



Select Committee on Economic Affairs

Corrected oral evidence: The Economics of Higher, Further and Technical Education

Tuesday 14 November 2017

3.40 pm

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Members present: Lord Forsyth of Drumlean (The Chairman); Lord Burns; Baroness Harding of Winscombe; Lord Lamont of Lerwick; Lord Sharkey; Lord Tugendhat; Lord Turnbull.

Evidence Session No. 6

Heard in Public

Questions 54 - 69

Witnesses

I: Sir Anthony Seldon, Vice Chancellor, Buckingham University; Pam Tatlow, Chief Executive, MillionPlus; Professor Patrick Bailey, Deputy Vice-Chancellor, London South Bank University.

II: Professor Mike Thomas, Vice-Chancellor, University of Central Lancashire; Peter Horrocks CBE, Vice Chancellor, Open University; Professor David Latchman CBE, Master, Birkbeck University.

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Examination of witnesses

Sir Anthony Seldon, Pam Tatlow and Professor Patrick Bailey.

Q54 **The Chairman:** I understand that Sir Anthony has been detained by security and may be a little late. If you do not mind, we will start. As a general opening question, to what extent do you think technical education can be delivered through higher education institutions? Do you think there is a disparity in the available funding for higher education and for further and technical education, and if so how could that be addressed?

Professor Patrick Bailey: If that is meant to be a simple opening question, it is a huge challenge.

The Chairman: It is an opening question.

Professor Patrick Bailey: My very short answer is that all the universities are delivering higher education courses that include enormous amounts of information directly relevant to workplaces. Most of them—the LSBU is an example—ensure that all their students will have professional practice and some of the technical skills that are going to be required when they move into jobs afterwards. There is a move, particularly in the modern universities, to ensure that students are job-ready when they leave and, most importantly, that they not only develop the skills they need to move into technical posts when they start their careers but, more importantly, are able to learn new skills and develop them over time.

There is a misconception that there are technical skills and pure academic subjects. Even those that would be defined as purely academic now have significant components that ensure that people are ready for a wide range of tasks. Many universities are also well directed towards developing the technical skills.

Pam Tatlow: I would endorse that. Modern universities in particular have profound links with employers, including on the design of courses. There are industry-level facilities, which there have to be if you are trying to deliver improved graduate employability. The HE funding system—we might come on to questions about how that works and its sustainability—does provide funding. We frequently refer to two things. If you are 19 or older in England and want to pursue a level 3 course of whatever description, A-level or BTEC, but have not acquired a level 3 in secondary school and cannot afford to pay the fees up front, you have to take out a funding loan on exactly the same conditions as higher education. They are called advanced learner loans. We think that that is a disincentive to progression, whether you are studying in technical or professional areas. We always talk about the funding system, particularly the one introduced since 2013, that affects the progression of 19 year-olds and older. We know that one-third of students enter university when they are over 21. There is a disincentive in the system that is not helpful.

The other aspect of the higher education funding system that we might look at is that it is based on academic years, even if you deliver two-year courses, although you would get an uplift in funding for that. If you want to deliver learning and qualifications that match what employers want and the reality of students' lives, whatever their age, there is a very good case for a more flexible funding system where you fund by credit or module. That would reflect the reality of the lives of students, both the younger ones and the older ones already in the workplace. We work with lots of employers and students who are studying while they are earning.

The Chairman: Could you expand on how that would work? What is your ideal? If you were the Chancellor, what would you be announcing next week?

Pam Tatlow: If I were the Chancellor, I might actually think the time had come to do an independent review of the funding system—not an internal one, where perhaps I had preconceived ideas about the answers I wanted. There is a big risk that the funding system is now enormously complicated. It leaks like a colander; you would not pass around huge amounts of money and seek repayments in the way that we do.

If I did not have that bold ambition, there is one thing I might do: find the money to restore student maintenance grants. That is a relatively cost-effective thing to do because you lose so much money by lending students from lower-income households more maintenance loans, increasing the write-off for taxpayers further down the line. However, it would not be for the Chancellor to introduce the primary legislation we need to create a more flexible funding system. The Government missed an opportunity to do that in both the Education Act 2011 and the Higher Education and Research Act 2017. We advocated for it on both those occasions.

The Chairman: I will press you on the more radical system. Perhaps we will make you the Prime Minister, rather than the Chancellor.

Professor Patrick Bailey: Promotion already.

The Chairman: You said that you want a more radical view. What would be your ideal and how would it work?

Pam Tatlow: On flexible funding, if the Student Loans Company was giving out fee loans by module or credit, you would want the system to allow you to charge that way.

Lord Lamont of Lerwick: Credit?

Pam Tatlow: Academic credit; a credit that would lead you to an academic or professional qualification, however it was signed off. We use the word "credit" in an academic sense, not in a monetary one. You would then be on pathways to constructing a framework where people were awarded qualifications that were fit for purpose and fitted the reality of their lives.

The Chairman: So in order to get a student loan of some sort you would not have to sign up to a three-year course. You would be able to get finance for something that built up towards some kind of qualification.

Pam Tatlow: Precisely. You can run both systems; some people would still be keen to study for an honours degree or for a very clearly set out lower level higher education qualification such as an HNC or HND. However, if you had that flexibility in the system and felt you could not progress at any point you could step back and would get credit for what you had done. It would also help you if you were working and could not study on the kind of full-time basis. We have a silo view about that at the moment. In fact, some students take four years to get their honours degree, some will take three years, and you can run an accelerated programme.

Lord Turnbull: At an earlier hearing, we were given a table that showed what you might call the deltas—what you add to your earnings if you move from level 3 to level 4 or 5, and what you add from A-level to BA and from BA to Masters. We basically calibrate the whole thing around the A-level to BA on the grounds that there is a graduate premium, and it showed that that jump was the one that had the biggest effect. Are you saying that if you try to make a smaller jump where there is not the same enhancement of your earnings, you still have to borrow the same amount of money and pay the same sort of fees?

Pam Tatlow: The fees are dictated by the fact that we have no direct grants for lots of subjects. So the higher fees are not solely of our making; it is how the funding system works. Clearly, you could charge, as a university or institution, as you thought appropriate. We are not necessarily saying this would result in a cheaper system; we are saying that it would produce a system that was fitter for the 21st century, and the patterns of life. The reality is that people will, or should, return to get new and different qualifications in a world that we do not yet know about in terms of the jobs of the future.

Professor Patrick Bailey: There is a subtlety here in that once students are enrolled on a three-year programme, universities are penalised in how they are judged if students do not progress through to that degree. The key point that Pam is making is that some will choose to do a qualification from level 3, which is A-level, to level 4 initially, and might wish to take a step to the higher levels of levels 5 and 6 subsequently. That is easy to define, while others may not be sure at what stage they wish to exit. At the moment, however, they need to enrol as if they were taking a degree and exit after one year. We have an exit qualification, but we are disadvantaged as institutions, because it is flagged up that the students have failed to achieve what they originally set out to achieve. Part-time and more mature students have a lot of pressures on their time and might wish to take a break not for academic reasons but for family reasons. We see that frequently at a university like the LSBU, which has an enormous participation-widening agenda. That flexibility is hugely valuable to those students.

Lord Sharkey: Is it not the case that universities are not incentivised to attract part-time students for precisely the reasons that you have just given?

Professor Patrick Bailey: We have seen a huge drop in the number of part-time students recently. I think it is a 60% drop over the past five years or so, which is really dramatic. It almost comes back to the question right at the beginning about technical education. At institutions such as London South Bank University, where we have 7,000 students who are part time, we would not have survived if we could not offer courses that were still attractive to students, even though there were substantial financial burdens on them. But across the sector overall we are losing the opportunity to upskill a wide range of people who could meet the needs of the industries around the UK, which are crying out for levels 4, 5 and 6 in particular.

The Chairman: Sir Anthony, welcome to Committee. I am sorry if our security people detained you or held you up.

Sir Anthony Seldon: I am sorry to be late.

The Chairman: We are just on the first question: to what extent can technical education be delivered through higher education institutions? We have had pretty full answers.

