

Public Accounts Committee

Oral evidence: Higher Education Market, HC 693

Wednesday 28 March 2018

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Members present: Meg Hillier (Chair); Bim Afolami; Geoffrey Clifton-Brown; Chris Evans; Gillian Keegan; Shabana Mahmood; Layla Moran; Anne Marie Morris; Gareth Snell.

Questions 79-146

Witnesses

I: Jonathan Slater, Permanent Secretary, Department for Education; Dr Philippa Lloyd, Director General, Higher and Further Education, Department for Education; and Nicola Dandridge, Chief Executive, Office for Students.

Sir Amyas Morse, Comptroller and Auditor General; Adrian Jenner, Director of Parliamentary Relations, National Audit Office; Charles Nancarrow, Director, National Audit Office; and Richard Brown, Treasury Officer of Accounts, HM Treasury, were in attendance.

Examination of witnesses

Witnesses: Jonathan Slater, Dr Philippa Lloyd and Nicola Dandridge.

Chair: Good afternoon. Welcome back to the Public Accounts Committee on Wednesday 28 March 2018. We are here today—and I very much thank our witnesses for their compliance—to reassemble with the panel and the Committee to finish off the interrupted hearing into the higher education market, which we began on Monday 12 March and obviously had to finish due to unfortunate circumstances. I really appreciate you coming before Easter. I felt it was much easier to try and squeeze it in while we were all still briefed, and remembering what we were talking about. We are aiming, if you are brief in your answers, as we were interrupted mid-flow, to do this in about 40 minutes maximum. So if you feel you could say something better in writing you can always write to us about it. We do not need to repeat what we did before. As you already know, that is in the transcript.

I shall just reintroduce our witnesses, from my left to right. We have Dr Philippa Lloyd, director general of higher and further education at the Department for Education. We have Jonathan Slater, permanent secretary at the Department for Education, and Nicola Dandridge, chief executive of the Office for Students, the regulator of education, that new body. When we were unfortunately interrupted Bim Afolami was asking you a question, Jonathan Slater, relating to careers. I am going to ask him to kick off, tee you up again, and we will kick off from that point.

Q79 Bim Afolami: Mr Slater, the question I was asking before we were interrupted was just about giving students as much information as possible about their degrees—not just the teaching quality but about five, 10 years afterwards, incomes earned and so on. We did not get to explore it very much then. You made the correct point that incomes are only one part of an analysis of why you do a degree. Could you set out what things will be comparable? We mentioned incomes 10 years on. What other things will students have a chance to look at?

Jonathan Slater: The Office for Students will develop an information strategy that will develop over time, but there is a duty on higher education institutions to provide data to inform that strategy, and of course there is what we will publish ourselves. So it is a big question. What I was getting to last time was that for students of the future we would expect to see on a comparable basis applications, offers, acceptance rates, completion rates, and attainment by gender, ethnicity and socio-economic background, as well as data over time about the financial returns that have been achieved by graduates, course by course, institution by institution. The Institute for Fiscal Studies is just about to produce data for us, aren't they, Philippa?

Dr Lloyd: Yes.



HOUSE OF COMMONS

Jonathan Slater: That seeks to identify the value-add institution by institution, bearing in mind that institutions vary depending upon their intake. So, there is masses of data.

- Q80 **Bim Afolami:** Masses of data. Forgive me if I missed it in your answer, but to what extent will the Department be setting out what this should be? Or will this be entirely for the Office for Students to determine in detail?

Jonathan Slater: It is a bit of both, actually.

Dr Lloyd: It is a bit of both. Obviously we are very interested in it.

Bim Afolami: I hope so.

Dr Lloyd: Absolutely. But the Office for Students will be quite a data-driven regulator, as we have discussed before. It is for them in the first instance to develop a really good information strategy. It is one thing to have the data and another thing to help people navigate it.

- Q81 **Bim Afolami:** We have already talked about 15 points of data. That is quite a lot.

Dr Lloyd: It is. The idea is to work with students and parents. Nicola might want to say a bit more.

- Q82 **Bim Afolami:** Ms Dandridge, how do you envisage this working out?

Nicola Dandridge: We will develop a student engagement strategy, as Jonathan and Philippa have said. It is something we will be consulting on, in particular testing with students and their families—

Bim Afolami: What they want to know.

Nicola Dandridge: To find out what form of presentation and what information they would find most useful to inform their decisions. I think that would be critical. We have already heard that there is not a lack of information, but the way the information is presented is not necessarily as helpful as it could be, so that is something we will take forward.

- Q83 **Bim Afolami:** Are you going to speak to employers as part of that consultation?

Nicola Dandridge: Yes, they are one of the stakeholders that we have to consult under the legislation.

- Q84 **Chair:** As the Office for Students you stand up for students. One of the things we are picking up is that with the new GCSEs some universities consider a 4 a pass and some consider a 5 a pass. Apparently even some sixth forms consider those two options. Is the Office for Students looking at that to make sure that at the very early stage people who are sitting their GCSEs now know what the impact will be? Now might be too late for this year's cohort, but do GCSE students know the implications of their grade ambitions on their university places?



