

Public Accounts Committee

Oral evidence: Financial sustainability of the higher education sector in England, HC 1057

Monday 21 March 2022

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[Watch the meeting](#)

Members present: Dame Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Kate Green; Angela Richardson.

Gareth Davies, Comptroller & Auditor General, National Audit Office, Adrian Jenner, Director of Parliamentary Relations, NAO, and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Questions 1 - 111

Witnesses

[I](#): Susan Acland-Hood, Permanent Secretary, Department for Education; Nicola Dandridge, Chief Executive, Office for Students; and Anne Spinali, Director for Higher Education Reform and Funding, Department for Education.



Report by the Comptroller and Auditor General
Regulating the financial sustainability of higher education
providers in England (HC 1141)

Examination of witnesses

Witnesses: Susan Acland-Hood, Nicola Dandridge and Anne Spinali.

Chair: Welcome to the Public Accounts Committee on Monday 21 March 2022. Today we are looking at the financial sustainability of the higher education sector in England. There are 254 universities and higher education providers in England. The overall strength of the sector is at risk. Although some providers are doing very well, a number have deficits, which we are keen to look into today. Although the sector is autonomous, it receives a third of its funding from the public purse one way or another. Today we will be asking questions of officials responsible for this in Government.

I would like to welcome our witnesses. We have Susan Acland-Hood, permanent secretary at the Department for Education—welcome back, Ms Acland-Hood. We also have Nicola Dandridge, chief executive at the Office for Students, which regulates the sector, and Anne Spinali, director for higher education reform and funding at the Department for Education. This is your first time at the Public Accounts Committee, so welcome. Thank you very much indeed for coming.

Q1 **Kate Green:** Good afternoon. I would like to start by considering the impact of the disruption to A-level results in 2020 and 2021. In particular in 2020, the award of centre-assessed grades led to more students meeting the criteria for their first-choice university and for high-tariff subjects. In 2021, again, we saw that the way in which grades were awarded once more allowed more students to achieve those first-choice places. The Department did award additional funding to cope with the oversubscription of popular courses, but it does not appear to have anticipated the impact on particularly middle-tier institutions, which then became undersubscribed. The NAO reports that there was no modelling on this. Why did you not model that impact?

Susan Acland-Hood: We were looking at the likely impact at each stage, but we need to look separately at 2020 and 2021. It is almost exactly two years ago that we went into lockdown. In 2020, as it became clear that it was going to be impossible for exams to take place, a set of things were done in parallel with setting up the system that intended to use standardisation in order to try to make sure that the grade profile stayed relatively similar to previous years. There was work done with institutions to try to look at likely impacts and to recognise the possible effects of instability. Some temporary student number controls were introduced. The



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Office for Students also introduced new regulation to try to make sure there was not peculiar offer-making behaviour once institutions realised that there were unlikely to be exams.

We did not anticipate the inability to standardise fairly, which meant that we moved at very short notice to the use of centre-assessed grades rather than using that standardisation. For 2020, the reason that impact was not modelled was because nobody anticipated that shift, which was then going to result in much more inflation.

In 2021, the position was a bit different. At the beginning of that academic year, in September 2020, the intention was to hold exams. We recognised that we would need to put adaptations in place and we also recognised that we were likely to need to do something other than ask Ofqual to go back to standards as set in 2019, because we had seen such significant inflation in 2020. From September 2020, we were talking to institutions about the likelihood that there would still be some inflation in the system, but we were anticipating holding exams. It was in January, when schools were closed as a result of the Kent variant, that it became clear that we were not going to be able to hold exams that year.

We worked with higher education institutions not just after the consultation period, when we announced the shift to teacher-assessed grades, but throughout the consultation, including talking to them about offer-making and how they might manage their offer-making to recognise the risk of inflation. As soon as we knew we were moving to a teacher-assessed system, particularly knowing that we were not going to be able to use any form of algorithmic standardisation because of what had happened the year before, we knew that there was a risk of inflation, and we started to talk to institutions about that.

In the event, we saw very limited inflation at grades C and below and much more at grades A and B. That was what drove the pattern where we saw more offers and acceptances at high-tariff institutions. It was also the case that it was particularly challenging for those providers who had ended up making their offers before Christmas. They were able to take into account the adaptations that we were going to make to exams and what we had said to them about that leniency, but they were not able to take so much account of the move to teacher-assessed grades.

Q2 **Kate Green:** What would you say was the net effect particularly, therefore, on those institutions that became effectively undersubscribed?

Susan Acland-Hood: We know it was challenging for institutions that ended up undersubscribed. Typically, they were the middle-tariff institutions. Our priority was making sure that we were doing the right thing for students. That was the starting point. We did see more students than ever before get a place at their first-choice institution. In the context of the challenges that some of those students had had during the pandemic, it would have been hard to have really consciously tried to do something to stop that being the case.



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In terms of the reasons why we saw inflation at the top end, we have always had an expectation that high-attaining A-level students would be able to study relatively independently. They were less impacted by some of the remote learning and other things that happened during the pandemic than students that needed more support—

Q3 **Kate Green:** I am particularly interested in these middle-tier institutions that did not receive additional financial support and did suffer a hit on their student numbers. What did you perceive to be the effect on them at the time and what did you do about it? What do you perceive the ongoing effect on them to be? If a student does not sign up for a three or four-year degree course, that impact continues over a number of years.

Susan Acland-Hood: We have seen some impact on those middle-tariff providers. I might turn to Nicola to talk about that in a little more detail. You might hear us say this quite a few times during this hearing, but, as with nearly everything, the impact is not uniform. It depends a lot on individual actions and on the profile of each institution. It is quite difficult to identify a tariff level at which people experienced particular difficulty. It depended a lot on what they were doing, on their subject profile and on the actions that they themselves took. Of course, we look at that as part of our wider activity to monitor the financial health of the sector.

There was a whole set of other things that we did throughout the pandemic to try to make sure we were safeguarding institutions that might suffer difficulties. We pulled forward a very large amount of tuition fee funding. We worked with BEIS, which advanced research funding. We made available the higher education restructuring regime for institutions that really got themselves into great difficulty. Although we did not provide a specific slug of funding related to that A-level issue, of course all of those institutions did have access to the wider more general support that was applied to any institution that was in difficulty during that period. Nicola, do you want to say anything more about the particular profile?

Nicola Dandridge: Yes, indeed. We saw universities and colleges across the whole sector being impacted in different ways by the pandemic. You are right that there was a particular impact on some universities and colleges, which saw numbers go down in a way that had not been planned.

At the Office for Students, we have been engaging extremely closely with any university and college where we have financial concerns. On the whole, the response has been really impressive. University management and leadership teams have managed to adapt. As a consequence of that, we did not see any provider failure as a consequence of the pandemic. We are also now seeing financial forecasts for universities that are looking at a return to something approximating normal, as the domestic and indeed international student flows start to revert to something approximating normal. Generally, they have managed and survived very effectively. We should see a greater degree of stability over the next few years.

Q4 **Kate Green:** What impact will the fact that some universities asked



students to defer their entry by a year have on the financial profile of those institutions over the year we are in, the year to come and perhaps the next several years?

Nicola Dandridge: Additional funding was made available, but that sat alongside attempts to try to encourage those students who wished to defer to hold over into future years. From the universities' perspective, the deferral is not going to impact to any significant degree on the financial viability and sustainability of those universities. What we, as the Office for Students, are quite concerned about now—it should be okay, because we are looking at it very closely and working with the universities on it—is the quality of provision where courses have been very heavily oversubscribed. One of the things we are focusing on is making sure that, notwithstanding increased numbers, the quality remains good.

Q5 **Kate Green:** Looking at the point you have just made, Ms Dandridge, about the return to normality and the expected flow of students into higher education in years to come, none the less we have seen that the number of providers in deficit has been growing in recent years. For some, it has become a continuing trend. By no means is all of it related to the covid pressures, although clearly they have been a part of it. Their financial viability for the future appears to be heavily dependent on increasing student numbers, particularly overseas student numbers, to cross-subsidise publicly funded learning and research. How viable is it to rely on these projections, particularly of continuing increases in overseas student numbers?

Nicola Dandridge: We do test the projections quite closely and make sure they are credible. That is part of our oversight of financial viability and sustainability. You are right; as the NAO Report documents, there are pressures on the sector. That is undoubtedly the case. My point about returning to normality was focusing particularly on pandemic-related financial pressures. What the report shows is that, notwithstanding the pandemic, there are ongoing pressures. The evidence of the deficit is part of that.