Sir Anthony Seldon: I have nothing to add.

Q55 **Lord Sharkey:** I want to talk about apprenticeships and reforms to apprenticeships, and your views on the reforms. What kind of future do you see for degree apprenticeships? There seems to be some division of opinion on them. Birkbeck told us, for example, that it was concerned that the apprenticeship programme could see a diversion of funds from one area of training to another or a rebadging of other courses without any further skills. It also thought that degree apprenticeships were not a like-for-like replacement for degree-level study. What do you think of the reforms, and what future do you see for degree apprenticeships?

Professor Patrick Bailey: We have made an enormous commitment to degree apprenticeships, primarily because, with so many part-time students, if we did not do so and other universities were to offer those qualifications, our part-time students would almost certainly move elsewhere. So we had an incentive to make that commitment. Having done so, I can see an engagement from business and industry more generally, which has picked up as they have had to pay the levy and have realised the financial implications and how it affects them, and that has been really positive. We had an advantage to start with that we had over 1,000 employers that we work with for our part-time students anyway, so an enormous network was already in place that has allowed us to develop apprenticeships.

The concern that Birkbeck has correctly identified is that a tranche of standards have been identified by the professions, which need to be superimposed on the qualification requirements that we have for

degrees—in particular critical thinking, working in teams, synthesising information and taking complex problems, which you might well not have the skills at the outset to solve, but drawing down the information that you need. So there are high-level skills that would benefit anybody within a technical discipline, but how the technical part is defined is rather more specific within those particular disciplines. They can complement each other, but it makes it a very complicated process for us, because we have to run the whole degree programme and map that across a different set of standards that the apprenticeships require. However, I am not as negative about it as Birkbeck was, because I think it has provided an additional incentive for employers to become engaged in how we develop qualifications.

Pam Tatlow: Modern universities have led the field on degree apprenticeships, which is partly because of their course offerings. The Institute for Apprenticeships does not understand HE standards, which is a major issue. We line up a bit with the CBI on this in that there is an inflexibility in the Government's approach to the use of the apprenticeship levy. There could be some relaxation. In some professions, such as nursing and teaching, the employer side is under huge pressure to spend apprenticeship money in a particular way. It is really difficult to try to deliver nursing apprenticeships in the way that is sometimes spoken of by Ministers, and in the numbers that they speak of, because of the sheer complications to which Pat refers. There is a bit of a numbers game going on when actually we need degree apprenticeships to be allied with programmes where it makes sense. We are dependent on the employers recruiting to degree apprenticeships; it is not our gig. We need the employers to be convinced that this is what is going to deliver for them.

Lord Sharkey: Your gig is designing the courses that the employers can use via the levy.

Pam Tatlow: It is, but if the courses are going to be accredited with the qualification that counts for the student, or the apprentice, we must make sure that the course and standards fit the universities' regulations and the HE standard and, in some areas, fit the standards and practice frameworks for the profession itself, whether it is nursing or teaching. I give those as examples; or the Chartered Management Institute, and so on.

Professor Patrick Bailey: I want to interrupt Pam very quickly, because nursing and teaching are two very special cases. For both of them, an apprenticeship would be the logical way to go, and statements are made that if you learn those through the academic route you do not have the practice. Well, of course you do. Teaching and nursing have always been delivered with an enormous amount of direct involvement in the professions themselves; that is where you pick up those skills. There is a whole range of other disciplines that map the standards coming from a group of people within the profession. They may quite often be diverse individuals with different ideas about where the profession should go. That is why it is not simple to identify how the standards will map out. In

general, the universities that have been engaged with apprenticeships have ensured that they were involved in the early stages and have therefore had significant input into the way the curriculum is designed. That is beneficial all round.

Pam Tatlow: It has to be signed off by the Institute.

Professor Patrick Bailey: It has to be signed off by the Institute as well if you get a degree.

Pam Tatlow: It has to be signed off by the Institute for Apprenticeships and there is a bit of a log-jam there.

The Chairman: To pick up on the nursing point, way back years ago when I was in government in the Scotland Office in the late 1980s, a debate started on whether nursing had to be a degree profession. I remember my chief nurse saying, "We have to have a degree because it will raise the status of nursing". Does the move to having an apprenticeship go back to the idea that it is more about imparting particular skills? Is the difficulty that you are experiencing related to the status of apprenticeships, or has that idea disappeared?

Professor Patrick Bailey: It is too early to tell, probably.

Pam Tatlow: It is not related so much to status. Nursing was a graduate profession in Scotland long before it was in England. You were ahead of the game there if you think that is important. You will not qualify at present unless you have passed your clinical placements, which for nurses is six months of each academic year. We already have universities seeking to deliver degree apprenticeships in nursing. The problems are in marrying the whole structure with the professional standards and regulation. The Nursing and Midwifery Council said things yesterday that will hold it all up. That is one of the other things that is going on here.

Lord Lamont of Lerwick: Before we move on, does Sir Anthony have anything to say about this.

Sir Anthony Seldon: Actually, I am happy with what my two colleagues have said, but thank you for asking.

Lord Lamont of Lerwick: Does this accord with the remit of the University of Buckingham, as you see it? It is an unusual institution and I wondered how much the arguments that have been put forward correspond with what you are aiming to do. Or do you see yourself as more remote from vocational technical training than other universities?

Sir Anthony Seldon: Some of the alternative providers—the independent sector—are very much leaning into apprenticeships and see that as a fruitful way forward. However, my own university is almost unique in being independent and not for profit and trying to be an academic university just like any other, with a medical school and teaching archaeology, art history and the whole range of humanities. But this is not a particular thing that my university is focusing on as yet.

Maybe it will in the future. We are certainly looking at it, but not with urgency.

Lord Lamont of Lerwick: Before you arrived, Professor Bailey was saying that this divide was exaggerated in people's minds and that almost all universities were concerned to get people "job-ready"—I think that is the phrase that was used. Do you see that as what the University of Buckingham does as well?

Sir Anthony Seldon: I think there is a difference within the independent sector. The University of Buckingham was Britain's first independent university in 1976. It is the only one with a royal charter. We see ourselves as an academic institution, with more in common with other mainstream universities than with the private sector as a whole. That said, we are very proud of our high employability rates and student satisfaction rates, which are linked to employability. We all now have to make certain that we are turning out young men and women ready to hit the job market. There is a two-year focus. We offer two-year degrees, which means that you do not have those lush prairies of extensive holidays rolling beyond where the eye can see. It is a very business-like operation. A two-year degree means that you only get 26 weeks off, as opposed to the year and a half off that you get with a three-year one. People are pretty work-focused and keep in the rhythm that they have had at school of working all the time, with shortish holidays then back to work.

We are an academic institution in our focus but also very much job-focused. We are introducing employability and entrepreneurship at the core for every student. Whether they are studying English, languages or economics, they will have employability scores at the very heart of what they do. In future, you cannot qualify from the University of Buckingham unless you have that. That is our story, in summary.

Q56 **Baroness Harding of Winscombe:** I would like to move on to looking at what incentives and pressures there are to improve quality in higher education. We have heard two very different views. From the Department for Education, we have heard a clear belief that the market works and that this sector is ripe for the market to drive the incentive to improve quality. From Dr Andrew McGettigan we heard the absolute opposite view: that the relative inability to switch, and the fact that these are one-off purchases with quite opaque information, meant that the market provided almost no incentive for institutions to improve quality. Which do you think is right?

Pam Tatlow: We challenge any pure market view of higher education. There is a great temptation to treat it in focused, value-for-money terms. However the financing is done, we have to add the wider public benefits of investment in higher education. Part of this is sometimes missing from some of the dialogue with the Department for Education. There is competition already for student numbers, in research and in other areas. We are part of a system of institutions that are nationally quality-

assured, with standards associated with what different degree grades are linked to.

The biggest problem is that we are pushing the market to an extent that new providers will be able to apply for university title on different criteria. It is important to recognise that, under the Further and Higher Education Act 1992, modern universities were enabled to apply for university title, taught degree-awarding powers and research degree-awarding powers, on exactly the same basis as established universities.