HOUSE OF COMMONS

Nicola Dandridge: Working together with schools is a critical part of effective information advice and guidance, because many of the decisions made about where to go to university or college or what to study is made at an earlier stage, so we will link up with the schools and colleges sector about effective and coherent advice and information. So yes, that is part of the strategy, as is looking in the other direction to employers and the skills, qualifications and experience that they look for as well, so it has to be a pretty generous and inclusive set of engagements to make sure that the information is well targeted.

Q85 Chair: I am not sure whether Dr Philippa Lloyd will have the answer to the issue around 4s and 5s on the new scale and what they mean. By all accounts we are hearing of students approaching universities and being told different things by different universities, so it is not clear what universities are accepting as the pass rate. Does the Department have a definitive position on this, given that it is the Department that engineered this change? How will you make sure that it is actually applied?

Dr Lloyd: I think I might have to take that away. It is absolutely key, because obviously it can make a big difference—

Jonathan Slater: What I can say—

Chair: Can Philippa Lloyd finish, Permanent Secretary?

Dr Lloyd: I think it is a key part. We are absolutely improving careers advice in schools, as we discussed last time, and for that careers advice to be any use it has to absolutely understand that and not only feed that back to students so that they understand, but also we need to know what is going on because it may be that that is not what we want.

Q86 Chair: I am glad you are going to take it away and look at it, because what I have picked up in my borough is that—not just my borough; that is unfair on my borough and the heads of maths—you need a B grade in maths to get into a lot of degrees where you would not perhaps assume that was a priority. The foundation grade was decided by schools and it stopped some pupils applying. They did not know. Not even their maths teachers knew that—they quite often didn't. Getting the information out there is pretty important. On current information—okay, it is anecdotal—it sounds like there is not always the information out there that is needed. It would be very helpful if you could write to us. We might want to pick it up offline.

Dr Lloyd: Yes.

Q87 Chair: Mr Slater, do you want to add anything?

Jonathan Slater: All I wanted to say—because it is more my job than Philippa's—on the introduction of the new GCSE regime is that clearly higher education institutions have always been in a position to take into account GCSE grades in selecting students. It used to be on the basis of A* to G and now it is on the basis of 9 to 1. What difference does that make in practice? It gives you a bit more specificity at the top end, where A* or A is now 9, 8 or 7, so you have a bit more discrimination at the very



HOUSE OF COMMONS

top end: 9 is harder than A*. That is the main difference. A 4 is the equivalent of a C.

Q88 **Chair:** You are clear. So that is the Department's definitive position?

Jonathan Slater: It is a simple mathematical statement. If you are an employer, such as the civil service, a bank or a university, you are making judgments about what qualifications at what level you require. As you switch from one system of eight grades to another of nine grades, with a bit more detail at the top, you have a bit more information to go on. Certainly, it is our responsibility to be as clear as possible to people, as we go through that transition, about what is going on, because whenever you make any transition it is confusing for people at first. We need to explain that as clearly as possible.

Q89 **Chair:** I would love to prolong this, because I am passionate about it. But it does seem very unfair that a 14 or 16-year-old could sit an exam and not realise that just that little bit of extra effort to get the 5 might be what they need to get on to the university degree of their choice, because they wouldn't have a clue at that point about what the universities are planning to accept, because it might not even be embedded in the university's criteria at this point. They are being told by their school that a 4 is a pass, which the school would count as being like a C.

Jonathan Slater: All I am saying is that they are all passes, so it is a matter for universities to decide whether or not they want to use the new grades to change what they would find acceptable.

Chair: I think Dr Lloyd is going to write to us. We will pursue this in writing, because I think it is important and we will pick it up at another hearing in the future.

Q90 **Bim Afolami:** On part-time learning and lifelong learning, I am sure you will agree that it is critical for social mobility. Why do you think it has gone down so much over the last couple of years and what are you doing as a Department to fix that?

Jonathan Slater: That is a complicated question. It was at its peak in 2008, so it is not just in the last couple of years that the numbers have been falling. Previous Ministers made it clear that the introduction of the new fee regime had an effect that they had not sought it to have, but it is one of a number of different factors. A key question we are asking the post-18 review to look at is how they would advise on tackling that issue. In the meantime we have introduced, as you will probably know, maintenance loans for part-time students for 2018-19. But we are looking for advice from the review as to what we should do further, alongside the other changes that are coming in at the moment. The more accelerated degree options there are and the more online degree options there are, the more you can see that there are attractive options available to part-time students.

Q91 **Bim Afolami:** The Open University has recommended that we introduce a



HOUSE OF COMMONS

part-time premium for part-time higher education, to reduce the cost of that tuition. Is that something you will consider?

Jonathan Slater: I think that probably the safest thing to say about future Government policy on tuition fees is that we are looking forward to seeing the recommendations of the post-18 review—otherwise, what would the point of it be?

Q92 **Chair:** But you are taking into account submissions from institutions such as the Open University.

Jonathan Slater: The independent panel issued a call for evidence on 21 March, which closes on 2 May. I am sure they are expecting—if they have not had it already—a response from Peter Horrocks.