We would say, first, that there is a demographic uptick. The number of young students is going to go up. Secondly, so far the evidence on international student flows does not show signs of abating. That is a testament to the quality of the higher education in this country. Thirdly, if we feel that some of these projections are unrealistic—we did publish a report saying that we were concerned that there was a degree of overoptimism in some of the projections—we will be looking very closely at universities' finances to make sure, if those projections do not materialise, they still have the ability to remain financially viable and sustainable. That is largely the case.

The Report does acknowledge that there is a small handful of universities and colleges where we do have concerns, and we are engaging very closely with them. On the whole, where those projections of increasing student numbers may be a bit optimistic, none the less we feel the resources are



there, the cash is there and the assets are there to enable that university to survive even if the projections do not materialise.

Q6 **Kate Green:** Certainly, figure 8 of the NAO's report shows a very ambitious rise in the number of overseas students between now and 2024-25. The political context for where those students are coming from, particularly China and India, brings some risks in its own right. What is your assessment of the particular risks associated with having a heavy concentration of students coming from those countries? How well are institutions managing that?

Nicola Dandridge: We are aware of the risk that you identified. There is a lot of effort, partly being led by the Government and DfE, to diversify international student origins. We will be doing, and are doing, sensitivity testing against these forecasts all the time to make sure that, if there is some reason why students from one country or another do not come, universities none the less remain sustainable and viable.

You are right to identify it as a risk. It is one that we are very aware of. The Government are very aware of it. Maybe Susan can talk a bit more about the efforts she is making to diversify international student intake.

Susan Acland-Hood: Yes, I am really happy to that. We are really keen both to retain high levels of international students coming to the country—we think that is a benefit for us and for them—and also to ensure that we are thinking really carefully about origins and diversification. You can see that set out in the international education strategy that we published a little over a year ago, in February 2021, which was updated to take account of the impact of the pandemic.

Really pleasingly, we had set some ambitions in 2019, including to increase the number of international students hosted in the UK to at least 600,000 a year. We set that as a target for 2030; we have actually already met it. We might need to set a slightly more ambitious target for ourselves by 2030. We were the only country among our main competitors to strengthen our international student recruitment during the pandemic. That is partly because we took steps with the Home Office very actively to make sure we were, for example, making changes to the visa system to make sure that students understood they had the security to stay, the ability to learn remotely and so on.

In terms of diversification, we have set out in that strategy some really clear aims for making sure our student recruitment comes from a diversified base. There are risks in institutions becoming overdependent on people from particular origin countries. Steve Smith, who is the UK international education champion, is spending a lot of time working in the five priority markets that we set out in that strategy, which are Indonesia, Nigeria, Saudi Arabia, Vietnam and India. We are seeing real change as a result of that.

Kate Green: Some of those bring political risks too.



Q7 Chair: For me, that raises a question about how that fits in with the Home Office's plans to manage migration. Those countries are not ones that the Home Office perhaps has a track record of encouraging people to come from.

Susan Acland-Hood: We have positive student visa arrangements with each of those countries, and we do work really closely with the Home Office on that. We have made a lot of—

Chair: The Home Office has given its imprint.

Susan Acland-Hood: Yes. We are working closely together. For example, recruitment from Nigeria, which is one of those priority markets, has gone up by 89%. Recruitment from India has gone up by 27%. In 2021, one of the few origin countries from which entrants decreased was China.

Q8 Kate Green: How are you assessing the risks attached to each of the countries you mentioned? None of them is risk-free, I guess. What approach do you and the OfS take when looking at individual institutions to understand at what point the percentage of students coming from a particular country may create unsustainable financial risk for that institution?

Susan Acland-Hood: Again, I will invite Nicola to join. There are a couple of things. Fundamentally, there is some risk in being overdependent on any single market. The starting point is to encourage institutions to think broadly about where their students are coming from. In the same way as you would if you were a business owner who was dependent on one particular activity for the vast majority of your income, you want to avoid any situation of dependence.

Of course, we have also been communicating with universities and raising awareness of some countries where there may be additional risks to dependence, which is not just about financial exposure but also other forms of influence that might seek to be exerted. Some of that is very open communication, which we can do more broadly, and some of it we have to do a little more carefully.

Q9 Kate Green: It is not just students coming from those countries to university here that has an impact on the finances of those institutions. Many of our higher education institutions have established campuses abroad. How are you assessing financial risk there, or how are they assessing it and how are you assuring yourselves that the risk is being appropriately assessed by those institutions in respect of those investments?

Susan Acland-Hood: The first thing to say is that we and the OfS take a very serious interest in institutions' financial sustainability, but of course, as the Chair said right at the beginning, institutions are independent. There are some of their activities where, within reason, there is some risk that is for them to take and to manage. Our interest is in making sure that we



understand the viability of the whole institution and making sure we can safeguard students' interests through that understanding.

Q10 Sir Geoffrey Clifton-Brown: Can I ask you about the political risks? The Chinese, I gather, are going to be here in record numbers this year. At least it has been reported that they are.

Chair: It is just dropping, Ms Acland-Hood said.

Susan Acland-Hood: It is just down in 2021, by about 5%.

Sir Geoffrey Clifton-Brown: What number is it in 2021?

Susan Acland-Hood: I do not have the point number; I will have to write to you. It is down by about 5%.

Q11 Sir Geoffrey Clifton-Brown: The point of my question is that you could very easily find that a change in the political situation would mean that virtually the whole lot would suddenly cease to come here. Would that not seriously threaten the viability of some of those universities that had relied on large numbers of Chinese students? Is there a country-by-country political risk assessment done, as it were?

Susan Acland-Hood: Yes. Our position continues to be that being as open as possible to the world is a good thing. It would be a relatively extreme change that would result in a total cessation of flow. We encourage people to make sure that they are not overexposed to any one single country that might carry that risk. As I said earlier, we also encourage people to think about whether there might be broader political or other risks associated with becoming overdependent on a particular country. There are some particular considerations in relation to China, which we talk to the sector about quite a lot.

Q12 Kate Green: In addition to the reliance on international students, there are other pressures and forces on student numbers, some of which we are only beginning to be able to think about now that we have seen the Government's response to the Augar review and some of which we could already begin to think about in the context of the Government's emphasis on further education and skills and less on what it perceives to be low-value degree courses. What impact do you expect those different changes to have on student numbers and on the financial sustainability of institutions in the higher education sector?

Susan Acland-Hood: I will speak briefly, but then I might hand over to Anne to give a bit more detail. We are not in the business of trying to work to actively reduce the number of students going to university. As Nicola has pointed out, we are also seeing demographics coming through that suggest we will continue to see numbers increase, particularly as that population of young people, who still make up the highest proportion of people going to university, increases.

We would like to see more people using higher and further education more flexibly. We have the lifelong loan entitlement coming in in the future. We



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are starting to try to take steps towards that to help people access the system in a more flexible way. We have consulted on what, depending on the outcome of the consultation, would be some very targeted student number controls, which are focused on trying to explore whether that is a mechanism that we could use to try to make people think a bit harder about the quality of the provision they are offering. The aim of that is not to reduce total numbers but to try to limit the numbers going into courses that look as though they are providing less benefit to students coming out the other end. We are in consultation now and we are listening to people's responses on that.

It is quite important to say up front that we are not seeking to reduce numbers. We would still expect them to be going up over time. We are really keen to try to support really good-quality choice making and to ensure that people have good information and the ability to make well-informed decisions about the path that is going to be of greatest benefit to them. We do not want them to go into higher education assuming that, by default, it will give them a better outcome than some of the other paths that are available.

We are also really interested in more combined and hybrid paths in institutions that can offer combinations of routes, such as institutes of technology, and in growing level 4 and level 5 provision, both in higher and further education. You see those changes in the reform package as well.

Anne Spinali: You have said it. The focus is mainly on improving the quality of provision, not just in higher education but across all routes post level 3, so post A-levels and GCSEs. That is what the reforms that we announced about three weeks ago are really focused on, as well as some of the proposals that Susan mentioned, such as student number controls, for instance.

Q13 **Kate Green:** The part of the Augar report that was not picked up in the consultation you announced a few weeks ago was in relation to the recommendations on maintenance costs. To what degree is there a risk to student participation, or a risk of increased student dropouts, relating to their daily living costs and the financial support they would need for that? Maybe Ms Dandridge has some views on that, too, in terms of students' own perception of that question.