Moving forward, there are potentially fewer safeguards in the system. The department is proposing that an institution will be able to be awarded probationary degree-awarding powers, and have less of a track record before applying for university title.

One final example is that there will be no numbers. At the moment, you know that to be considered for university title you have to demonstrate that you have 1,000 students studying for an HE programme. That was brought down by the coalition from 2,500.

Now, if you think about 1,000 over three cohorts, that is not very many. The risk in future is to reputation and potentially to quality, although everyone will have to sign up to quality assurance. Still, there is a dialogue about the market that I do not think particularly reflects the different ways in which students and universities see higher education. I think modern universities regard themselves as pretty mainstream as well, although Sir Anthony implied otherwise.

Professor Patrick Bailey: I have two points. First, I would not want you to underestimate how smart the students are in choosing their universities. They are hugely competitive. You may wish to ask other questions later about how that influences the actions that universities take to position themselves, but we should be in no doubt that students not only gain as much quantitative information as they can but use social media and a whole range of other communication tools that some of us are less familiar with to make their decisions. They are very well-informed when they make them, and it is very competitive at the moment. My real worry is that if, crudely, I choose an area that it might be relatively easy to attract students to, such as business, which will not require extensive laboratories and additional facilities, it is relatively easy to offer a degree in that area less expensively and still make a profit, with no intention for the long-term provision of education. The surpluses that universities make are not massive—they are projected to be only 3% of turnover next year, which is perilously close to them not being sustainable long-term—but they are put back into the development and maintenance of technical facilities, teaching rooms, halls of residence and all the other things that provide the student experience. The opening of the market provides a very high risk that there is less support for some of the areas that will be really important for the economy because the competition will favour those subjects that are much less expensive.

Q57 **Baroness Harding of Winscombe:** Both of you said that the market is

very competitive. I am trying to understand: competitive on what basis? No one is competing on price. What information are students really using to make choices? You should always be careful what you believe when you read in the papers, but I was quite struck when I read that the ASA has been getting to work on challenging universities' claims in order to attract students. That does not look like a market that is working on a fact base.

Pam Tatlow: Students have always had quite a lot of information; they get information from UCAS and Unistats. However, the Government already interfere in the market in some ways. For example, when Michael Gove was Secretary of State for Education, he changed the performance indicators for schools. You allegedly perform better as a school if you progress your students to what his perception was of the 30 most selective universities. I have to say that how you advertise your grades and what you recruit on can be two entirely different things, and all universities have highly selective courses. So there is interference in the market, but students do not just treat this as a consumer market; they treat it as an investment market. Early on in this process, in 2012, when some universities offered some courses at lower prices than the maximum fee because they could, students and their parents wanted to know why they were charging less because they saw price as an indicator of quality. Universities are very conscious of that. We would think there are lots of good arguments why people charge the highest price now, but I will not go into that because I have spoken enough. However, it is not just a straightforward consumer market; it is an investment market as well.

The Chairman: Sir Anthony, do you want to say anything about this?

Sir Anthony Seldon: Here I differ from my colleagues to some extent. I became a vice-chancellor two years ago. Having run schools for 20 years, I observed that the balance between the consumer—the student—and the producer interest in universities was heavily weighted towards the producer interest. It is not surprising that there is quite a lot of complaining from the university sector as Jo Johnson, as Universities Minister, is putting the emphasis back, quite rightly, on the consumer. Of course you can go too far. The market, like democracy, is imperfect, but it is a better system than any other for ensuring liberty and fairness, and for ensuring that over-mighty status quos do not dictate outcomes in what they say is the consumer interest but is in fact their own.

However, there is a certain amount of naivety here on the part of the Government. They want to encourage new providers, but that is not going to happen, at least not in the kind of university that Buckingham is, which is not for profit. It offers a whole range of courses. We have been the first private medical school since Victorian times and are one of only 34. It is extremely hard to set up a private medical school; we do not receive money from HEFCE despite the fact that the courses we offer are cheaper than in the other 33 university medical schools. It is very hard running two-year degrees when our students are not on a level playing field with three-year degrees.

Despite two years of saying all this since I took over, and my predecessor said the same, the playing field is very much still in favour of the status quo. I worry that the new providers that we are going to get will be single-subject and not what I think of as proper universities but rather simply profession-rewarders. You study the law, you study for accountancy, you go to this accountancy or law university and get a degree—to me, that is not what university experience is. If the Government really want to encourage innovation and a proper independent sector with universities offering a full range of subjects, as in the American model, they need to work much harder to offer those possibilities.

A final thought: consumers do not shop around. If they did, the University of Buckingham would be the most oversubscribed university in the world. We are up 26% this year. For what it is worth, we have been top of the league table of quality of teaching—which needs to be vastly improved, by the way—for three years in a row, but we are not inundated. What universities do the students want to go to? I see it because I run these places year after year: they want to go to universities that they think have great names and where the caps are off. There have already been concerns about the quality of experience in these very large universities, and now they are getting even larger. Some of the best universities where the best teaching is being done, the middle-tariff and lower-tariff universities, are losing numbers because students think they will get a better experience and then a better job by going to those top universities. That is an example of the market not working so well.

Q58 Lord Tugendhat: Sir Anthony has covered some of what I was going to ask. Nonetheless I will come back to the point that I was going to put. You present a picture of highly sophisticated students and parents looking at all the information and so forth. I can well believe that that is true of people from the more privileged classes, but I wonder to what extent it is equally true for people from more disadvantaged backgrounds with little knowledge of universities and little background in the sector. I should be surprised if they were as sophisticated as you say.

My second point, and to some extent Sir Anthony touched on this, is that they may well exchange information about universities on the basis of all kinds of criteria on social media, but to what extent do you think they are aware, for what it is worth, of which courses provide the best job opportunities on graduation and which, however pleasant to do and however intellectually scintillating, do not provide such good job opportunities on graduation?

The Chairman: Could we have quite short answers here?

Professor Patrick Bailey: On the question about widening participation, you make a very good point. Many of the students who come from poorer backgrounds cannot consider going to a university that is not local. That puts an onus on universities like mine to ensure that the quality of our provision is high and meeting the needs of those students. You are quite

right: their choice is a bit limited, but not because of the market. It is often limited because of other pressures: family commitments, jobs they need in order to make ends meet. They may be part time and sponsored by companies. All those things make us beholden to meet our original remit: to be a university that serves the local population. It does not mean that we do not run courses with a wider remit too, but we have a real obligation to deliver high quality for that reason.

Pam Tatlow: Very briefly, students are talented and ambitious whatever their family background. I agree with Anthony that the market currently runs partly on the historical reputation of big names. However, we in modern universities do not think of the market as being just younger, mobile students. As a country and a sector we want to provide opportunities for the whole rich and diverse range of people of whatever age. There will be people for whom this whole market—and the over-layers on it—does not add up, because their one opportunity to go to university will be more local. That is what they are going to do and we should welcome it. We should deliver a high-quality and successful student experience for those students as well.

Q59 **Lord Turnbull:** Many of us, me included, have been working on a mental map of tertiary education that has an HE channel and an FE apprenticeship-through-work one. There is a sense that the second of those was getting neglected. In their submissions, London South Bank University and the University of Central Lancashire give the interesting view that they can provide, directly or through alliances, for people going into FE and other courses. An analogy is the VW group, which produces Bentleys, Audis, VWs and Skodas. Is your ambition to be a multi-channel organisation that can produce courses at different levels? If so, can you still maintain your reputation while doing it?

Professor Patrick Bailey: The differences are most apparent at levels 3 and 4 apprenticeships—level 3 is roughly equivalent to A-level—and, as you might expect, you are running through a continuum as you move up the grades. It is an absolute requirement that at level 6 you are at the cutting edge. We require our academics to be involved in professional practice and research to ensure that the programmes are adapting and developing to the new technologies as they come through. It is clear that at levels 4 and 5 there will be a crossover between the two. There are real opportunities for those with intellectual ability. This comes back to the divide we talked about at the beginning, with technical as one side and academic as the other. There are many who have the academic ability and combining that with technical skills is a fantastic bonus for the student and the country.