Q93 **Gareth Snell:** Just briefly on the point about accelerated degrees and a couple of other things, how can you be certain, Mr Slater, that universities are not simply going to move towards doing high-volume, low-work degrees, so they can put lots of students in a lecture hall and have one lecturer teach them, which are quite cheap to deliver over a two-year period, simply to maximise the number of bums on seats and maximise their income? How do you protect the integrity of degrees?

Jonathan Slater: Our system doesn't just allow higher education institutions to do whatever they want. You can imagine the sort of perverse behaviours that would be incentivised if one didn't have a regulatory regime in place, if one didn't have data on student satisfaction, and if one didn't have all the rules we are discussing this afternoon.

Q94 **Gareth Snell:** But student numbers are being uncapped in certain areas, and you could foresee a university deciding that teaching physics or chemistry is quite expensive, because you need a lab, expensive equipment and non-reusable materials, compared with a humanities or a social sciences degree, where lots of people read books and are taught by an individual. The cost of delivering those courses is quite different, but the university's income derived from each student is the same. If you can condense one into a two-year period, you could foresee a situation in which universities try to maximise income from certain areas, at the expense of other areas that are slightly more expensive to deliver. Therefore, that reduces the potential market for those expensive-to-deliver courses, but those are the sorts of STEM qualifications that this country needs.

Jonathan Slater: The current system obviously allows variation in the cost of three-year courses. Clearly, some courses are more expensive than others, and we have got in place a system in which there is top-up funding to higher education institutions for the most expensive courses. The point of this particular reform was to respond to interest from many parties—we have been talking about part-timers—for a more intensive programme of activity done in two years. The same principles of making sure the system is regulated properly and achieving value for money are as important for two-year degrees as for three-year ones. Again, we are asking the post-18 review to look at the balance between the core cost of courses and at the



HOUSE OF COMMONS

more expensive ones. We will be looking at whatever recommendations they make.

- Q95 **Bim Afolami:** Just one last point. It is difficult for me to figure out the extent to which the Department and the Office for Students really want to intervene on these establishments. To what extent do you want to control them? Can you outline a couple of the tests you might use? What would you like your level of direction or intervention to be? You have got the Department, the Office for Students and the institutions, and it is very difficult to see who is going to be accountable for a lot of these things. From your perspective—from the permanent secretary's perspective—what is your test? When are you going to get involved directly in an institution that is doing good, bad or indifferent things?

Jonathan Slater: We are not going to control them; the legislation sets out their institutional autonomy very clearly. They are private sector institutions. They are regulated. You have asked for an example, which Nicola can talk to if you would find that helpful. Clearly, one would want to avoid a situation in which a higher education institution was failing during people's courses. It is not impossible to find oneself in that scenario. You don't just want to leave it to the market because of the importance of properly protecting individual students.

The Office for Students will therefore require each institution, in order to be registered and therefore to be eligible for student finance, to have a student protection plan setting out clearly what action it will take to avoid a situation in which students find that their institution has failed while they are still there. That is a requirement placed by the office on the institution in order to get access to student funding. That is the way we do it. We don't control them, but we say, "If you want student funding, you have to meet a whole set of requirements." Nicola's organisation tests whether they have met them before it gives them access to the money. Does that help?

- Q96 **Bim Afolami:** So there is going to be more intervention than now.

Jonathan Slater: I would not call that an intervention; I would call it regulation. The difference is that it is a more risk-based regulatory regime than the current one. It is one based upon the fact that these days higher education institutions are getting lots of fee income, whereas under the previous HEFCE regime the regulation was done on the basis of grants. That is why the Office for Students will identify the risk to taxpayers and students, and will require those risks to be mitigated effectively before people get access to funding.

- Q97 **Layla Moran:** On that point, am I right in understanding that the basic category of regulation will now not happen at all?

Dr Lloyd: That is correct.

- Q98 **Layla Moran:** So am I also right in saying that means there will be more unregulated providers as a result? I know there were issues. Why did you do that?

Nicola Dandridge: These are not providers that are regulated at all at the moment. Numerically there may be more, but in terms of student numbers there will be considerably less. The reason we did it is that we have very little idea as to what sort of protection those students can reasonably expect. We have been tasked in our guidance letter, but we would do it anyway, to try to find out more about these providers. Then, as a consequence of that, we will decide what sort of regulatory apparatus would be appropriate. The important thing is, first, that these are not regulated at all now.

Q99 **Chair:** Can you give us an example? Just describe what sort of body you are talking about.

Nicola Dandridge: For instance, they would be a small, for-profit provider whose students do not access—

Q100 **Chair:** Small? Numbers-wise?

Nicola Dandridge: Fifty. They vary. There is a massive variation, but the point is that they are not accessing taxpayer funding, they are not entitled to recruit international students on tier 4 licences and they are not entitled to access Government grant and research funding, so they are very much out of the established, state-funded and regulated system.

The other reason why we decided not to retain the registered basic category is because it was a very basic level of regulation that we were proposing and our concern was that allowing these providers to come on our register might mislead students—it might imply that greater protection was available to them than would be the case. What was proposed in our consultation was really very basic: there should be some access to the higher education ombudsman, but not a great deal else. The concern was that that would do more harm than good.

Q101 **Layla Moran:** What redress will they have if anything goes wrong?

Nicola Dandridge: No more or less than they have now.