Susan Acland-Hood: Yes. I will speak really briefly and then hand over. We have a relatively generous maintenance loan scheme, and we have not seen the shift from grant to loan make any significant difference to participation, including from students from disadvantaged backgrounds, who are more likely to go to university now than they have ever been before. We continue to keep an eye on that.

There is something about encouraging students to be prepared, particularly students from more disadvantaged backgrounds, not just to go to university but to aspire high and to be ready to travel. That is one of the reasons for the introduction in the reform package of a national scholarship



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scheme for able students from disadvantaged backgrounds. We do not see evidence that the shift to a loan regime for maintenance has discouraged people. Of course, cost of living concerns are at the top of absolutely everybody's mind at the moment. It is something we will continue to keep a careful eye on.

Q14 **Kate Green:** Can you just remind us what the value of the national student scholarship scheme is? How much money is going into it and how many students might it reach?

Anne Spinali: It is going to be up to £75 million over the spending review period.

Q15 **Kate Green:** How many students might that support?

Anne Spinali: It depends on the size of the offer to students that we will design. If you are looking at, say, a £5,000 package for a student, which would be something that would definitely help with cost of living increases, you could see tens of thousands of students being supported through that scheme.

Q16 **Chair:** Will it vary depending on the student's background?

Susan Acland-Hood: It is out for consultation at the moment.

Q17 **Chair:** Do you have in mind a direction you are going to go in? Will you use a formula or will it be bespoke?

Anne Spinali: We are looking at a number of options that Ministers will have to review and decide on.

Susan Acland-Hood: We really welcome responses to the consultation. If people watching have a plan, we are listening.

Q18 **Chair:** Ms Dandridge, would you like to come in on the same point? I do not mean on the figures.

Nicola Dandridge: I cannot comment on the Government's proposals. There is a complementarity between what the Government are proposing and our responsibilities as the Office for Students in relation to access and participation plans, which you will be aware are plans that every university or college wanting to charge a higher fee has to agree to. We have to agree to those. These are very much targeted at students from disadvantaged backgrounds, underrepresented students and the barriers they might be facing. If there are issues that are preventing students from participating, we would expect that to be picked up by the university in their access and participation plan.

Q19 **Kate Green:** There are also increasing cost pressures on higher education institutions. They have had covid cost pressures, which have been partly but not entirely supported. The same as any entity, they have rising energy costs and rising staffing costs, including issues around pension costs for the sector. What will be the impact of those increasing cost pressures on the financial sustainability of the sector as a whole? How would you expect



it to impact on different types of institutions specifically?

Nicola Dandridge: As we said before, there are significant financial pressures on the sector on the whole. It will affect different universities in different ways. It is slightly difficult to answer, because the combination of factors will vary. As the Report documents, we are in close touch with a number of universities where we do have concerns, but beyond that we are modelling the impact of a number of things, be that cost of living increases, the increase in energy costs, which will particularly impact on universities that do a lot of research, and pension increases and so on. All I can say is that we are acutely aware of that. We will carry on testing it and engaging very closely with universities if we start having concerns about viability and sustainability.

You are right to raise these issues. It is certain that the pressure is not going to go away. When you translate that into the number of universities and colleges that we are really concerned about, the numbers are still small.

Q20 **Kate Green:** Are those numbers going to increase?

Nicola Dandridge: It depends on what happens in relation to international student and domestic student numbers, and on the speed and efficiency with which universities can adapt their operating models.

Q21 **Kate Green:** Do you have a plan to bring together and assess the impact of these multiple and ongoing systemic risks and pressures and then to carry out sensitivity analyses and test scenarios? Is that something the Office for Students is able to pool together?

Nicola Dandridge: Yes. We already test these different factors that we have just been talking about, but we are now investing resource to develop a much more sophisticated model that can look at the impact of geography or region and all of these different things coming together or not. That is work that we are prioritising this calendar year.

Q22 **Kate Green:** How will that help individual institutions? Is that something they will be able to draw on when making and improving their own plans? Is it more for you to be able to have a health check of the sector?

Nicola Dandridge: It is both. I imagine we will be publishing information where we can, but some of this is highly sensitive commercial information. It would not be appropriate for us to share that. If there is a combination of events that we think will impact on a particular university, we will certainly speak to them about it, but bearing in mind the need for confidentiality.

Q23 **Kate Green:** In terms of the research that you mentioned, to what extent are you concerned about the possibility of research institutions scaling back research programmes if there are other financial pressures on them?

Nicola Dandridge: That is a primary responsibility for UKRI and Research England. We share our relevant data with them.



Q24 **Kate Green:** There is a cross-subsidy, is there not, between research, the public financing of institutions and the income that is generated by overseas students?

Nicola Dandridge: Yes, which is precisely why we need to—and we do—liaise very closely with Research England, and indeed with DfE, to make sure there is a seamless flow of relevant information about financial implications.

Q25 **Kate Green:** Finally from me, would you characterise the risk to the sector and to institutions within it as greater than it was five years ago, stable or reducing? If it is reducing, why is it reducing?

Nicola Dandridge: Things have been very distorted by the pandemic. At the beginning of the pandemic, we were really concerned. There I would have assessed the risk as being extremely high. As it happened, universities and colleges managed that very effectively, working with the DfE and their support package, and indeed with us. Two years ago, I would have said there was a significantly greater risk.

There are pressures now—there is no doubt about it. There are significant pressures. We have seen the ability of universities and colleges to adjust with a degree of sophistication and confidence. Even though there are pressures, we are not anticipating large numbers of university failures at all.

Q26 **Kate Green:** Are you anticipating any?

Nicola Dandridge: It is always possible that there will be some university or college that fails. Our focus there is on making sure that students are protected.

Q27 **Kate Green:** We are going to come back to questions about that, but is it more possible than it perhaps was?

Susan Acland-Hood: It is always possible. That has not changed.

Q28 **Kate Green:** You do not think it has become more likely.

Nicola Dandridge: This is pure speculation. I cannot say.

Q29 **Chair:** One of the notable things is that student satisfaction has dropped; of course, the pandemic will have influenced that. The clue is in the name, Nicola Dandridge: you are the Office for Students. Are you really being an effective regulator for students? Given that student satisfaction has dropped, what are you doing practically to change that?

Nicola Dandridge: Student satisfaction, as measured by the national student survey, dipped during coronavirus, but the levels are generally quite high. It dipped because of all the challenges and frustrations that students faced. The figure that is low is value for money. Do students think they are getting value for money from their higher education? That is a real challenge. The figures are low. To some extent, the reason the Office for Students was set up was to tackle these things. We know that central



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to students' definition and approach to what value is is the quality of the higher education they receive. That is at the centre of what we do.

We have just launched a far more granular and robust set of quality measures that will be in force from May, which will allow us to intervene more robustly and more sharply where there is evidence of poor-quality provision. To some extent, the OfS was set up to tackle these things. We are in a good position to start dealing with them. The pandemic threw everything off course but, as I say, we have these new proposals from May.

We are also just wrapping up a consultation on student outcomes, which is also very important for many students who choose to go to university because they want a good job. The measure of student outcomes that looks at university and college performance in relation to progression into graduate employment and continuation will come into force later this year. Between those things we can tackle issues of quality quite effectively and, through that, value for money.

Q30 Chair: We had some quite interesting evidence from UCAS looking at the ramping-up of students applying for degree apprenticeships. One of the questions we have is whether your outcomes modelling and assessment will capture those pupils as well as those who have gone through traditional degrees.

Nicola Dandridge: It will. There is no reason why it should not, and it will. We very much have them on our agenda, so yes.

Q31 Chair: More students are applying for both a degree apprenticeship and a traditional degree. You could see a shift in the patterns of which institutions students apply to, if that trajectory increases. Does that worry you in terms of the questions Ms Green was asking about the viability of some higher education institutions?

Nicola Dandridge: Not at this stage, no.

Q32 Chair: What are you looking out for there that might ring alarm bells?

Nicola Dandridge: You mean in terms of student choice.

Chair: Yes. Student choice could mean that some institutions find that more students decide, for example, to go for degree apprenticeships and get paid while they are doing it rather than going through some of the more traditional routes.