The universities are extremely well placed to take level 4s and upwards. However, as Pam said earlier, the ability to have a break and to exit at an early stage without a penalty increases the opportunity for many, particularly part-time and mature students who are challenged in other ways. There is a continuum: the idea that it is either FE or HE is wrong. FE does not have either the expertise or facilities to deliver at level 6 and rarely at level 5. Crucially, more and more universities like mine are

working closely with FE to ensure that students feel they have a choice, as they come through level 3, either to go to level 4 at FE or move to a higher education degree at a university. It comes back to giving choice and ensuring that students have the chance to develop skills to their maximum potential.

Lord Burns: The same question has been on my mind. Are you saying that you can see a world in which universities are going to do both HE and FE work? I can see that FE cannot do the university work but over the years I have watched universities becoming involved in more and more different areas—hospitals et cetera. With mergers, they are getting bigger and bigger. Is the end product here that universities will try to do everything over the age of 18?

Professor Patrick Bailey: I just want to clarify before I hand over to Pam. Working in collaboration with FE is different from it being an entirely single educational delivery. It is important to emphasise that we absolutely recognise that distinction.

Pam Tatlow: I would add simply that we as a country need FE to be well funded. Some of the dialogue is that HE is too well funded and that it should all go to FE. Actually, we need FE to be well funded, because it is a route of progression; it is about expansion of qualifications and skills. That is why I mentioned the 19 year-olds who might not start off life in—

Lord Burns: You have not answered my question. Are we on a journey in which universities are seeking to take over FE?

Pam Tatlow: No, and we are not going to see those kinds of mergers under the present funding system; nor should we.

Sir Anthony Seldon: I agree with my colleagues that FE badly needs more funding. I disagree, and agree with the inference in Lord Burns' question, that some universities will embrace FE. I think we will see a top tier—Oxford, Imperial et al—that becomes more research-focused, competing in the world tables and other, more regionally-based, universities that will come down to FE and even UTCs and academies and go all the way through. We do not know, but that is my sense: that the new binary divide will be between HE and FE but with less research and with high research at the top end. Who knows?

Lord Burns: If that is the case, does it follow that the universities will want to see a similar style of funding across the two sides of HE and FE?

Pam Tatlow: We might not wish for the expansion of the current funding system. It is probably time for it to be reviewed.

Lord Burns: In the longer term, where would you like to go? Would you like to see a uniform style of funding that goes across HE and FE?

Pam Tatlow: No.

Lord Sharkey: Why is that?

Pam Tatlow: Because we are doing different things. It depends what qualifications you are delivering.

Lord Burns: Do not get me wrong, I am not saying that prices for each of these modules or credits should be the same.

Professor Patrick Bailey: Are you talking about the mechanism?

Lord Burns: The mechanism, and the arrangements, and the question of whether there are loans or fees, or what kind of earnings-contingent systems of payment there are.

Pam Tatlow: I am sorry, but that is a much bigger question. In principle, the answer is no. There are things about the present HE funding system that you would want to fix, and it is important to think about that.

The fundamental question is how students are funded to be able to participate.

Lord Sharkey: I will try once more, if I may. Forget what the system actually is, or may be. Why should there be a difference in the mechanisms for, or availability of, funding for FE and HE?

Pam Tatlow: There should be no difference in the funding and availability of HE and FE, but if you simply want to extend FE into more of a fee system, which is what you would do if you extended the present system—

Lord Burns: I am sorry, but I do not think that either of us was suggesting extending the present system. We were asking whether the longer-term aim would be to see a funding system that managed to cover both sides.

Professor Patrick Bailey: My view would be no. There are such fundamental differences in the level of facilities and the expectations of what one is providing educationally that there is a real distinction. However, I hope that all of us around the table are agreed that we wish there to be state education up to round about levels 2 and 3. FE provides that transition, which is why it is in a very special position. It is already hard enough for some students from disadvantaged backgrounds and schools that are poorly performing to realise their full potential. If the suggestion is that the funding is more like the school system but is able to fund FE adequately to provide in that way, I would be wholly supportive. If you are suggesting that it should move so that there is a continuum, with FE funded in the same way as HE, that would put an unreasonable burden on many with a potential that would not be realised.

The Chairman: We have to move on, I am sorry.

Pam Tatlow: Can I just distinguish between FE and HE? There is a whole load of FE that is statutory.

The Chairman: I do not think that we can pursue this complex question, and I am very conscious of time, but if you would like to, please follow up in writing.

Q60 **Lord Tugendhat:** My question is about the teaching excellence framework. To what extent does this make student satisfaction a central objective? Should we welcome that?

Professor Patrick Bailey: I was on the teaching excellence framework panel of about 20 people from across the sector. I was intimately involved in the grading of all 240 institutions that came under that framework.

All of us who joined that panel were aware that we were using very weak proxies to identify the quality of education in the UK. We did our very best to combine the crude metrics that were used to identify which rating institutions should get with the provider statement that went alongside it. The thing that came across really strongly from the teaching excellence framework was how little difference there was in the quality of provision.

At the beginning, it was assumed that there were outstanding institutions and others that were performing very poorly and it was important to identify those extremes. In the end, you obtained what I will call a black mark if you were 2% below the standard in an area being measured, such as the quality of the facilities. You got a gold star if you were 2% above that. That tells us that the differences across the sector were very much smaller than people outside higher education had perceived.

Lord Sharkey: Or that your measurement tools were inadequate.

Professor Patrick Bailey: You are absolutely right. It is both. It was an extremely crude measure of teaching quality and learning environment to take three values from the national student survey and use them as the feed-in for the metrics. However, we were handed a tool that we needed to develop, and we did our very best to try and create a fair grading as a result. As to how it has helped students, it is probably slightly limited because the range is smaller than had been perceived at the outset.

Pam Tatlow: I do not think that the teaching excellence framework is terribly linked to student satisfaction. In terms of the metrics in future, the Government have reduced the National Student Survey, which has satisfaction in it. To answer your question, I do not think that the teaching excellence framework really does that. I do not think it actually gives a very good view of the quality of teaching, because of the metrics that were used.

Sir Anthony Seldon: I would like to praise my colleague Patrick for being part of the panel that selected my university as top of the whole country with two double flags over all six metrics. I cannot believe what my university colleagues do at times, because teaching is something that schools are really very good at. At my first meeting of vice-chancellors I was naive enough to say, "Do you think there is anything at all that universities could learn about teaching from schools, which give so much

focus to it, and learning, which is very different"? I was told that I did not understand. I was new in the vice-chancellor pack. Teaching at university is totally different to teaching at school. Sorry, chums, but it is not. There is a 90% overlap. It is all about engaging, stimulating and stretching. They seem to think that at schools it is all about spoon-feeding, not independent learning. Go and see schools.

It is very good to have the teaching excellence framework, because there has been far too much focus on research and not enough on teaching, even before the research excellence framework came in. The REF just accentuated the tendency. It is absolutely right that undergraduates, post-graduates and doctoral students have great teaching; they deserve it. The best will also do very good research.

It is right that we have it. It is right that our consumers—students—are looking at it. We just need better metrics that would enrich the whole intellectual quality of universities if only they did it well. To show that I am not just talking out of the top of my head, I wrote all this out in a booklet for the think tank the Social Market Foundation. I drew on the best minds, including President Bok of Harvard, who revolutionised the quality of teaching there. It can be done. Universities are so inward-looking.

The Chairman: Perhaps your article could be circulated to the Committee.

Q61 **Lord Burns:** I would like to move on to the subject of international students and how far the universities are dependent on their fees. How far does it vary from institution to institution? Are there any worries about the declining growth in those numbers and the uncertainties there may be in the future? To what extent are the finances of universities heavily dependent on an aspect of the student body that may not last in quite the same form?

