government have expressed a wish to reduce net migration. How can they do that while not only ensuring the long-term financial sustainability of the higher education sector, but ensuring that the international standing of our UK universities is not tarnished by the perceived hostility towards international students? Also, should we remove international students from the immigration statistics? I think Professor Bell—

Professor Bell: That is my favourite question; I get asked it by every single Select Committee. Absolutely not. We should not remove international students from the statistics. There are two different things here. First of all, there is no way to do it. Parliament cannot—Ministers, at least, cannot—instruct the Office for National Statistics how to measure statistics. The ONS is a non-ministerial department created by Parliament. If the Home Secretary wanted to remove students from net migration, she could not tell the ONS to do that.



If instead what one means is that the Government should focus on measures that exclude students—because the ONS has already produced net migration statistics for different routes; they are experimental and not fully formed yet, but they give you a pretty good idea—the Government can do that. My advice to the Home Secretary is to never do that, because students are just like everyone else. We should not start saying that students are special people: “They are not like workers; workers we should count in net migration. They are not like family; we should count them. Students are some special ethereal things that deserve special treatment.” Not at all. They add to the population when they are here and we should count them for that. That is all net migration is: “Is the population going up or going down?” Students are part of that, so we should not exclude them.

How do you get net migration down? Well, the real problem that we have with net migration is that in the most recent statistics, for example, about 100,000 people had claimed asylum and about 80,000 people came in on the family route. Both of those are routes where people stay permanently; very few return, for obvious reasons. Therefore, you are at about 180,000 net migration every year just from those two routes. Unless you are willing to do something quite dramatic on those routes, if you want to get net migration down, unfortunately, you have to pull the levers on students and work because they are the ones you can control more tightly and there are not restrictions in terms of article 8 and our refugee convention obligations. There is some pressure there.

Students do not naturally add to net migration at all. We could have millions of students in this country and if they all just did their course and left, net migration would be zero, because as many would be coming in as leaving. The issue we have is that we admit about 500,000 student visas a year, and at the moment about 30% of them stay in the long run. That is where there is a tension. That was not true 10 years ago. Ten years ago, about 10% of students stayed in the long run. It is partly because of the graduate route and the like, and I think that is where the Government need to get some control.

Dani Payne: I agree that they should not be removed them from net migration figures, for similar reasons, but I will add that the sector has lobbied for that quite a few times. Often it has done so in the hope that it will result in more favourable treatment of international students in the wider immigration system.

I will make two points: they are already treated far more favourably than a lot of other routes and groups, and two countries that do remove students from their net migration numbers—Australia and Canada—are placing much harsher policy measures on international students going into those countries. I do not think that there is good evidence, either, that it would make a substantial change to policy, partly because the net result is the same, as Brian mentioned, but also because we have not seen that in other countries.



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Dr Pilsbury: The International Higher Education Commission supported the 2018 recommendation of the MAC that they focus on students seeking settled status. Obviously, the Government are reviewing the basis on which people get settled status. As Brian mentioned, the other issue is the number of people who come on a student visa and then claim asylum, often near the end of their course. I think, unless the sector does something about that, we are going to fail to sustain the support of the population.

I come back to my point earlier: we need a system like the Australians so that we can demonstrate that students come, study, contribute and go home. In the absence of that, we are going to keep discussing immigration forever.

Q92 **Manuela Perteghella:** Some students do not go back because they go on to a postgraduate and PhD route. That is how scholarship works. They could be offered a scholarship to stay on because of their contribution to research. Universities work in a different way. They are places of scholarship. They are places of research. They are places of learning. I would like to see student visas being dealt with within the Department for Education rather than the Home Office, but that is my view.

I want to talk a little bit about the international—

Chair: I think Professor Bell wants to come in.

Professor Bell: I was just going to say that universities are fundamentally places of work, and the system is perfectly open to that. That is perfectly fine. You come in as an undergraduate, you stay to do a master's degree, you get a PhD, and then if you get a job in the university, you switch on to the skilled worker route.