Nicola Dandridge: We would encourage students to choose degree apprenticeships, but the numbers choosing degree apprenticeships do not suggest that this will be a factor that will undermine universities. Apart from anything else, many of the universities are offering degree apprenticeships. That is not a particular concern. We would see that as a good thing. Indeed, bear in mind that one of the reasons we were set up was to encourage choice for students. We would see students choosing to



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undertake degree apprenticeships as a positive outcome, not a negative outcome.

Q33 Chair: It is interesting. We have looked at this separately as a Committee. The take-up is not always as good as it could be. The surveys that came out around the beginning of the pandemic were for final-year students. When will you fully capture this in terms of the timelines? Your successor, of course, will be looking at this. Can you pick up any trends from the information you have so far about satisfaction levels as a result of the pandemic? Can you disaggregate what is a result of the pandemic and what might be—

Nicola Dandridge: I mentioned before that we oversee two different sorts of surveys. One is the National Student Survey, which, as you say, is final-year undergraduates. There is going to be quite a lag in the performance there. The other survey that we conduct is value for money. That is not just final-year undergraduates. We can get much more real-time information from that.

Indeed, we can do targeted surveys, and we do. For instance, one of the pieces of work that we have just announced—we will be doing it over the course of the next few months—is looking at the impact of hybrid learning for students, so the balance between face-to-face and online. We can pick up evidence focused on that particular piece of work that is much more real-time.

Q34 Chair: Do you set any sort of direction for universities? A number of them are working to do this hybrid working anyway. There have been quite strong views reflected from students in all sorts of arenas, not just your own surveys. Is there a message that you have to universities about whether that is acceptable? It might be better value for money for the university, but it may not be so good for the student.

Nicola Dandridge: We have been very clear that there are no Government restrictions on face-to-face learning. Where that has been promised to students, that is what they should receive. Having said that, there may be some pedagogical benefits in online provision. Some students welcome it. Where it is what those students want, we would see that as potentially a positive thing.

Q35 Chair: That raises a big question. How do you know whether it is because the students want it or the university wants it?

Nicola Dandridge: That is precisely why we are doing this piece of work, to better understand what “good” looks like and where there may be provision that is in breach of our regulatory conditions in the context of hybrid provisions.

Q36 Chair: What powers do you have if a university is saying that it is going to stay online because it suits it rather than the students? Just talk us through what interventions you would make.



Nicola Dandridge: It is not for us to say how higher education should be provided. We are concerned about the quality of provision. If, for instance, we are finding that there is a breach of one of our quality conditions, if students are not getting the resources or the support they need, if their course is not challenging or whatever the problem is, that relates to our regulatory conditions and then we can intervene.

Q37 **Sir Geoffrey Clifton-Brown:** How do you monitor this? I had a lot of complaints last year. If the students are making complaints to the university and the university is taking no notice whatsoever, what is a student's route? Can they complain to you?

Nicola Dandridge: Yes, they can, and they do. We have received a number of notifications about frustrations with online provision. That is precisely why we are doing this piece of work that I mentioned. Our focus is very much on regulating the university. If the student wants redress because, for example, they have not received what they were promised, our advice to them is very clear. First, they should raise the issue with the university. If that does not work, they have the right to go to the Office of the Independent Adjudicator, which is the ombudsperson for the individual student. The OIA can make recommendations on all sorts of things. It can respond to the particular concern expressed by the student.

Q38 **Sir Geoffrey Clifton-Brown:** There were some fairly outrageous cases at certain institutions. If you received that and had good evidence of that, would you take action to communicate with that particular university?

Nicola Dandridge: Yes. We would tell the student to pursue a complaint through the OIA at the same time. Both would happen.

Q39 **Sir Geoffrey Clifton-Brown:** How many institutions have you done that with?

Nicola Dandridge: Do you mean in relation to the challenges during Covid?

Sir Geoffrey Clifton-Brown: Yes, not reverting back to physical teaching but instead doing all or an excessive amount of their teaching online.

Nicola Dandridge: Yes, we were in touch with a number of universities over the last couple of years during the pandemic. For instance, there was one university that had switched to online completely without the consent or agreement of the students. There were some where the assessment they were carrying out was very weak. There was another example where the university had not communicated clearly with the student. That was a big issue, actually. There was a difficulty with communicating, so students did not know what was going on. That was quite a theme, so we picked that up with the individual institutions. I cannot tell you the names of the universities.

Sir Geoffrey Clifton-Brown: No, of course. I am not asking for names.



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Nicola Dandridge: We picked those things up with the individual universities, but we also drew some conclusions and played those back to the sector. In particular, the issue about communication came over really strongly. We were very robust in saying to the sector, "You must communicate clearly with your students so they know what to expect." We would deal with both the individual university as well as trying to play some of these things back. There was a difficult balance during coronavirus, because, as well as students having a very challenging time, it was also difficult for universities and their staff. We were trying to get the balance right during that period.

Q40 **Sir Geoffrey Clifton-Brown:** My sense from my constituency correspondence is that it is a problem that has got better this year. Could you confirm that?

Nicola Dandridge: Yes, undoubtedly. We are seeing the overwhelming majority of students now going back to face-to-face teaching, as they want. Some of the challenges now arise from some students who prefer online and some who do not. Many universities are trying to navigate that path now, which is a slightly different problem from the one they had before.

Q41 **Angela Richardson:** Sir Geoffrey has talked about the students complaining. Are you aware of any universities that are looking at changing their business model in order to be viable so they can provide more and more content online and therefore provide a learning opportunity to students anywhere in the world?

Susan Acland-Hood: There were a number of universities that, through MOOCs and other methods, have looked at those kinds of opportunities in the past. We have seen more universities looking at that. That is not just in terms of trying to provide an offering to anyone anywhere, but also thinking about how they enhance their offer to their students. There are more universities where, for example, although they are offering face-to-face, they are also recording lectures so that people can catch up later if they cannot go to them.

The vast majority of universities that I am aware of have also shifted their assessment arrangements. Many have shifted their arrangements for those who interview as part of admissions, for example. The vast majority of those have changed their practice on interview as a result of the pandemic. There has been quite a lot of adaptive learning as a result.

Q42 **Angela Richardson:** Are you able to assess, over the period of time that is in place, the quality of the provision for those students?

Susan Acland-Hood: That would be part of the OfS work that Nicola has described.

Nicola Dandridge: Yes, that is what we are going to be doing in the next few months. Clearly, there is a lot of interest in this area. We want to make sure that we are properly understanding what is happening in the sector. It is quite difficult to know what is going on. That is part of the purpose of



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this piece of work. We want to get a better understanding of it, so we get a better sense of what good hybrid or online provision looks like and what poor quality looks like, where we would take regulatory action.

Q43 **Angela Richardson:** I am sorry if I missed it earlier, but do you have a point in time when you are expecting to report?

Nicola Dandridge: Yes, we are going to publish it this summer.

Q44 **Chair:** I want to turn to you, Ms Spinali, because you are responsible for holding the Office for Students to account. As the NAO points out, it does not have a very clear set of performance measures to demonstrate its own performance as a regulator. This has been an issue that we have found with other regulators. We sometimes do comparative work with regulators. How are you able to hold them to account and what are you doing in the Department to get the OfS to up its game in that respect?

Anne Spinali: There are a number of ways in which we hold the Office for Students to account. First, at ministerial level we set the strategy and we communicate the strategic priorities to the Office for Students. We have regular discussions at ministerial level with Ms Dandridge and the chair as to how—

Q45 **Chair:** It is more the quantitative metrics that we are interested in.

Anne Spinali: We regularly discuss the key performance measures with the OfS. Its forthcoming strategy, which will be published, will review those measures. Nicola can speak to that in more detail, because this is something that they have been looking at as part of the review of the strategy.

Q46 **Chair:** You are looking at the indicators. As the NAO highlights, out of 26 indicators, eight are still in development or have incomplete performance information. A further 11 indicators do not yet have associated targets. How can you do that job if you do not have that management information from the Office for Students?

Anne Spinali: Yes, absolutely. This is something we are very conscious of. A number of those indicators have been in development. With the past two years having been extremely busy on a number of other fronts, in conjunction with the OfS we have agreed that these are metrics that we are going to take a step back on, with a view to reviewing them as part of the strategy. This is not something that we are complacent about. The NAO has rightly identified that we need to do more work on those metrics. Nicola can probably talk about those in more detail.

Q47 **Chair:** When will those metrics be in a better place so that you can actually do your job?