Pam Tatlow: It is certainly true that this is an important income stream—we might not call it dependency—and, as you rightly say, it will vary between institutions that have different proportions of international students. Our worry is not just the income stream but the diversity and richness of international students, which is of mutual benefit. Of course, we have to be concerned about the future and that is linked partly to the Home Office and the UKVI operations of the visa regime. There is no doubt that what happened in 2012 has not helped us in some markets, particularly in India. I know that Ministers say there is no cap on student numbers. That is not the point. We could probably do better when it comes to the proportion of students we could attract. It helps the income stream, it helps sustainability, and it particularly helps the viability of certain courses on a practical level for UK students; it is academic viability as well as financial input.

Lord Burns: Which kinds of courses?

Pam Tatlow: Some of the sciences.

Professor Patrick Bailey: You could choose any group of students at the university and say that if we did not have them it would wipe out the surplus that needs to be invested for the future of the university. My rough calculation is that the international students—to choose that group—are the difference between breaking even and generating the surplus. So those numbers are very important.

Lord Burns: That is not just any other group, is it? It happens to be a group that is not subject to the funding system that we apply to domestic students.

Professor Patrick Bailey: Indeed. But I absolutely agree with Pam that people are educated and learn their skills at university within a global market. It is hugely enriching to have people from around the world with different views, particularly as one assesses problems that are more and more complex. That adds a huge amount to the quality of the education that students get.

To go to the straight question about the finances, to take out any group that constitutes about 10% of the students would pretty well remove the surplus from the universities. So we will need to adapt if we cannot attract more international students.

Sir Anthony Seldon: I totally agree with my colleagues and the vast majority of the sector. Overseas students are tremendously enrich our university life, our finances and to the future of the country. The soft power and economic benefits of having those students is glaringly obvious, but there are some perverse voices in government that have not seen it that way. Government should be doing everything that it can to support the Universities Minister and to make it as easy as possible for overseas students to flood into our universities. It is a wonderful thing.

Lord Lamont of Lerwick: Just to wrap up and to get your views on student loans, you said earlier that you were not happy with the system of maintenance loans and you would like to see them replaced by maintenance grants. What do you think are the main reasons for the fall in the number of part-time students? What could be done to reverse that?

Pam Tatlow: The fall was so dramatic after 2012—there was such a decline—that you have to conclude that it is something to do with the ticket price, the £9,000. The challenge is how you incentivise part-time students if you keep the current funding system, with fees of £9,000 or £9,250 and potentially rising, although they have been frozen for 2018-19. I would probably go back to my earlier answer: at best, you could have a more flexible funding model, but it is a good reason to review the whole system. We tend to talk about the system working for the younger full-time market, but it has not worked for the wide diversity of the student population who we should attract and who we have always attracted. I do not think there is any easy answer on this, but flexibility of funding might help.

Professor Patrick Bailey: I said earlier that part-time students have a range of additional pressures on them, which makes it particularly unattractive to take out a loan. Some of the negative publicity, for a range of reasons over the summer period, suggesting that obtaining a degree qualification was not going to be beneficial and questioning whether the investment was worth it, has made it even more difficult for those who find it very challenging to commit to a part-time degree. Those additional pressures make it much more likely that they will be unwilling to take the sort of loan under the payback mechanisms currently in place. That is why I agree completely with Pam that they need to be revised.

The Chairman: Sir Anthony, you can have the last word.

Sir Anthony Seldon: Not to repeat what has been said, I would merely say that the current system means that there are financial disincentives to universities that want to offer two-year undergraduate degrees. It would be better for all students to have a choice between two, three or even four years, as David Willetts was saying the other day. It could be six years, including part time, but it needs to be fairer for those who want to do two, four or six years.

Q62 **Lord Lamont of Lerwick:** Professor Bailey, you said very early in the session that students considering different courses and universities were extremely well informed and put a lot of energy into it. You might have been talking about the institutions and where they were going, but it was quite a contrast with what Martin Lewis told us in his evidence, when he said that students found it almost impossible to comprehend the student loan mechanism, and he did not believe that there was a good understanding of it and felt that it was far too complex.

Professor Patrick Bailey: I agree with both of those statements. They are very well informed about the universities, and from talking to the students it is clear that even if they are constrained geographically, they will have investigated very carefully which institution to go to and why it would suit their needs. The loan system baffles them; they find it very challenging.

Lord Lamont of Lerwick: I am not surprised.

Professor Patrick Bailey: I am not surprised, either. We do our very best to make it as clear as we can for them. Sadly, many of them are completely put off by it right at the outset, particularly if they do not have well-educated parents who will put in the time to help them to understand it. That is an additional challenge. You can see that I am really making the point that we need to realise the potential of students who are challenged in other ways.

The Chairman: I bring this session to a close and thank you very much for answering the questions. I am conscious that it was too short a time for such a big subject, but we very much appreciated your written evidence, which has a lot of positive suggestions. If you feel that you did not have time to come back on some points, please feel free to write and

it will be circulated to the Committee. I have to say that the student loans system is one of the most challenging things that I have had to come to grips with for a very long time.

Examination of witnesses

Professor Mike Thomas, Peter Horrocks and Professor David Latchman.

Q63 The Chairman: Professor Latchman, Mr Horrocks and Professor Thomas, I think you listened to the earlier part of the session. We will try not to cover exactly the same ground. Do you think there is sufficient diversity in the higher education system in the institutions and qualifications on offer and the modes of study? To what extent do you think that the funding system has created a system in which the full-time, three-year degree dominates?

Peter Horrocks: There is a reasonable level of diversity in the institutions. The real problem is the increased lack of diversity since the change in the funding system. I draw particular attention to the fall in the overall number of disadvantaged students, the fall in the number of older students and the fall in the number of people who are studying part-time using different modes of study. Those are all associated with the change in the funding system from 2012. I refer here to England; there is a very different picture in other parts of the UK. The Open University is the only university that covers all four nations of the UK.

Professor David Latchman: I agree that the diversity is there, but it has decreased. We have come face to face with the fact that the system is predicated on 18 year-old, full-time students. It is designed for that. There are continuous unintended consequences of changes that are made predicated on 18 year-old students, although that is not because there is a prejudice against more mature students or part-time students. The ELQ issue of equivalent or lesser qualifications was an example of that a few years ago. Now we have the loan system. I argued in front of Lord Browne that we should have a loan system for part-time students, but it turns out that there is a huge aversion to loans among part-time students. Many part-time students are not eligible for loans because of the length of their courses or because of their previous qualifications. Unfortunately, we do not think through how the funding system supports the diversity that we all want.

Professor Mike Thomas: There is not enough diversification, not among institutions but among modes of study. The issues that prevent diversification widening are the silo funding between FE and HE, which you heard about from the previous speakers; the strange UK system of a hierarchical learning model, where you go from a level 2 to a level 9 and where you have to do a BTEC diploma or degree et cetera; and the fact that primary, secondary and tertiary education are split. Those are the structural issues that prevent diversification. At the University of Central Lancashire, we have been exploring a different, horizontal model—we

submitted written evidence to you about it. I will talk about that as we go on.

The Chairman: It was very interesting to read about that.

Q64 **Lord Burns:** Has the emergence of online learning had the impact that was expected of it back in those days when people thought that all manner of things would be completely solved by online activity? It clearly has affected the way in which people teach and one can see many of its effects, but how far has it delivered in terms of how people do their learning?

Peter Horrocks: Clearly there was hype around the introduction of massive open online courses—MOOCs—about five years ago, when some of their advocates thought that they would sweep away universities in 10 or 15 years. That has not happened and is unlikely to happen. However, having come into higher education from another sector, like Anthony Seldon—I came in from the media industry—I am reminded of when people thought that the internet would not be that big in comparison with newspapers and broadcasting. I think this will still have a significant effect.

There has been a change away from free open platforms to more paid delivery. Many universities are delivering courses online both to their campus students and at distance. New forms of collaborative provision are likely to emerge. A few years ago, the Open University set up a learning platform called FutureLearn, which is the largest learning platform in Europe. Universities are now starting to collaborate to provide shared provision, recognising each other's academic credit and creating the opportunity for students to be able to study the courses that they want to, selecting from a variety of providers. Those kinds of innovation will start to change the way in which universities work, but they will not sweep away the campus experience for many people who still want to have that life experience.