Q102 **Chair:** So it will be a contractual issue—a private business deal?

Nicola Dandridge: Yes.

Dr Lloyd: Yes.

Anne Marie Morris: As a regulator, is it you that has prime responsibility for ensuring that this market works or is that a responsibility that you share with the Department for Education under Mr Slater?

Nicola Dandridge: Our responsibility is set out in the legislation, which is constructed in a way that is designed to make the market work. It comes to the same thing, I guess. We will be working with the Department when it is appropriate, but we answer to what we are required to do in the Higher Education and Research Act. The way it is structured is to enable an effective market in higher education. It is a very specific and bespoke market that is adjusted to accommodate particular circumstances in higher education.



HOUSE OF COMMONS

Jonathan Slater: We are not doing the regulation. The Office for Students will do the regulation. We have got a responsibility, as Nicola said, to set the framework. We give them their regulatory powers, but then they are the higher education regulator. Higher education institutions are also regulated by other bodies, just like any other organisation is—advertising standards and all the rest apply to them too—but we are not doing any regulation on top of theirs.

Dr Lloyd: The Minister issues strategic guidance to the OFS, drawing attention to particular issues that he or she might want the OFS to focus on, but it is the market regulator.

Q103 **Anne Marie Morris:** Okay. How proactive is that role, as opposed to it being reactive when somebody complains? To what extent are you watching, seeing and measuring, given this pile of data and the analysis going on, to see whether the market is working?

Nicola Dandridge: A fair bit. We will be monitoring, on an ongoing basis, the experiences that students and graduates are having. We will form views as to when it is appropriate to intervene, either at provider level or at sector level.

Anne Marie Morris: And how long will that sort of decision-making process take?

Nicola Dandridge: It is an ongoing process.

Q104 **Anne Marie Morris:** I appreciate that, but students are in the system now. If decisions are not made within a reasonable timeframe, they are the ones who will lose out.

Nicola Dandridge: It will depend on the circumstances, but if there is a high risk of significant damage, we would intervene straight away. Our powers enable us to do that.

Q105 **Anne Marie Morris:** And you have the resource to do that?

Nicola Dandridge: Yes.

Q106 **Anne Marie Morris:** As a regulator, what are the, if you like, tools in your toolkit to enforce this market?

Nicola Dandridge: The way we have been set up is to regulate all providers who get on to our register to a common basic level of quality. You cannot get on the register unless you can satisfy a quality threshold. Effectively, all providers on the register will be offering a good quality of higher education to students.

Above that threshold, we incentivise. That is done in part by direct grant funding, for instance. We were talking earlier about information, advice and guidance, and making sure that students can make informed choices is a critical part of making the higher education market work. Above the threshold, there are ways of incentivising and encouraging. We will disseminate good practice, and we can demonstrate what works and make sure that that is made public to students, their advisers and providers.

There is a whole range of things we can do above the threshold, but the basic structure of our regulatory framework is to ensure that all providers on the register satisfy a set of quality conditions.

Q107 Anne Marie Morris: An organisation comes to you, as the regulator, and gets past the threshold. Where you ought to incentivise, you offer a few carrots. What about when something goes wrong within six to eight months after that? Have you got any sticks? If a provider, having got the baseline approval and so on, suddenly fails to deliver on the regime that they are supposed to be complying with, what can you do?

Nicola Dandridge: To get on the register, you have to demonstrate that you are going to provide a high-quality education into the future, so we will be looking at longer-term financial sustainability. That is one of our registration conditions. If we are concerned about quality—we will be monitoring on a regular basis anyway.

Q108 Anne Marie Morris: How regular?

Nicola Dandridge: That will form part of the data strategy, whereby we will test data returns into the Office for Students. If they give an indication that quality is slipping, we will intervene. It is an ongoing process. There is a whole variety of ways in which we will be testing for evidence that quality is being maintained.

Q109 Chair: Can you outline some of those? There is obviously data, but in what other ways will you be testing for evidence?

Nicola Dandridge: For instance, we will look at forecasts of student numbers and financial returns. If we are concerned about the financial viability against forecast student numbers, we will ask for further assurances. We would want discussions with the provider as to whether they will be financially robust. I am just giving that as an example.

If we have concerns, we can impose enhanced monitoring or enhanced conditions to stay on the register. Of course, if things really start to go wrong, we can start asking more targeted questions. If they fall below the quality threshold, we have a whole range of sanctions that we can impose as well.

Q110 Anne Marie Morris: For example?

Nicola Dandridge: Fines or, ultimately, we can deregister, but that would be in extremis.

Q111 Chair: So between fines and deregistering, what powers do you have?

Nicola Dandridge: It is rather difficult to say because it will depend on the circumstances. It can range from action plans or, depending on the particular concern we have, we can require the provider to demonstrate how they will address our concerns. We can require regular interventions and discussions with the governing body. We can impose specific conditions—"Unless you do X by a certain date, we will impose a sanction". Fines can vary. As I say, there is ultimately deregistration.



HOUSE OF COMMONS

Anne Marie Morris: At the moment, you are looking very closely at what the providers do, but the market is about what the students do as well. How will you police that? We have already, in the first part of this hearing a few days ago, talked about the challenge of students who are just not mature enough and do not have the experience to make those decisions. You are pumping out all that information, but if they are not proactively going and getting it and making responsible decisions, it will still give us a market that does not work.