Anne Spinali: We expect to have that in place by this summer.

Q48 **Chair:** Your successor, Nicola Dandridge, has got a job to make sure the OfS is up to scratch on these points.



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Nicola Dandridge: Yes, indeed. Would you like me to say a few words about the KPMs?

Chair: Yes, please.

Nicola Dandridge: First of all, I totally accept that it is a legitimate criticism that the NAO has made that we did not complete those KPMs. The overwhelming majority are in place. We were deliberately very ambitious about these KPMs. These are not just a mechanism to record transactions; they were also designed to measure whether we were succeeding in the most ambitious way as an effective regulator. They are very much focused on outcomes. We knew at the beginning that we would have to construct these measures. They are official statistics, and quite a lot of work needs to go into them. We were very clear that this was not going to be a quick fix.

We then had to reprioritise during the pandemic for two years. That is an explanation, not an excuse. We know we have to do this. We are publishing our new strategy on Wednesday. That signals some shifts that will impact on the key performance measures. The last couple of months was not the time to do it, but, as Anne has said, we now have the new strategy in place and the new KPMs will follow on from that. We just need to finish this and do this piece of work.

Q49 **Chair:** You did say the “majority” were in place—I think you used that phrase. But 19 out of 26 are not complete.

Nicola Dandridge: The measures are in place; we do not have the measurement sorted out yet.

Q50 **Chair:** The measurement matters for us and for the Department to hold you to account. I want to pick up on something Ms Green was asking about earlier. Some of these universities are very big institutions. Were any of them too important to fail? How far was the Department prepared to go to support them during the pandemic?

Susan Acland-Hood: There are two distinct questions there. There is something about whether there are any institutions that are too big to fail in general and then there is a separate question about how far we were prepared to support them during the pandemic.

We have held a position on this for some time. There was a really clear statement made by Michael Barber when he took over as chair of the Office for Students when it was first set up, which sent a really clear signal that it was really important that we did not operate a system in which any provider was too large to fail, because we had to think about the interests of students. We would always start by thinking about the interests of students. As Nicola has said, a lot of the work the OfS has done has been about making sure we require providers, for example, to have plans in place that mean they know what they would do to safeguard the experience of students if they, as an institution, were in difficulty.



Q51 **Chair:** To be clear, the institution could fail, but you have mechanisms in place in relation to students, which we know about.

Susan Acland-Hood: Yes.

Q52 **Chair:** An institution also has a lot of research and other things that are not necessarily directly about students. Could that element of their work ever be too big to fail?

Susan Acland-Hood: No. I do not believe we would ever say there would be an institution that would be too big to fail, not least because—again, Michael Barber put this very well—we do not want institutions behaving as though they can do anything and assume they will be bailed out by the Government. We do not think that will cause them to act even in their own best interests, but certainly not in the best interests of students or indeed the consumers of their research.

Q53 **Chair:** Do you have any contingency plans for this? We have heard about all the threats. If an institution did fail and there were a major piece of research, presumably you would expect another institution to take that under its umbrella so that the research element was protected as well as the students.

Susan Acland-Hood: Our primary responsibility is for the student element. We would work with BEIS on the research element. Yes, we do work together and make sure we have contingency plans across the sector.

Q54 **Chair:** They are in place or could be very quickly put in place.

Susan Acland-Hood: Yes.

Q55 **Chair:** Ms Dandridge, one of the criticisms of the OfS is about the way you use data. A lot of the institutions that you look at say that you get the data but do not see it in a contextualised way. Is that special pleading by the sector? We note that you were at Universities UK, so you were working for the sector and now you are working on behalf of students. I am assuming you are wearing your student hat now. Is that special pleading or is their criticism valid?

Nicola Dandridge: Funnily enough, I do not recognise that criticism in relation to financial data. There are separate issues about quality. I have not heard any university or college say that we do not need this data. There are issues around data burden and how we collect it, and we are doing a lot of work there. In terms of us needing this core data, the case is unequivocal: we need it.

It is very risk-based. We collect a basic core from every registered university and college. Beyond that it is proportionate to the particular circumstances they face. For example, if there is a university that is not causing us concern, we will not ask for more data from them. Where we do have concerns, we will escalate our engagement with them. That is documented in the NAO Report.



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In relation to financial data, I do not recognise that and I do not accept it anyway. We have to have this data to be an effective regulator. Monitoring financial viability and sustainability has to be at the core of what we do. It is really important. I am fairly unequivocal on that score.

Q56 **Chair:** Why are they complaining?

Nicola Dandridge: We hear quite a lot about regulatory burden, but that does not relate to financial data.

Q57 **Chair:** What does it relate to? They are also concerned about you collecting data and then, they say, not being transparent about how you use it to make decisions.

Nicola Dandridge: We publish our data. In relation to financial data, for instance, they can use that. It is published by the Higher Education Statistics Agency. They can benchmark it. It is publicly available. That is available to them.

One of the references in the Report is to benchmarked information. That arises as an issue in the context of quality. For instance, there is this debate about the extent to which the context of students should be taken into account when assessing their outcomes, but that seems to be a long way away from what the NAO Report is about. Benchmarking financial data may be useful for the universities—I can see that—but it is not so useful for us as a regulator, because either a university is solvent or it is not.

Q58 **Chair:** One would assume they are benchmarking themselves against each other anyway.

Nicola Dandridge: You would think so. That information is certainly publicly available. We spend a lot of time thinking about how we can present the financial data in a way that is usable and of most assistance to the sector. We do everything that we could reasonably be expected to do to make that data transparent, available and useful.

Q59 **Chair:** You ask students for their feedback but you do not ask the sector. Why is that?

Nicola Dandridge: We do. Most of what we do in regulatory terms is subject to consultation. We also arrange workshops and regulate meetings. We meet with the representative groups all the time. This year we are going to be doing a more systemic survey with providers to find out what they find helpful and what they do not find helpful about our work. That is work that we will be taking forward this year.

Q60 **Chair:** You have lots of conversations, meetings, consultations—

Nicola Dandridge: Yes, all the time.

Q61 **Chair:** But you are now going to make sure it is a bit more—

Nicola Dandridge: We are going to make it a bit more systemic, yes.



Q62 **Chair:** It is going to be similar to the student survey.

Nicola Dandridge: Yes, exactly right.

Q63 **Chair:** You will have benchmarks each year that you compare them against, for example.

Nicola Dandridge: Yes.

Q64 **Chair:** You have to prove to them that you are valuable to them. What is the most useful thing that the Office for Students does from the point of view of these institutions? I will perhaps put it in another way. What would you like them to listen to that you are doing that would make a difference to students most of all? Where are the weaknesses in the sector?

Nicola Dandridge: We were set up to regulate in the interests of students and stakeholders, not universities. That has been a shift that has been quite difficult to communicate sometimes, because it is not how the arrangements were before. I hope we will succeed in demonstrating that having an effective regulator of quality and financial viability that does all the things we do benefits the sector in the long term and that it is in the interest of the health of the sector to have an effective regulator. That is part of the process that we are going through at the moment.

Q65 **Chair:** It takes a while to change from being the poacher to being the gamekeeper—whichever way around it is. We have talked a bit about what happened during the pandemic. What lessons have you learned during Covid that can make you more effective as a regulator?

Nicola Dandridge: From the perspective of students, we have certainly heard loudly and clearly how important face-to-face teaching is. That, therefore, has led to this piece of work that I have mentioned before. One of the things that we became very aware of during the early days of the pandemic was that we felt we did not have the tools needed to intervene quickly if we were facing a provider failure. That was quite urgent.

In early 2020 we consulted quickly and introduced a new regulatory condition, which would allow us to impose directions on a university that we felt was at material risk of failure. That would allow us to require them to specify what they are doing to protect students' interests, to make sure students can transfer or be taught out and that evidence is retained to enable students to demonstrate the credit they have secured, and to ensure they have complaints processes and a compensation scheme in place, and so on and so forth.

We now have that power to intervene very quickly if we are faced with provider failure. That was undoubtedly a consequence of what we learned during the pandemic. That will stand us in good stead for the future.

Q66 **Chair:** How are you monitoring whether universities and higher education providers are maintaining that? If it happens, it could happen quite quickly.



Nicola Dandridge: Yes, exactly. It will be triggered where we have reasonable concerns about the financial sustainability—

Q67 **Chair:** You say “triggered”, but how do you make sure they have the preparations in place to turn that support and referral mechanism on?