Professor David Latchman: Perhaps I can follow that from a Birkbeck point of view. Clearly, the Open University is a pioneer in this area. We stand or fall on a core of face-to-face learning, which many disadvantaged students and many students who have not studied before want. We have introduced blended learning, where there is a clear online component and the precious minutes that part-time students have in the university are better used. That has allowed us, in addition to our four-year degree model, which lost catastrophic numbers after the loans, to move into a three-year degree model, where students study in the evening and finish in the same time as full-time students while being able to work. We can do that because of blended learning, which means that we do not have to increase the number of evenings that they come per week. The Committee might be interested in the paradox that that is officially classified as a full-time course, because it is a three-year degree. Therefore, the students get maintenance loans. Within five years of introducing that model, two-thirds of our undergraduates were doing

that and not the 50 or 100 year-old four-year model. That shows the power of blended learning.

Q65 Lord Sharkey: I want to follow up by asking about lifelong learning. The Government occasionally seem committed to the notion of lifelong learning. What support would you like to see from the Government for lifelong learning—on the assumption that you think it is a good idea, of course?

Peter Horrocks: I do. The Open University is the largest university in the country and lifelong learning is absolutely the core of what we provide—we sometimes call it career learning or earn while you learn. There are two broad ways in which things could be improved. One relates to the flexibility of the loans system, which is the primary way of students being funded in England. That is about the flexibility and availability of core subjects and course length. You have heard previously about the importance of modular courses. It was notable that recently a number of large technology companies, led by Siemens, called for the apprenticeship levy to be used more flexibly and talked about the importance of modular apprenticeships. Older learners do not necessarily want to study for a full honours degree, for example. So there is a need for greater flexibility in relation to the loans.

However, the fall in part-time study has led the Open University to conclude that there need to be forms of direct support to reflect the fact that part-time learners have clearly been disincentivised. That is against the interests of economic productivity and the life chances and social mobility agenda. As I said in my opening comments, the number of disadvantaged students who are studying in England has fallen in the past five years, contrary to some of the evidence that this Committee has heard. People regularly refer to 18 year-olds, but if you look at the entirety of the student population, the number of students from disadvantaged areas has fallen. There is an economic and a social imperative: we believe that it is important to reintroduce some form of social support to reflect the different perceptions of the advantages of learning for this market.

The Chairman: Could you be more specific on what you think that form of direct support should be?

Peter Horrocks: On the source of funding, it could come in a variety of ways. The apprenticeship levy and greater flexibility in relation to what employers are looking for from the levy would be one obvious source of funding. At the weekend, the Institute of Directors called for tax credits to be available for investment in people alongside investment in research and capital. There could be a reintroduction of what was originally called the part-time premium, which was a reflection of the extra costs that are incurred by institutions in delivering part-time study. That could go further in order to be able to counterbalance the clear disincentive effect that the higher fees has had for this part of the market—clearly, there has not been the same effect for 18 year-old study. It is like the further education market that you heard about earlier, where there is a lack of

propensity to want to take out a loan. There are particular characteristics in parts of society where the idea of taking out a loan in order to be able to improve yourself through study is not as widespread as in other parts of society.

Professor David Latchman: To answer Lord Sharkey's point, there are two things here. Peter touched on the first, which is whether you can change the system. In Wales, for example, the amount of loan is much lower for part-time students and there is a clear grant from HEFCW, which is given to the institutions. The dual support system there means that the number of part-time students has not fallen catastrophically. That is one thing.

You also asked specifically about lifelong learning. We have a system in which we have encouraged more and more 18 year-olds to go to university to widen participation. Primarily, we have deepened participation, perhaps, in groups that participate already, but we have widened it to some extent. We have also given people a one-bite-of-the-cherry system. If you study at 18 because your peer group tells you to go to university and you study something that you are interested in, 10 years later you find that that is not your career path and you need a degree in something else. Unless that is a STEM subject, you will not get a loan, so you will now have to find three times £9,000, or whatever the equivalent is. That pernicious, in my opinion, view of equivalent or lesser qualifications was introduced by previous Governments on the basis that it was all about people having a nice time for three years and then wanting another nice time for three years. Ninety per cent of those ELQ students, as they were called before it collapsed, were part-time. They were people doing lifelong learning and reorienting their careers. We have destroyed that market. In Birkbeck, before the ELQ rule, we probably had 50% ELQ students. Now we have less than 5%, because you have to have the full fee.

If you really want to do something about ELQ, and we have done it for STEM, let us at least do it for other vocational things: for law, for management, for economics. We can argue about whether you should do it for history of art or English; I have my own view, but if you want the utilitarian view then at least do it for law, economics and other subjects such as management that promote your career.

Q66 **Lord Tugendhat:** Is there a disparity in the available funding higher education and further technical education? If so, how would you address it?

Professor Mike Thomas: Yes, there is a disparity. I can tell you how we are addressing it, although we also submitted this in the written information to you. We feel that when you do an undergraduate degree—four years for engineering or five years for medicine and so on—you should also be allowed the opportunity to do an apprenticeship at the same time, so that when you qualify and graduate you may be, say, a four-year engineering degree-holder but you may also be a trained fitter

or plumber. If you are doing construction, you could do joinery or carpentry.

We tested this model internally in the university. We have 1,000 student start-ups at the university, which is quite a large number for the economy of Lancashire, creating about 3,000 jobs over three years, with a turnover of about £500,000 on average. Many of them come from fashion and the arts, because when they get their degree they set up on their own. When we piloted this internally at the university, we found that our art students, particularly fashion students, wanted to do a certificate in accountancy because they were setting up their own businesses, but they were not allowed to do it because it involved different funding or a different institution.

We are modelling a system in the university whereby students can do that. At the moment, we are picking up the fees. Engineers can train through a long-term apprenticeship. Arts and fashion students can train to get other types of qualifications. We do not take the hierarchical vertical view of learning; we take a horizontal model and work with 21 FE colleges so that our students can go there on Wednesday afternoons or spend four to six months in employment. The piloting with BAE involves them doing two years of a degree in the university, but in the final year they move to the levy and a degree apprenticeship, so that reduces their fee loans. They pick up an "Earn as you Learn" as they go along, and they graduate with a degree and an apprenticeship at the same time. We think that we meet the employer need.

The difficulty is the silo payment; you have to have an EFA or an ESF payment or a student loan. We think there should be one payment and that undergraduates should be allowed to do apprenticeships and respond to the lifelong learning. For me, it is self-evident that people need support, in relation to what Peter said. We are living longer and people are doing different jobs. Even if they stay in the same firms, the technology in that firm will change so they will need to relearn anyway as they go along, but those opportunities are not there. We are very much modelling a horizontal model.

Lord Lamont of Lerwick: That is a very comprehensive answer.

Peter Horrocks: I would like to add that in other parts of the UK there is more integration between FE and HE. In Scotland, for instance, the Open University has an OU learning centre in every FE college; 40% of our students come through from FE. There is much more progression and more of a relationship, and that comes not from having an identical funding system but from having a strategic overview. As you will know, Wales is moving in that kind of direction, albeit with some distinctions. So the nations outside England are taking a more integrated approach. The Open University, which has deep relationships with many FE colleges on a validation-partnership basis, would like to see more of that integrated working, because we think that is one way to tackle the fall in the number of disadvantaged students who are studying to HE level. We

know they are more likely to start their studies somewhere that is local and familiar.

The Chairman: I do not want to digress too far into Scotland, but is it not the case that because they have no income from tuition fees there have been cuts in the resources available for further education?

Peter Horrocks: That is true; there are trade-offs. However, in answer to your earlier question, at least there is a single mechanism for considering it, even if the outcomes may not necessarily be as one would want.