Nicola Dandridge: Among the range of data returns that we will be looking at, certainly national student survey returns will be important. By the way, we have the power to investigate or to ask our designated quality body to investigate as well. That can involve discussions with students to find out what is going on. Certainly, whistleblowing is an important part of finding out from students what is going on within an institution. If we can put together a whole set of data that raises concerns, if appropriate, we would go in and find out what is happening.

Q112 **Anne Marie Morris:** You are still talking about the institution. I am talking about the students. How will you ensure that they will make sensible decisions based on the information that is available to them? If they do not, the market is not working.

Nicola Dandridge: We will be looking at various outcomes; as I have said, the national student survey is one of them. We will be looking at graduate outcomes and the data on the number of people getting jobs and on whether they are high-skilled jobs, at salaries and all sorts of indicators of student success. The teaching excellence framework is another indicator, so we can draw on that sort of data. All those sources of information will build up a picture of the students' experience, positive or negative.

Q113 **Anne Marie Morris:** And if you find that the students are not making decisions that you, with experience, would have made on the basis of the information that is there, what will you do? Will you go back to Mr Slater and the Minister and say, "This can't function as a market. We need to do this in a different way."?

Nicola Dandridge: One of our registration conditions is to require universities and colleges to demonstrate what arrangements they have made for students to transfer. If students have made the wrong decision, we have an obligation, as well as the providers, to make student transfer easier. We will be looking closely at non-continuation rates, which are often regarded in some contexts as an indication of success. If students are dropping out, we know there is a problem and we will look at the causes. When you say students are making the wrong decision—

Q114 **Anne Marie Morris:** Paying too much for something that is very low value. At the moment, they have no real benchmark for which of these universities is giving them quality and value for money.

Jonathan Slater: Nicola has talked about her regulation regime. Our responsibilities, and the whole point of the teaching excellence framework,



HOUSE OF COMMONS

are to provide information about quality, and we talked at the earlier session about how to make sure that students are able to make the choices that are right for them. It is an obvious point, but the choice that is right for an individual is a matter for that individual, as long as they have information. It is perfectly legitimate, isn't it, for somebody to choose to do a creative arts course when they know that the average person doing a creative arts course at a particular higher education institution will earn £20,000 a year. That is a legitimate choice for somebody to make, isn't it, as long as they know that that is what they are doing.

Q115 Anne Marie Morris: But you do not know what they know when they make that decision, do you?

Jonathan Slater: That is why we talked about providing this information of the sort that has not been provided before. That is why we talked at the last meeting about a new website to be available to all students, to help them to make those choices. That comes out next year. That is why we talked last time about the importance of career leaders in schools making sure that information is provided.

Q116 Anne Marie Morris: What you are saying is that the answer to the first question I asked, on who is responsible for the market, is both of you. You have different parts of it. You are responsible for the student choice, and it sounds to me that the regulator is responsible for what the provider does. That seems to me to be the way it is split up, so it seems to be important that you work together.

Chair: Is that a characterisation you would agree with, Mr Slater and Ms Dandridge?

Jonathan Slater: It is certainly important that we should work together, absolutely. We have discrete roles. I have talked about some of ours and Nicola has talked about some of hers. We are the ones who have commissioned the independent review of the funding regime, and Nicola regulates in accordance with the Act.

Nicola Dandridge: It is not quite that clear-cut, because we require universities and colleges to provide information to students. That is one of the regulatory conditions.

Q117 Anne Marie Morris: And will you police any that are providing misleading information?

Nicola Dandridge: There are various regulatory conditions that go to this, one of which is that they have to have the management and government arrangements to make sure that they deliver the courses as advertised, if you like. The other is that we require them to comply with consumer protection provisions which include dissemination of information, accurate information, to allow students to make the right decision. We will be policing that in the sense that it is one of our regulatory conditions, but we are not the CMA so we do not enforce consumer protection in that sense.



HOUSE OF COMMONS

Jonathan Slater: The Office for Students is the market regulator for higher education, but there are regulatory regimes I have referred to, briefly, before that apply to all organisations, including higher education institutions. It is not just a theoretical point. The Advertising Standards Authority in the last year or two has found six different higher education institutions in breach of its code for telling students things that were not true, just as it would for any other institution, and the CMA has done the same in respect of institutions that told potential students one thing about the fees but it was not so, so they had to correct what they had said, just as any other institution would.

Q118 **Anne Marie Morris:** You need to make sure this market works properly. To what extent have you actually looked at what other regulators do in other parts of the system, to see what lessons you can learn, as you are, after all, a new regulator?

Nicola Dandridge: Extensively. The consultation which underpinned the regulatory framework referred extensively to other regulatory practices. Our board includes someone who is on the board of the CMA; staff training that we have been rolling out with our future OFS staff has included discussions with regulators; and we are committed to learning from best regulatory practice. It is very much something we are taking on board, and I found those discussions and meetings and exchange of information with other regulators really critical—really important.