No one in the Government is suggesting that we close down the route to allow students to transfer on to the skilled worker route and then to stay long term. What the Government are saying is if you cannot get a skilled job at the right salary threshold once you have finished all your education—that might take you all the way to a PhD—that is the point at which you would have to leave. Otherwise, we are saying we are going to give special treatment to people who have been educated here relative to people from other countries who want to come in and do skilled work. I don't know why we would be doing that.

Q93 **Manuela Perteghella:** The next question is about the international education strategy, of which the Government have promised reform or a review. What should be in such a strategy?

Dr Pilsbury: The final report of the International Higher Education Commission had two pages of what we felt should be in the next international education strategy. We talked about many of the things I have mentioned today. The thing I would say that I have not mentioned is about governance. The White Paper talked about joining up, and we had somebody from the Home Office. The Home Office is noticeable by its



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absence from the education sector strategy group. It is also an international education strategy, not an international higher education strategy. The view of the commission was that, in view of the importance of higher education, there should be that focus and, as I mentioned, regional higher education champions. There were a whole raft of other recommendations that I could send you if that is helpful.

Manuela Perteghella: Before we go to Rachel, because I was not here at the beginning, I need to declare that I worked as a university lecturer before being elected to the House.

Rachel MacSween: I used to work at the University of York, so I am coming to this from an academic background as well.

The last international education strategy was very transnational education focused. I would like to see that continue, particularly because, in the intervening period, lots of universities have been a lot more aggressive and ambitious with what they want to do in the TNE space, particularly with branch campuses, particularly in India. I would like to see a continuation of that, aligned with quality measures within the UK.

How do we create quality measures in the UK across academic entry criteria? Maybe this is too much detail for the international education strategy, but how do we get back our position as the No. 1 destination for quality provision of HE, and how do we then make that work for our transnational education strategy as well? As a recruitment partner to the sector, how do we make sure that we are showing that we can work sustainably and responsibly to grow international student numbers, which is not about just recruiting anybody for the sake of finances? How do we show that we are committed to making sure students are making the right choice to come to the right institutions and study the right programmes? David mentioned this earlier: we are losing out to other major destinations, so how do we position the UK as the preferred choice for international students as part of the international education strategy? It is ambitious; I know that is a big ask.

Dani Payne: I agree with a lot of what Rachel said. The SMF believes that international students contribute greatly to the country, to universities and to the research system. They are an important part of that, but there is a fundamental difference between institutions that recruit international students because they are the best and the brightest, because they have excellent research capabilities and we want to strengthen the UK's research base, or because the fact that they pay higher fees means that they can invest in some nice-to-have top-up services for all students, and universities that literally have to recruit to keep the lights on.

That is where we are concerned, first, about perverse incentives, and secondly, about how sustainable that is, given that it is impossible to accurately predict the future demand of international students from different countries. That is often impacted by policies not in the UK's



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control, but people's reactions to those policies are not predictable either. For example, a declining economic situation in a home country could lead to less demand for UK higher education because they do not have the money to go, or it could lead to more demand because they want to get out of their country to somewhere with greater employment prospects.

In the strategy itself, it would be useful to see some concern about the diversity of countries that UK universities recruit from and the fact that we are particularly reliant on a very small handful—if something happens in one of the top four countries, a lot of the sector is severely impacted—and whether there is anything that the Government can do to monitor that or to protect against that risk, while recognising that long-term trends in demand from international students are very volatile.

Professor Bell: With my migration hat on, I would say that if they are going to come up again—as they did in 2019—with the number of international students that should be here, they should talk to everyone else in Government about that number. They should recognise that if you have a number, you are going to have to issue visas to get that number—there did not seem to be any recognition of that in 2019—and justify why that number is the right number. I have no idea why 600,000 was the right number. It just came from nowhere. That needs to be thought about more sensibly if you are going to have it as an explicit policy objective.

Chair: Thank you very much indeed for coming to give us your evidence today. I will say the same thing to you as I said to the previous panel: if there is anything that you feel you did not have the time to get across to us this morning, please do write to the Committee. We would certainly welcome that very much. Thank you very much. That brings our session to a close.