Lord Turnbull: I think you are telling us that we are going down a cul-de-sac in thinking of tertiary education as having these two divisions, HE and FE apprenticeships, and that we want to create something that is seen across this whole system—the phrase used in the University of Lancashire’s submission is “increasingly flexible and less linear pathways”. You heard in the previous session that you can go along the pathways and every time you hit a block there is some kind of regulatory funding decision to the effect that, “When you get here, you cannot get on to the next stage”. What are these blockages, and what can we do to make it easier for people to move—sometimes upwards, sometimes horizontally—at different points in their lives?

Professor Mike Thomas: One reason why I was pleased to be asked to give evidence here was that it was a chance to request help from members of the Committee. It is a regulatory issue that prevents that from happening. We have this binary system of FE and HE, but we should have a system that funds the programmes that students wish to do. If they wish to do a degree apprenticeship where they go to university for a year and then spend two years on Earn as you Learn through the apprenticeship levy, or the other way round, or if they wish to do what we call the new model—you do a three-year or four-year undergraduate programme, throughout which you do a long apprenticeship with employers, and you come out with an apprenticeship and a degree—we need the students and the institutions to be able to access that funding. At the moment it is very difficult; you have to have partnerships with FE colleges, and you have to have the apprenticeship levy. I echo what Peter said: we need more flexibility in the apprenticeship levy so that it recognises the breakdown in the UK model of a hierarchical vertical learning system into a more European or Scandinavian-based linear, as we call it, or horizontal model. The big issue was getting the funding to chase what the students choose to study.

Peter Horrocks: With regard to some of the issues relating to funding, I would add information systems, the way in which learning and the accumulation of learning is known and can be transferred, and creating a system that is truly focused on student outcomes. That also relates to the incentives for institutions. If a student happens to leave Nottingham University, that is the failure of that student in a Nottingham context. If they then come to the Open University and succeed, that is a success for

the Open University. There should be an incentive to show that both institutions have shared in that respective success.

For the new Office for Students, there is an opportunity to be able to define outcomes for individual students rather than for the student in an institutional context. This goes back to what a number of us have been saying about the system being defined around the three-year residential undergraduate experience, which is probably the prime experience of most of the people in this room but until recently applied to only a minority of the students studying in England—fewer than 50%. That has changed because of the fall in part-time students.

If digital systems that could support the learning being achieved were transferable, that would also help in relation to the question that was asked about international systems and platforms and online learning. We will very soon be in a world where we will be competing directly with other providers—the online platform FutureLearn has Australian, Canadian and American partners—so there will be a need for learning that has been accumulated to be able to be transferable. We need to think about these systems from a student and an information perspective.

Q67 Lord Turnbull: If we take the total envelope of what goes into universities—£17 billion, on some accounts, and £9 billion into FE—do you think that within that envelope you can recast things without it being more expensive to the taxpayer, which would be a constraint?

Peter Horrocks: Potentially. It is very difficult to think about it on a systems basis because of the way that the system works, which is about funding following the student going to the institution. So it is quite hard in an England context to think about it strategically, especially because of what I believe to be the importance of digital and its ability to deliver at scale more cost-effectively, which has happened in every other knowledge industry that has been disrupted by digital. It should be possible if the right balance between collaboration and competition is introduced, with the regulator having a role in ensuring that cost-effective student outcomes are the way in which the system is driven, as opposed to institutional considerations.

Professor David Latchman: This emphasis on the student and the student outcome is the key, because we have a system that is basically like the school system: you leave school at 18 and you will never go back. Our system is predicated on you requiring an undergraduate degree, 18 to 21, and never needing that again. Somehow or another, within the funding envelope or in some other way, we have to get to this lifelong learning issue, because the world is changing. What you do at 21 is not going to be what you do at 51, and to assume that you will never need to get other qualifications between 21 and 61 or whatever is madness in today's world.

Professor Mike Thomas: We piloted this. I will give you two examples. We worked with the Blackpool leisure industry, which was short of staff

over the summer period, its busiest period, so we arranged for a number of our second-year students to have three-month summer placements in the pleasure parks there as part of a third-year module. They were there for 15 weeks and completed a module, which meant that they had to do only five modules instead of six in year three but that they also got paid a salary because they were working there. So we worked with the employer, we worked with the student, we looked at the curriculum and we worked out the assessments that were required. That meant that they had money. It was still within their fees; there was no additional cost to the taxpayer. It met a local employment need, although it was seasonal. We will now continue that.

That is one model. The other is that we are leasing through local employers—

Lord Burns: Which module were they doing while they were working at the pleasure parks?

Professor Mike Thomas: They were doing events planning and tourism so it was relevant to their subjects. We also do it in engineering; they spend a Friday with 3D printers in engineering technology companies, and they are there for a year. We know that if we spread that over a year they can do an apprenticeship up to level 3 with an FE partnership in that year. It allows the employer to see who they want to hire but the students also get money for that for one day a week, so it also helps them earn some money. There is no additional cost to the taxpayer.

Peter Horrocks: I will give you another example of innovation and cost effectiveness. The internet is the source of knowledge; it has so much information, but it is not the source of learning and education. The Open University is running an early-stage pilot and has created what we are calling an open module, where the learning materials—courses and other information—are freely available, with no charge, on the internet. We are charging for the module because we are curating; we are directing our students towards the appropriate information and other courses. Then we are assessing them and through the assessment we are giving them a learning experience. They are learning through collaboration, working digitally together, and we are able—

Lord Sharkey: Which bit is free, and what are you charging for?

Peter Horrocks: The knowledge—the content—is free. They are getting it from the internet—there are free courses available on platforms such as FutureLearn and Coursera—but they are paying for the relationship that they have with each other and their relationship with their tutor and the assessment that they are receiving. They are paying for the educational experience, but they are not having to pay for the knowledge because that is freely available.

Q68 **Baroness Harding of Winscombe:** We had quite a discussion in the earlier session about the Teaching Excellence Framework. I want to pick that up specifically with Mr Horrocks. I am interested in how passionately

you have spoken about putting the student at the focus of the system, yet the Open University decided to opt out of the teaching excellence framework. Talk us through why you did that and what needs to be done to have a meaningful metric of teaching excellence.

Peter Horrocks: It certainly was not for any argument of principle. We believe in what the teaching excellence framework is trying to achieve. Sir Anthony referred to the balance between research and teaching and the importance of teaching and teaching outcomes. However, it is a bit like what we have already said about the funding system: the way the Teaching Excellence Framework was created and the specific metrics that have been chosen have a particular disadvantage for part-time providers, especially those, such as the Open University, where people tend to study in short bursts. If they stop studying for a year or two, that would count as a discontinuation. It is also about the earnings outcomes and how you assess those for people who are already in work as opposed to those who are not—clearly, 18 year-olds are not in work and eventually they get careers—so it is about the differential that is achieved. It was really to do with technical issues about the way that it has been designed.

However, I am pleased to say that the Open University is going into the next pilot stage of the subject-based Teaching Excellence Framework. We want to be in that in order to influence things such as contact hours, which are often spoken about as being a key aspect of teaching. But in the example I just gave of an online course where people interact, what is a contact hour in that context? We want to make sure that we can influence a sufficiently up-to-date interpretation of what appropriate teaching is.

Professor David Latchman: I will come in from the perspective of a part-time institution that did go into the TEF and, despite not having very good metrics, actually got upgraded to a silver from a bronze. Just to illustrate to the Committee the paradox of this, if you look, for example, at part-time retention figures, our four-year students are compared to the national retention figures for part-time students. We come out with a very clear positive flag that our students progress much better.

Earlier I mentioned our three-year evening courses. Those have a very similar retention rate to the four-year courses, but of course in the metric they are compared to three-year, full-time, daytime students. Clearly, our retention of those students is going to be worse because they have families, jobs and so on. In effect, the same metric for two different groups of students who are studying very similarly is compared differently. In one case you get a positive flag, in one case you get a negative flag. That illustrates the farcical nature of some of the metrics. It does mean that the TEF committee was very good in that it regraded a rather large number of institutions, including ours, on the basis of submissions. I think we need to move to a more context-plus-metric system, rather than a metric-plus-a-bit-of-context system.