Q119 **Anne Marie Morris:** If the two organisations, the Office for Students and the Department for Education, compared notes and came to a conclusion that this simply was not working as a market, despite all the research, despite all the information you are putting out there, despite all the analysis you are doing, would you go back to the Minister and say students, with the best will in the world, cannot make these decisions, and we need to start regulating the market in a different way? For example, with regard to how we begin to price the products that these institutions offer, you could say that the Government, based on the teaching framework, sets the tariff, and that is the maximum amount that it will lend. It is then down to the students. If they make a bad choice that is, at least, not an issue for the taxpayer.

Jonathan Slater: Two things to be said, I suppose: one is that we own the student finance system and we are reviewing it. Ministers have made it clear that they want independent advice on how to improve it. That is going on right now and the Government will decide what it wants to do on the back of receiving that report. Equally, the Office for Students itself is a new regulator coming into place, and we have made it clear that in due course we will need to review how those arrangements are operating, and to see whether they need amending at all.

Q120 **Anne Marie Morris:** What system are you going to put in place to ensure you get value for money out of this for the taxpayer—because, clearly, you are interested in what comes out of the Office for Students, as well as the information that you are getting. What would be the test of value for money?

Chair: What would it look like if it was working well for the taxpayer as well as the student?

Jonathan Slater: Sorry, do you mean how do we make sure that the regulation is value for money?

Q121 **Chair:** Both the regulation but also the market was really what Ms Morris was saying. Obviously, you will be keeping an eye on the regulator—you control Ms Dandridge's budget ultimately, so that is perhaps the easier bit. What about the market? As we covered in the last session there is a lot out there—a lot in play in terms of taxpayers' money, a lot of variation.

Jonathan Slater: There is a macro version of this, isn't there, and a micro version. At the macro level it is worth bearing in mind that fewer people go to higher education in the UK than in the OECD as a whole. It is not as if we have suddenly got some huge numbers that far and away outweigh any other organisation and any other country. Again, at the macro level, 10% more people having degrees gives you a 2% to 5% improvement in productivity. There is a macro version of that in which, as numbers of people going into higher education have increased, productivity has increased, and still the graduate benefit, the financial benefit of being a graduate, has continued to be high.

Gareth Snell: In some areas.

Chair: Yes, we covered some of the variation in the last session.

Jonathan Slater: At the micro level, absolutely. We will be providing information of a sort that has not been provided before about the economic benefit by course by provider. Then there is an interesting decision for Parliament. Is it value for money for somebody to do a creative arts degree from which they earn £20,000 for the rest of their life or not? That seems to be an interesting policy question, does it not? It is not self-evidently bad, if there is a choice to be made about how taxpayers' money is spent. Equally, we need to ensure that individual institutions are using their resources wisely, which is why the regulator has the powers that it does.

Q122 **Anne Marie Morris:** That all sounds wonderful, but I am a bit concerned that a lot of it is quantitative, rather than qualitative. The fact that we have more students going through university does not mean that what they are getting is better, or indeed of the standard that it was promised to be. When you talk about macro and micro, the macro sounds awfully volume-based, if you like, and the micro sounds an awful lot better, but I am not sure how you will match the two together to ensure that we are actually getting value for money.

Jonathan Slater: I am just making the point that value for money is value as much as money. A question about what the value for an individual is of a degree that does not produce an economic return, but has social returns, is genuinely a policy question. At the micro level, we discussed last time making sure that individual courses at individual



HOUSE OF COMMONS

institutions have an assessment as to their quality—the teaching excellence framework. That is why we are piloting taking that down to subject level, so that we can get a much more qualitative assessment.

Q123 Chair: And the information for students feeds into that as well, so they make smart choices.

Dr Lloyd: It does. It is a combination of things. It is about the information that people use—you want to make sure that they have good quality information to take decent decisions. Then you have the data that institutions will publish—obviously, you want institutions to take on people who have the potential to succeed—so there is the transparency data. You also have the teaching excellence framework, as Jonathan said, which is all about ensuring and driving up quality. Within that, there is student feedback, feedback on the learning environment and things like that, so it is a mix—

Chair: Sorry, I am not cutting people off, but it is already in the transcript. It is nice that you are so enthusiastic, but we can save you and us time.

Q124 Layla Moran: Ms Dandridge, looking forward, do you think that there will be better take up of the two-year degrees? We have not really seen good take-up so far. Why has that not happened, in your opinion, and do you think we will see more in future?

Nicola Dandridge: Certainly the changes to the funding of the two-year model will incentivise more universities to offer it. We do not yet know how many students are going to find a two-year degree attractive, but we will have to wait and see. The indications are that it may be particularly attractive for mature students, which is significant. They want to get a qualification in as short a timescale as possible, so we may see good take-up there, but that is something we will need to watch. Certainly, we have an obligation to promote diversity of provision, so it is something that we will want to disseminate more widely—that there is the availability of two-year degrees. For the right student, it is a good thing for them to do.

Chair: Certainly one of your measures of success will be whether that diversity of provision actually materialises, because some promises in the past have not—

Nicola Dandridge: We have a statutory obligation to promote that diversity of provision.

Q125 Gareth Snell: Can I ask candidly, Ms Dandridge—you are the Office for Students—do you believe you have the trust of the student population as a regulator?