Nicola Dandridge: There is a process of escalation. If we start to have concerns, we will start to have discussions with the university. As it gets more serious, so our expectations will increase. We will ask them to put these things in place if they are not already in place. At the point when there is a direction issued, they just have to do it. This is an escalating process of requirements rather than something that is suddenly triggered.

Q68 **Chair:** The one experience I had of it as a constituency MP was that it was quite sudden and left people at quite a loss. Often the students themselves were not aware that a problem was coming down the line. With the Office for Students in place, you will presumably be communicating or making sure there was communication with students, if there were a risk. That can also undermine the institution. You are in a difficult balance there.

Nicola Dandridge: As I say, one of the things we learned during the pandemic is that we needed to have these powers. That is something that has changed. When we communicate to students is a very vexed issue. On the one hand, they do need to know if they are signing up to a university that is failing. On the other hand, communicating with students could bring about the provider failure itself. That is a very live issue that we discuss very closely with our board; we want to get the balance right around external communications. You can see it is not straightforward.

Chair: Yes, absolutely.

Q69 **Kate Green:** Can I return to the student experience and their perception of the experience they are having? The NAO Report shows that a rather shockingly high 54% of students think their courses are not value for money. Are you concerned about that?

Nicola Dandridge: Yes. It is a very low figure. It needs to be set against the national student survey results, which are 82% or 83% satisfaction, going down to 75% during covid. That is an overall positive measure and it is an indication as to the overall student experience. This is about value for money. That is tied up with perceptions of the tuition fee and what students are getting for it.

To answer your question, are we concerned? Yes, absolutely. As I said, that is one of the major things we have to tackle. Our four regulatory priorities are equality, access, participation and value for money, which is one of the things we are really going to be focusing on. A lot of our work is going to be looking to reverse that, as I said before, primarily by addressing issues of quality, where students think they are not getting the quality that they deserve.

Q70 **Kate Green:** You do not actually have a definition of value for money.



Indeed, isn't it your view that it could mean different things to different people at different times?

Nicola Dandridge: Yes.

Q71 **Kate Green:** While I understand that, how are you going to sit that alongside being able to track improvement over time?

Nicola Dandridge: Back in 2019 we published a value for money strategy, in which we set out precisely our position on this, where we think that value for money, at one level, depends very much on the work we are doing on quality, student protection and all the rest of it. Therefore, the measures that relate to those broader issues will be the measures that impact on value for money.

At the same time we need to ask students what they think about value for money. That is the survey that I have mentioned before, where we are asking students what they think. We have those two measures in place, but certainly the student perception of value for money is that very low figure in the NAO Report, which we want to see turned around.

Q72 **Kate Green:** You may have answered this before—I apologise if I missed it—but the student satisfaction survey is conducted with final-year students. Why is it not conducted with students at every stage of their degree course?

Nicola Dandridge: There is a question. The sense is that the undergraduate will have a better sense of the overall performance of the university and their experience in the final year, when they can look back over the entirety of their undergraduate career. That was the thinking behind it.

Q73 **Kate Green:** But you are missing out on the opportunity for early warnings signals, are you not?

Nicola Dandridge: This is true.

Q74 **Kate Green:** Is it something that the OfS and the Department are continuing to consider?

Susan Acland-Hood: It is something we can continue to look at.

Chair: Ms Dandridge is looking to her pay mistress.

Q75 **Kate Green:** And if you should do it, are there the resources available to do it?

Nicola Dandridge: That is a consideration, yes.

Susan Acland-Hood: Everything we choose to do that we are not doing at the moment has an opportunity cost. It is a question of balancing it against other things we could do.

Q76 **Kate Green:** Would the institutions be paying for it? Where would the funding come from for the student satisfaction survey?



Nicola Dandridge: We pay for it, but it comes from the registration fee. The question is one of balancing the benefit and the cost.

Susan Acland-Hood: It is one of those things that has felt particularly acute over the last couple of years because we have seen people's experiences change so dramatically as a result of covid year on year. I do not think it has felt as acute as that in slightly more stable times.

Q77 **Kate Green:** None the less, do you know what students think about how often they are surveyed and whether they would appreciate the opportunity to respond more frequently to satisfaction surveys?

Nicola Dandridge: It is something we can look at.

Kate Green: Have they been consulted recently on this particular question?

Q78 **Chair:** You have a student on your board, do you not?

Nicola Dandridge: Yes, and we have a student panel as well. We can take this away and reflect on it.

Susan Acland-Hood: The other thing is that a lot of universities will carry out much more regular individual surveys of their students and be able to see the patterns.

Q79 **Kate Green:** Returning to the questions we were asking earlier about the increasing number of international students, what are universities actually doing to drive up the number of international students they recruit? You mentioned going into more countries, Ms Acland-Hood. Is that their only strategy, or are there other things that they are doing to make the UK a more attractive destination for international students?

Susan Acland-Hood: A lot of this comes back to quality and reputation. We continue to attract international students because we have very high-quality higher education providers in general who offer something that international students want. There is also clearly an interrelationship with the work that we do with the Home Office on making sure, as I said, that we have visa regimes that offer students opportunities both to come and study and to make sure that they have opportunities as they emerge from their studies.

Universities have a wide range of strategies. I mentioned Steve Smith, who is our champion for international education. He works very closely with the Department for International Trade and others to make sure that we are going and talking about these opportunities as we discuss other trade opportunities. We will bring university delegations and offer opportunities for them to come alongside as we do that.

Beyond that, I would say that it is very diverse—I am sorry; I said I might say that a few times during this hearing. It depends a lot on the individual strengths and strategies of institutions. We are really positive about the number of institutions that are starting to think really carefully about the



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subjects and areas in which they have a particular distinguishing strength, and they will use that both for domestic and international recruitment. We think that is a positive feature in the system.

Q80 Kate Green: How would you assess the competition that our institutions face from other countries?

Susan Acland-Hood: I might bring Anne in on this in a minute. At a headline level, it is a very competitive market. There are many countries around the world that are seeking to bring in more international students, for exactly the same reasons that we are. There is a very basic contribution to GDP. I have colossal numbers in my pack for total contribution of the higher education systems to GDP; it is about £52 billion, with international students specifically somewhere around £17 billion.

There are also really positive effects in terms of our openness to the world and our ability to share ideas. At the moment, that kind of contribution to values and liberal and open ideals feels particularly important.

There is a wide range of reasons why we and other countries seek to attract international students, and we see lots of people entering into that. As I say, we are really proud that, among our main international competitors, we are the only country that significantly grew our international student recruitment during the pandemic, and we continue to put a lot of emphasis on this.

Q81 Kate Green: Between your Department, the Government as a whole and individual institutions, who bears responsibility for maximising international student participation?

Susan Acland-Hood: The only possible answer to that question is that it is a shared responsibility and one on which we seek to work together. I talked about the international education strategy we set out last year, and that sets that out.

Anne Spinalli: It is true that we start from a position of strength. We have four institutions in the top 10. As Susan had set out, it is not about being complacent; it is about agreeing and taking forward together the objectives as set out in the international education strategy, and working with individual institutions to make sure that their position, their attractiveness and what they have to offer more generally are known to those various markets in which we go. It is a very active engagement on the ground by those institutions, as well as by Government.

Q82 Kate Green: Just returning to the learning from covid and the spotlight that put on student protection measures, are you confident now that the current student protection plans are fit for purpose and will adequately protect students?

Nicola Dandridge: In part, we have addressed that issue by introducing the new condition C4—the one I was mentioning before—which allows us to impose directions on a university at risk of failure. We also acknowledge



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that the student protection proposals do need review, and we are committed to doing that in the next business plan. We will be giving this a thorough looking at over the course of the next 12 months, and it is written into our plan, so we will be doing it.

- Q83 **Chair:** We have talked a lot about value for money for students; Ms Dandridge answered some questions on that. What would each of you say is value for money for students, given there is not an actual definition for the Office for Students? Ms Dandridge, why is there not a definition, and how can you go about assessing it?

Nicola Dandridge: The first thing we did when we were established way back in 2018 is commission a consortium of student unions to look at what the definition of value for money should be. Unsurprisingly, it came up with a whole host of different things because so many different students can have different views on it. It is a fool's errand to try to come up with one definition, but there are some emerging themes and some priorities, of which quality of provision is undoubtedly at the core, but also student outcomes. There are many students who go to university because they want a job. That has to be part of an assessment of value for money.