Baroness Harding of Winscombe: Would it be fair to say that the teaching excellence framework suffers from the same meta problem that

the system does as a whole: of not really thinking deeply enough about how to incentivise part-time education?

Professor David Latchman: Absolutely. Again, it is very much a one-size-fits-all system. You compare part-time to part-time metrics, but the metrics that you choose are overall metrics. To give you another example, in a lot of league tables and in other things, you do very well if you take students with high A-level grades. I could move Birkbeck 40 places up the league tables in the *Sunday Times* and the *Guardian* simply by changing our admissions criteria. Would that be in the spirit of taking people who have relatively poor qualifications or people aged 30 who did not do A-levels but who have a tremendous desire to learn? No, but then we appear lower down in those league tables because we are making input measures, whereas actually we should be making output measures or, even better, added-value measures.

Lord Sharkey: Of course, the *Economist* famously tried to do exactly that and found that most famous universities added no value at all.

Professor David Latchman: Absolutely. If you speak to the league table compilers, they say, "Oh it's too difficult to measure added value. It's easier to measure entry qualifications".

Baroness Harding of Winscombe: We have certainly discussed the concern that only output measures will just lead to grade inflation. Is that what you think is happening?

Professor David Latchman: I am not sure that it is happening, but you need to try to have added-value measures. We are audited by the QAA, we are looked at for quality, so if you suddenly start giving all First-class honours degrees you might find yourself in difficulty. We need a system that considers what, if you are measuring teaching excellence, teaching excellence is about. It is about how the student comes in and how the student goes out. What is the difference between those two? It is not easy, but we need to find that sort of system.

The Chairman: Just on the point about grade inflation, in 2015-16, 24% of students gained a First-class degree, up from 17% in 2011-12 and 7% in 1994-95, which is the earliest year for which we can get data. Three-quarters of students now gain a First or Upper Second degree, compared with 66% in 2011-12 and fewer than half in the mid-1990s. It appears either that students are becoming very much cleverer or that there is grade inflation.

Professor David Latchman: If I may, Lord Chairman, I will send the Committee the Birkbeck figures, which do not show that grade inflation and that, again, make us do badly in the league tables.

The Chairman: Indeed. I read your submission to the Committee, which was very impressive. Birkbeck, for a number of reasons—some fair and some unfair—is an outlier, but it seems that grade inflation is happening, which is what you would expect from a system that is designed in this

way.

Professor Mike Thomas: We have to be careful. I think you mentioned this previously. Is the tool measuring what it is supposed to be measuring, and how valid is it? The counterargument to that, although we would need more information, is that since 2002 universities have been under increasing pressure in relation to output. You will see the same sort of curve in school education. If you spent 10 years focusing on ensuring that students did not leave the system and you were penalised if students dropped out, so you had to get them to the end, and if your staff-student ratios went up and you put more resources into teaching, I think most people would be disappointed in the country if all those things did not show students getting better results.

I am not saying that grade inflation does or does not exist; I just think that the tool that is being used is too crude. Equally, if you have had 10 years of a lot of pressure on WP, on BTEC students, on more pastoral or remedial work or on more tutorial support and getting those students through to the next year, I would expect any system anywhere in the world to show a rise in the grades.

Q69 **Lord Sharkey:** It is a curiosity of our education systems that, when Ofsted inspectors in schools talk of teaching excellence, that is partly because they are in the classroom and they see people being taught. That is the basis for it. As I understand it, the TEF has no direct contact at all. However, my question is really about maintenance loans. Are you happy with the current system of maintenance loans?

Professor David Latchman: I will just answer the first point straight away in favour of maintenance loans. I suspect that our three-year courses have taken off and the four-year courses have declined because the three-year courses are classified as full time and attract maintenance loans. Of course, the Government have pledged to introduce maintenance loans for part-time students, and I think we may see a bit of a redistribution in maintenance loans there. I am a supporter of maintenance loans. However, if the market is failing, as it clearly is in relation to part time, something that moved towards the old maintenance grant system, which was income-contingent, would be a step forward.

Professor Mike Thomas: I agree. If you look at the figures since the move from grants to loans, you can see that the ones worst hit are those in the lower socioeconomic or lower income groups. They now get a loan because they cannot afford to get through university, which means that those from the least well-off groups have more to pay at the end. I support what has been said. Moving back to a grant that is in some cases means-tested or income-related would be a fairer system.

Lord Sharkey: Do you have a view on whether the student loan system itself is in fact progressive?

Professor Mike Thomas: My personal view is that it is morally and ethically right for an individual and the state to share the costs of

education. There are benefits for the individual throughout their lives and benefits for the country in economic output, skills, imports and exports. So a system that shares the burden seems to be fair. The question seems to be: at what cost? What is the resource cost, and is it inflation-linked? Should it be capped? Every other model that we have looked at that seems to take us away from that inevitably leads to some description of a student cap, which again would mean that individuals from lower socioeconomic groups, who can least afford to go to university, would be the worst hit.

Professor David Latchman: Perhaps I may make a general point. There are lots of issues of detail surrounding the loan system, but the big issue is calling it a loan. I have had agonising conversations with people aged 30, 40 or 50 who say, "But I can't take another loan. I have a mortgage. I have a credit card debt", or whatever. You say, "This is not a loan of that type. If you default, they will not come and take your bed away or whatever". It is impossible to get that over. All our efforts have failed. Even if we do not change it at all, we need to call it something else.

The Chairman: You think that just changing the name would do the trick?

Professor David Latchman: I think it is a disaster that we called it a loan. Maybe we could remedy that by changing the title a bit, but mature students are averse to loans in the way 18 year-olds are not. That is absolutely clear.

Peter Horrocks: To answer your question directly, the fall in the number of disadvantaged students—

Lord Tugendhat: It is so long since I was at university that it is very dangerous to make comparisons. Nonetheless, when I was at Cambridge in the late 1950s, in the economics faculty—in fact, I did not read economics—the number of Firsts was in low single figures. It is a good deal higher now. You make a very convincing point about throwing resources at this and about results therefore improving, but do we have any way of measuring whether the Firsts and 2.1s being awarded now are different in some way? Are they higher, lower or of the same standard as the ones awarded, say, 10 or 20 years ago?

Professor Mike Thomas: The point that I was trying to make is that the tools we have for measuring that so-called inflation may not be the correct ones. It may be that there is grade inflation. I am sceptical about that because there is counterevidence, and I think that we need to look at all that evidence. Where there is anecdotal evidence, there are alumni of Cambridge from the 1950s who would struggle greatly if they tried to do an undergraduate assessment today, mainly because of the changes that have come with IT, the way we do cognitive processing and the way that we differentiate between teaching and learning. Facts, figures, memory and recall are a matter of training, but if you are talking about the application of skills in a different setting, I would argue that, if you

put the same people in the same room and gave them the same assessment, a modern student would struggle with the assessment of the 1950s and vice versa.

Lord Tugendhat: As I say, I was not an economist, but I think there are those who think that it is too wide a subject. The nature of economics has changed and not necessarily for the better. However, that is a different matter.

Professor Mike Thomas: It is one for the psychologists.

The Chairman: You were in the middle of making a point.

Peter Horrocks: I was just trying to answer Lord Sharkey. I believe that the system has not been progressive simply because of the fall in the number of disadvantaged students taken across all the age ranges and all the different modes of study.

The Chairman: On your point, Professor Thomas, during the Committee stage of the Self-Governing Schools etc. (Scotland) Bill in 1987 I circulated to the Members of Parliament on the Committee a paper that was done by 10 year-olds in the 1890s and said that I would provide a bottle of champagne to anyone who could reach the pass mark. It consisted of Greek and Latin translations and a whole range of things that they were unable to do because the world had moved on. So your point is well made.

Thank you very much for coming and giving evidence. We particularly appreciated the written submissions that you provided, and we will try to respond to your plea for help and support, Professor Thomas. Thank you very much.

Professor Mike Thomas: If you want any further written documents from us or further evidence or support for those models, I am sure we will be happy to provide them.

The Chairman: That completes the session. Thank you.