Nicola Dandridge: Well, we have not started operating yet, so it is rather early to answer that question. We will be operative from 3 April and it is absolutely our aspiration to do that.

Q126 Gareth Snell: But from your preliminary discussions so far.



HOUSE OF COMMONS

Nicola Dandridge: There are 1.3 million students in this country, so I think it would be rash to say that we have a strong sense of that, but so far, yes. We have set up our student panel, who are very engaged and want to contribute. From my meetings with students, which I have been conducting ever since I was appointed, there is a lot of interest and a lot of appetite for a regulator for students. I think many feel that—

Q127 **Gareth Snell:** But you are not really a regulator for students, are you?

Nicola Dandridge: Yes, we are the regulator for students.

Q128 **Gareth Snell:** Your title may be, but from the discussions that we have had throughout today's session, you are essentially the regulator of the university market, not necessarily students. Those two things are separate.

Nicola Dandridge: I do not think that that is how I see it. We are regulating universities and colleges on behalf of students, but the core of what we are doing is what is in the students' interests. That is the question that we will always come back to: what is in current and future students' interests?

Q129 **Gareth Snell:** How are you deriving what are considered to be the interests of 1.3 million students? You have one student on your board, don't you?

Nicola Dandridge: Yes. That is partly why we set up the student panel: to get a greater diversity to inform how we make our decisions. That is the basis on which we will develop our student engagement strategy, to clarify what the student interest is—and for the future. It is not just current students; it is future students. An example is that the first piece of research that we commissioned was carried out by a consortium of student unions, on what they saw as value for money. That is an indication of how we want to take forward the definition of "the student interest"—by asking students. That piece of research was very informative for us on how we take forward our responsibility to see value for money for students. It is about asking them how they define it.

Q130 **Gareth Snell:** Say you come across a situation where a number of students from an institution believe that they are not getting value for money. What is in your arsenal of tools to make you the shield of the students in that situation, and what actions can you then take to try to remedy that on an institution-by-institution basis?

Nicola Dandridge: We would need to find out why they felt that they were not getting value for money, because what has emerged from the piece of research that I referred to is that different students will define value for money in very different ways. Some of them go to university because they want to get a job, while others go because they want inspirational teaching, so that is not an easy question to answer. We will need to be responsive to those concerns.

Q131 **Gareth Snell:** Going back to my earlier question, how are you going to define the interests of students if, by your own admission, quantifying



HOUSE OF COMMONS

what the interests of students are is very difficult?

Nicola Dandridge: It is very difficult, but we are hearing that there are certain categories of concerns that they have, which relate to the quality of teaching, feedback, and graduate outcomes. Those are all issues that are highly relevant to our regulatory conditions. We have 26 conditions that providers have to satisfy to get on our register. We can take account of what students are saying in terms of how those are implemented.

Q132 Gareth Snell: Presume that students have come to you to say that they believe that there is an issue with the value for money that they are getting with a particular course at a particular institution. You go away and look at your 26 criteria, and you come to a conclusion that yes, there is an issue. What do you specifically have available to you as a regulator for students to go and deliver what you perceive to be the student interest inside that institution?

Nicola Dandridge: This goes back to the point that I was making before. There is a whole range of interventions, depending on the severity of the issue, from discussions, clarifications, more information, to enhanced monitoring—

Q133 Gareth Snell: That is not a sanction, is it?

Nicola Dandridge: No—I am going through the range. We can impose additional conditions. We can say, “Unless you do x, we may need to intervene.” Failing that, we get into the realm of sanctions, at the extreme, which is fines and potentially, as I say, de-registration, which is very extreme.

Q134 Gareth Snell: But fines and de-registration are quite severe.

Nicola Dandridge: The fines can vary, obviously, from light to very significant.

Q135 Gareth Snell: Do you publish all the minutes of your board meetings, like Ofsted does?

Nicola Dandridge: Yes, we will. We do not go live until 3 April, but yes, we will.

Q136 Gareth Snell: One of the things that I think will still be an issue is that the Office for Students is very much being set up, I believe, as a university market regulator, as opposed to looking at the individual interests of students. How are you going to balance what could be an interest of a particular group of students at a particular institution against the overall interests of the market? At that point, you may find that you have competing interests, between the macro issue of the institutions market, and an institution itself.

Nicola Dandridge: Can you give an example, because that is such a theoretical question?

Q137 Gareth Snell: As MPs, we often go to one of the big market regulators because we get a constituency issue. What I am asking you, essentially,



HOUSE OF COMMONS

is: if you get a group of students from an institution who say they have an issue and you come to a conclusion that that issue may be valid but it could distort the market, where do you actually come down? If you are there as the regulator for students, is your immediate commitment to that particular group of students or to the overall market that you seek to regulate?

Chair: Do you have different teams within the organisation, perhaps?

Nicola Dandridge: We will not be responding to individual student complaints. We will be regulating according to the threshold that I have spoken to. That is where our regulatory focus will be. Above that threshold, we will be operating by way of incentivising information, advice and guidance, and all the various other above-the-threshold incentives that we have.

To some extent, we are constrained in terms of how we respond to an individual situation. If a student has a complaint, we will be signposting them to sources who will be able to help them, be that their student union or the Office of the Independent Adjudicator. There is that transparent and clear regulatory framework to which we are answerable, and it will ensure a level of quality provision. That is how we will make sure that students' interests are protected. Does that help?