We have pulled out the main themes that we think represent value for money, and they are replicated into our business plan and our priorities.

- Q84 **Chair:** What about you, Ms Acland-Hood?

Susan Acland-Hood: I agree with that.

- Q85 **Chair:** There is unity among our witnesses on that. When we talk about students coming from overseas, there has been some tension in Government—I know you are officials—where you have one Department, the Home Office, making noises about people not being allowed into the country without perhaps more hurdles to get through, and then the Department for Business, Energy and Industrial Strategy and your Department keen to see more foreign students coming. We know that the minute there is a tightening of restrictions for people from some countries, you see the Canadians and Australians very quickly advertising all over the place for English-speaking students and English-speaking degrees. How do you manage that tension? Which is winning out at the moment in Whitehall?

Susan Acland-Hood: I recognise the tension you have described, and I have certainly lived it from a whole series of different roles in Government. I have worked in the Home Office. I have worked in the Treasury, in the enterprise and growth portfolio, where I was having that conversation too.

When it comes to students, the story has moved on quite a lot in recent years. We find ourselves very rarely actually involved in any particular environment of tension on this around Government. It is now generally accepted by all in Government that increasing international student participation is a good thing and that the visa regime should support that.



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We are in a qualitatively different place from where we were even five years ago on that issue.

Q86 **Chair:** Ms Spinali, I think you might have been there when Ms Acland-Hood was not, when the health surcharge came in, for example. Did the Department put any points of view across in Government about the impact that might have on attracting students from overseas?

Anne Spinali: We certainly fed in some views. To add to what Susan just said, in terms of what happened during the pandemic, the relationship with the Home Office on easing visa requirements, visa restrictions, visa eligibility and in-country switching was one where we were co-operating in order to make sure that students could continue benefiting, either from studying in the UK and getting some help or from the country in which they were stuck and not able to come to the UK, in terms of being able to do that. As I said, it was quite a good story and a good experience.

Q87 **Chair:** I could make some comments about the Home Office's recent performance, but perhaps I will not go there in this session.

Ms Dandridge, a local university to me, Queen Mary University, recently had lecturers striking, mostly over pay, as did many other universities. In that case they have revoked pay, not just for the day of strike but until classes are rescheduled. Does the Office for Students have a point of view on that? There are some questions about whether that is legal.

Nicola Dandridge: We do not take any view on the substance of the industrial action. Our concern, reflecting our remit under the Higher Education and Research Act, is solely the impact on students.

Q88 **Chair:** But in that case the impact for students presumably is better if those missed classes are rescheduled. Do you have a position on that?

Nicola Dandridge: Yes, we do. We have made it clear that our regulatory conditions continue to apply during industrial action, and we therefore expect universities to take all steps that they can to mitigate the impact on students. Having had a really difficult experience during the last few years, during coronavirus, the last thing they need is industrial action. Without getting anywhere near the substance of the dispute, we have made it clear that we expect the impact of the action on students to be minimised. If alternative arrangements cannot be made, then they need to consider whether there is a case for tuition fee refunds or compensation of some sort.

Chair: So a student either has the same experience, a good experience or similar—

Nicola Dandridge: Or similar, so if there are alternative ways of delivering.

Q89 **Chair:** Ms Acland-Hood, is what has been happening at Queen Mary University legal?



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Susan Acland-Hood: Again, that is a matter for the employer and their staff to work through.

Q90 **Chair:** If I were a university coming to the Department for guidance, thinking, "They have done that down the road; maybe I will try it too," what would be the advice from your Department?

Susan Acland-Hood: Universities are independent institutions. They are the employers of their staff, and we do not get involved in employment questions between universities and their staff.

Q91 **Chair:** It is a bit more than an employment question, is it not, because it is about the way that a trade union role plays out? I believe there may be a challenge, and that could also have an impact on the universities. Are you watching this from where you sit?

Susan Acland-Hood: Yes, we are certainly keeping an eye on that.

Q92 **Chair:** Are you aware of other universities doing a similar thing?

Susan Acland-Hood: I am not.

Q93 **Chair:** This is a fairly unique example. Have you had a conversation with the vice-chancellor?

Susan Acland-Hood: That is not to say it is not happening, but I am not aware.

Chair: Have you had a conversation with the vice-chancellor?

Susan Acland-Hood: No, I have not.

Q94 **Chair:** Finally, I want to turn to you, Ms Dandridge. You will be leaving your post next month. Do you yet know who your successor is?

Nicola Dandridge: Arrangements are being made for an interim chief executive, who is Susan Lapworth, director of regulation. She will be a fantastic interim, and her post will continue until December. A recruitment process is being undertaken by the DfE at the moment for a permanent appointment.

Q95 **Chair:** You have someone coming in, but not until December. You have someone coming in to take over temporarily, or maybe not, depending on whether she applies for the post. What would be the top three things that you think your successor will have on their desk when they arrive that, if you were staying in the job, would keep you awake at night?

Nicola Dandridge: Quality is at the heart of what we do, making sure that students have a positive academic experience. Financial viability and sustainability has to be there as well, and also access, participation and social mobility. We know that the pandemic has impacted certain students more than others from disadvantaged backgrounds. That will have to be a priority too. Those are the three I would identify.

Q96 **Sir Geoffrey Clifton-Brown:** Ms Acland-Hood, I do not know whether you



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have seen the article in *The Guardian* today about the Augar review criticisms. It would be interesting to run two or three of them past you to get your reactions. One is on the minimum entry requirements, which we talked about earlier in the hearing—two Es in A-levels. The contrary, as is said in the article, is that proposals will hold back those who struggle with certain academic subjects but whose talent will still shine in a specialised area later in their educational journey. Indeed, the chancellor of the University of Gloucester put that to Gloucestershire MPs. Where does the Department sit on that argument?

Susan Acland-Hood: We are consulting on the possibility of introducing minimum entry requirements. In the consultation, we raised two possible ways you might do that, one of which is two Es at A-level and the other of which is the equivalent of a C grade in English and maths at GCSE. We are inviting people's views on that, including views on exceptions that you might want to put in place if a minimum entry requirement was introduced.

The reason we are raising it and consulting on it is that we do see outcomes for students, who enter higher education without those kinds of qualifications not, on average, being anywhere near as good as the outcomes for students who enter with those or better qualifications. Of course, the challenge is that that is an average, which may conceal individual experiences that are at variance with it. We are really conscious that people may know somebody who did not have those qualifications but who has gone to university and been phenomenally successful as a result. But in general, when people do not have those equipping qualifications that allow them to access the curriculum well and succeed in it, we do not see them having terribly good outcomes as a result.

We are seeking to do a couple of things. First of all, we would much rather incentivise people to get the outcomes before going to university than that it cause their exclusion. Continuing to put things into the systems that help people to have the motivation and encouragement to do well in some of those base qualifications, which we know are also relevant to your likelihood of succeeding in employment later, is important.

The second thing, as we discussed a little earlier in the hearing, is that we want to support people in making really good-quality choices and not defaulting to higher education when they might actually be served better by other routes. Again, when we look at people and level out for prior attainment, there are some groups of students who would be better served by going either into a level 4 or 5 qualification or into a technical qualification. We want to try to make sure that we are supporting that kind of good choice making.

However, one of the reasons for consulting is that we know that this is controversial. We know that there are risks of reducing opportunities for some of those people I described earlier, who buck that average trend. We can also see that there might be a case for, for example, putting in exceptions for people who are going to university significantly later in life, for whom that experience of taking those qualifications may have been far



longer ago and who may have gained the sorts of equipping skills that will enable them to succeed through, for example, a lifetime of work in between their school experience and their seeking to go into university.

The other thing that is really worth saying, which people have not always reflected in commenting on the minimum entry requirement proposals, is that, for example, on the equivalent of a C grade in maths and English GCSE, people have quite often talked about that as though whatever you got at 16 is then fixed with you. Of course, in any post-16 course you take now, if you have not acquired that GCSE C grade at maths and English, we fund you to continue seeking to retake that. The opportunity to keep trying to get that level is there in all of those post-16 courses at the moment.

Again, I am just supporting that point that we would rather see people being incentivised to achieve.

Q97 **Sir Geoffrey Clifton-Brown:** You are absolutely right to consult on it. Just remind everybody when the consultation runs from and to.

Anne Spinali: It closes on 6 May.