Gareth Snell: It partly answers it. We could spend a lot of time discussing this, but I will not.

Chair: We are going to be having you back, I am sure, Ms Dandridge. You don't get away with one visit—or two.

Q138 **Gareth Snell:** My final point, to Mr Slater, is more about longer-term funding arrangements. A greater proportion of student loans are reaching that point where they will be written off by virtue of people not earning enough or because of their increased cost. At what point do you start to panic that the student loans system is not value for money for the taxpayer, simply by virtue of the proportion of loans that are being written off?

Jonathan Slater: I don't panic.

Chair: You need that knighthood, don't you?

Q139 **Gareth Snell:** Okay, at what point should the Treasury panic that a greater proportion of loans are being written off?

Jonathan Slater: Part of the cost of students going into higher education is borne by taxpayers and part of it is borne by graduates. The proportions have shifted. It is going to shift to about 55% graduates and 45% taxpayers.

Q140 **Gareth Snell:** Graduates are taxpayers, just to be very clear.

Jonathan Slater: Yes, sure.

Chair: From general taxation.



HOUSE OF COMMONS

Jonathan Slater: Just graduates, 55%; all taxpayers, 45%. That balance is a matter of political judgment. It seems to me that there is nothing in principle wrong with that balance. Politicians can decide what they want the balance to be.

Gareth Snell: I am not asking about—

Jonathan Slater: I am coming to it. The 45% that is funded by taxpayers you have called, perfectly accurately, a write-off. Equally, it is just the mechanism by which taxpayers pay their contribution.

Q141 **Gareth Snell:** No, you have confused what I am saying, Mr Slater. I am not asking about the write-off from taxpayers. What I am saying is if you are one of those graduates who has come out of university who does not earn a great deal, you are no longer liable to repay the value of your loan that remains when you hit a certain point in time. The amount that is not paid back under the 30-year rule is growing, so at what point should you—well, not you, if you don't panic, but the Treasury—panic that that means that there is going to be an increased burden to the taxpayer overall?

Jonathan Slater: Sorry, the point I was trying to make was that the Government has chosen to change the balance between graduates and taxpayers by increasing the threshold from £21,000 to £25,000. That is a concrete decision to switch the balance from graduates specifically to taxpayers at large. That is a decision to—

Q142 **Chair:** Yes, we know about the decision, but there is still the write-off point.

Jonathan Slater: That is the decision, and that increases public spending. That is a decision of the Government to increase public spending—a choice to spend more of taxpayers' money on that thing.

Q143 **Gareth Snell:** Thank you for the Government 101 lesson, Mr Slater, but what I was actually trying to get to was—

Jonathan Slater: So the £2 billion increase in the cost to the taxpayer of that change is a cost that the Treasury has to accommodate within the long-term finances of the Government.

Q144 **Chair:** We will be looking. I know that the NAO has looked at the sale of the student loan book and so on. We are looking at this elsewhere, so I will move along.

We are nearly at the end, but before we finish, I just want to ask you, Mr Slater, about whether you were disappointed that when the Department tendered for an organisation to promote free schools, the New Schools Network was the only body that put itself forward to promote free schools. Were you disappointed that there was so little competition?

Jonathan Slater: Whenever I am running a procurement exercise, I am looking for competition.

Q145 **Chair:** Okay. So why do you think it was the only bidder? Were there any



HOUSE OF COMMONS

other bidders in the frame?

Jonathan Slater: There were no other bidders for the core piece of work that it does. There were other bidders for other elements of its work.

Q146 **Chair:** We know that although it won the contract, Toby Young, who was in charge of that—I think on a £90,000 salary—stepped down from that role. But we understand that under the TUPE rules, had he stayed on or another bidder won the contract for that work, he would have had to remain employed as the chief executive of the new body. Is that something that you recognise?

Jonathan Slater: If we had awarded the work to somebody else—

Chair: The staff would have been TUPE'd over, including Mr Young.

Jonathan Slater: In a hypothetical situation like that, I would have had to consider it at the time.

Chair: Perhaps you could write to us about what your advice would have been on that.

Layla Moran: Can I just follow up on the bidders?

Chair: We can take this up in writing, because we are slightly straying from our subject.

Thank you very much. We have gone over by 10 minutes, so apologies for that. Thank you very much indeed for coming back. I know it was relatively difficult to get us all together in the same room at the same time, so I really appreciate your flexibility. I know all of you had to dash across London to get here—well, I'm not sure if all of you did. The transcript, as ever, will be up on the website—the rest of it—in the next couple of days and our report will be out in due course. Obviously, I think Mr Slater we are seeing you at least in three weeks' time on STEM. Every visit to the PAC is another step towards that knighthood that will inevitably follow, as night follows day, for permanent secretaries. Dr Lloyd at least has a title she has earned. No, I shouldn't say that. Sorry, I shouldn't say that in front of a knight of the realm. I am sure Sir Amyas has earned his.

Gareth Snell: It is a good job Sir Geoffrey has left.

Chair: On that note, I will adjourn the meeting before things get out of line.