Sir Geoffrey Clifton-Brown: The other area I want to raise from the Augar review is the issue of student grants and lowering the thresholds to £25,000 and extending the length of the student repayment from 30 to 40 years. I just wonder, in a situation where we are going to be facing huge cost of living pressures and where youngsters are having difficulty getting on the housing ladder because they are having difficulty getting mortgages, I wonder if saddling them with this sort of debt before they even think about a mortgage is actually putting the onus too much on the next generation.

Susan Acland-Hood: These are obviously the sorts of changes that one thinks about very carefully before they are made. The package that we have introduced has two parts. It changes the terms for new borrowers in a way that means that we are not any longer charging interest during and after study above RPI. That is very important and actually reduces the amount of debt that students will be building up. At the same time, it does ask them to start repayments slightly earlier, at £25,000, as opposed to the repayment threshold for existing borrowers, which will stay at £27,295.

It is worth looking at the impact of that in a very concrete way. Under the new loan terms, a student who starts in September 2023 and then completes their degree and starts earning £28,000 a year, so just a bit above the threshold, will repay about £17 a month towards the cost of their higher education in 2027-28, when they graduate. We are not talking about a huge imposition. For existing borrowers, we are freezing that threshold rather than increasing it. The effect of that is the equivalent of something like £9 more a month. It will of course have an impact, and that is something we need to take account of in an environment in which there is pressure on the cost of living, but it is quite a modest impact.



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You have to set that against the situation if we make no change. Because that threshold had been raised so significantly, we were getting to the point where we were projecting that fewer than half of those going to university would end up repaying their loan. There is a real challenge there, and this is a perennial issue that we address each time we look at the funding of higher education. That effectively means the cost of those students' higher education experience is being borne by the rest of the population through tax, including the many people who do not have the opportunity to go to higher education.

Q98 **Sir Geoffrey Clifton-Brown:** It is an issue of inter-generational fairness, is it not? I was talking about this to a youngster in my office, just before this hearing, and she said, "I do not mind the repayments. What I object to is the high interest rates, which means I am going to be continuing these repayments longer."

Susan Acland-Hood: Yes. That is why the most recent reform, as I say, removes the interest above RPI.

Q99 **Sir Geoffrey Clifton-Brown:** It is only for new borrowers, is it not? It is not for existing borrowers. There has been a long complaint from existing student loan holders that the rate of interest was unreasonable.

Susan Acland-Hood: We recognise that in the change that we are making for new borrowers. The challenge is that, to afford that for existing borrowers, we might have had to change other terms, which felt unfair given that they had taken out the loan and expectation of one regime.

Q100 **Kate Green:** Just on this point, the Institute for Fiscal Studies has shown that the proposals that have been put forward for consultation would be disproportionately adverse for lower-earning graduates, including, for example, nurses or teachers, people in key professions, including in the public sector. How confident are you that the measures will not have that regressive effect?

Susan Acland-Hood: The shift to the threshold means that you are bringing more people into repayment at a lower salary level. That is one of the aspects that gives rise to that assessment by the IFS. The change to the interest rate works the other way. With an interest rate above RPI, you effectively get a benefit for being able to pay back more quickly. The change to the interest rate has a progressive effect and helps to mitigate that.

Q101 **Kate Green:** The change to the interest rate will help high-earning graduates too, will it not?

Susan Acland-Hood: Yes, but it does disproportionately others. With a high interest rate, you actually end up better off if you are able to pay back more quickly. Because it is an income-contingent system, you pay back more quickly if you earn more. The change to the interest rate does help narrow that gap.



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Anne Spinali: We are taking individual measures within the package and looking at them individually, which is quite right, but it is true that, when we put together that package, we had to look at the entirety of the package and the impact that it would have on individual students at any given point, depending on whether they are starting their repayments or whether they are 30 or 40 years down the line, ending their repayment. Maintaining the notion of fairness within the system was really at the heart of what we were trying to do here, both for existing students and for new borrowers of course, going into the system.

Q102 **Kate Green:** Have you published an impact assessment to go along with these proposals that you are consulting on?

Anne Spinali: We have published an equality impact assessment.

Sir Geoffrey Clifton-Brown: An equalities package is not the same thing as an impact assessment.

Anne Spinali: It is not the same thing, indeed.

Susan Acland-Hood: An equality impact assessment.

Q103 **Sir Geoffrey Clifton-Brown:** That is an equality impact assessment. Have you published an overall impact assessment so we know what the total impact on every student is going to be?

Anne Spinali: It is our intention to review the case for publishing an impact assessment once we conclude on the consultation.

Q104 **Sir Geoffrey Clifton-Brown:** This is the same length of consultation; this finishes in May too.

Anne Spinali: Yes.

Q105 **Kate Green:** It will be difficult to respond to a consultation without being informed of the impact of the proposals, will it not? That would inhibit a number of respondents from making an informed response.

Anne Spinali: Each of the elements of the announcement were assessed, and that was published in the equalities impact assessment. You do know what impact individual measures have on individual groups of students.

Q106 **Kate Green:** Even so, there may be some respondents who would like to look at the broader picture and the overall impact of the package and make their response accordingly. At the moment, they will not be able to know that impact unless they conduct some sort of impact assessment themselves.

Susan Acland-Hood: The challenge is, because there are elements of this that are fixed elements we are consulting on, to do a comprehensive impact assessment you would have to do a permutations and combinations exercise. We have the impact of each element and the impact on individual groups, and we think that is actually quite a good basis for asking people about those elements that we are consulting on. We will then bring it together when we have an agreed package.



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Q107 **Chair:** Have you modelled repayment? We have seen lots of old loan books being sold off. The hard-to-reach debt of 40 years just extends that opportunity for people not to be able to pay, for whatever reason. What is it showing up so far? What is the modelling looking like in terms of whether people will reach the end of the 40 years and still be paying?

Susan Acland-Hood: I will bring in Anne in a moment, but in terms of the aggregate amount of repayment that will happen, the changes will result in more repayment overall.

Q108 **Chair:** What about at the end of the 40-year period, Ms Spinali?

Anne Spinali: Extending from 30 to 40 years means that we are bringing into repayment people who, in their 50s, would still be significantly earning and would therefore be able to contribute to the cost of their study. The cost of the system will be borne by those borrowers who are able to continue repaying. The overall cost of the student loan system will go down for the taxpayer as a result, because it will be more equally borne between the taxpayer and the graduates.

Q109 **Chair:** A lot of people are retiring in their 50s, especially with the pension cap and so on. I am trying to think if people will have to pay this out of their pension income.

Anne Spinali: You start repaying above a certain earning threshold, which is calculated as part of national insurance contributions. There is an impact.

Q110 **Chair:** That is earnings, but does it mean pension earnings as well?

Anne Spinali: There is an interaction with a pension earnings threshold, which I would need to write back to you about.

Chair: It is quite a complicated age cohort to measure.

Anne Spinali: Yes, it is.

Q111 **Sir Geoffrey Clifton-Brown:** Can I try once more? We are facing the biggest cost of living challenge for a generation, and this whole student loans thing is an issue of intergenerational fairness. It is accepted that, if you did anything about the interest rates for existing tax rate payers, it would increase taxation. That is inevitable, but I ask again, in these very difficult circumstances, whether any consideration is being given to that.

Susan Acland-Hood: It is something that we looked at. We have to make sure, though, that we are thinking about intragenerational as well as intergenerational fairness, and it is really important that we consider the cost of living needs of students, but equally important that we consider the cost of living needs of the 50% of the cohort who do not go to university and who do not benefit at the moment from this relatively generous support scheme and who are cross-subsidising, through the tax system, those who do still, and that we attend carefully to the amount of cross-subsidy that is reasonable.



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The flip side of that is trying to make support of this kind more available to those who may go down different routes, which is what the lifelong loan entitlement is all about. It is about trying to make what is a relatively generous system available to people going down a wider range of learning and training routes, because at the moment we have a deep inequity in the system, which is that you can access much more generous support for your learning if you choose one particular form or route of higher education over others.

Chair: Thank you very much indeed for your time. Can I thank our witnesses, Susan Acland-Hood, Nicola Dandridge and Anne Spinali? The transcript of this session will be put up on the website in the next couple of days—thank you to our colleagues at *Hansard*. That will be uncorrected. We will be producing a report on this at some point; that is certain to be after the Easter recess, as it is only two weeks until that time.