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Financial sustainability of the higher education sector in England

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Summary

Higher education providers face long-term, systemic, pressures on their financial sustainability and viability. The proportion of providers with an in-year deficit has increased in every one of the past four years, from 5% in 2015/16 to 32% in 2019/20. Some providers are heavily reliant on income from overseas students' fees to cross-subsidise research and other activities, leaving them potentially exposed to significant financial risks should assumptions about future growth in international student numbers prove over-optimistic. In the short term, the higher education sector survived the COVID-19 pandemic because of the resilience of individual providers, financial assistance made available by government, no interruption to income from overseas students as had been feared, and the fact that large-scale tuition-fee refunds were not required. Ongoing financial pressures do, nonetheless, increase the risk of providers failing, closing campuses or courses, reducing the quality of teaching, or limiting access, any of which could adversely affect students. In that context, protections for students, in the event of providers facing financial distress, still need strengthening. We are also concerned that student satisfaction, particularly regarding value for money, has fallen in recent years: in 2021, 33% of students viewed their course as good value for money, with 54% saying it was not.

Introduction

Universities and other higher education providers are autonomous institutions with a high degree of financial as well as academic independence. They are free to conduct commercial activities in addition to teaching and research. For a provider to access government funding for research or teaching, however, or for its students to receive government tuition fee and maintenance loans, it must be registered by the Office for Students (the OfS), the sector regulator. The Department for Education (the Department) is responsible for setting higher education policy and for the overall regulatory framework for the sector, and sponsors the OfS. In July 2021, there were 254 higher education providers in England registered with the OfS, excluding further education and sixth-form colleges, educating an estimated 2.3 million students. Of these, 1.8 million were from the UK, and 1.6 million were undergraduates. The total income of higher education providers in 2019/20 was £36.1 billion, 36% of which came from public sources.

Conclusions and recommendations

1. **We are not convinced that the OfS has made sufficient progress in getting a grip on the long-term systemic challenges facing the sector and individual providers, meaning that financial pressures risk harming students' experience of university.** There are systemic, long-term pressures on providers' finances. Some of the underlying factors, including pension fund deficits (and predicted rises in employer contributions), inflation and rising costs, a continuing freeze in the cap on student fees rising more quickly than income, the impact of changes to loan repayment terms and further uncertainties arising from the impact of changes to loan repayment terms and potential policy reforms following consultation on, for example, minimum entry requirements. The OfS considers that the financial sustainability of the sector appears more stable than it did at the start of the pandemic, but accepts that risks remain. The OfS relies heavily, although not exclusively, on financial metrics to identify risks to providers' financial sustainability and has designed a regulatory approach that does not involve routine discussion with individual providers. However, the OfS currently lacks an integrated model that it can use to understand in a systematic way the combined effects of different pressures—such as changes in different costs, income streams or student numbers—on the sector and on individual institutions, although it told us that it is developing a model to allow it to do so in a more sophisticated way. Without these insights, it risks lacking the information needed to spot, and act on, early signs of distress in vulnerable providers. It also has an incomplete picture of the experience of students. For example, the National Student Survey only covers final-year undergraduates and so the OfS does not have a picture of the experiences of students earlier in their degrees. The OfS similarly does not yet fully understand new issues, such as the impact of hybrid teaching. Some providers do not believe that the OfS has all the information it needs to put financial data into context.

   Recommendation: ***The OfS should write to us by the end of July 2022, in line with the academic year-end, setting out the actions it will take to increase its understanding of the sector and pressures on providers – and how it will demonstrate to universities and students that it has done so.***

2. **Despite a background of deteriorating financial health of an increasing number of providers, the Department is not effectively holding the OfS to account.** The Department is responsible for the overall regulatory framework of the sector and for holding the OfS to account. The OfS's role includes protecting students' interests from the consequences of financial risk in higher education providers which could adversely affect students. The financial sustainability of the sector has been declining since before the pandemic, evidenced most obviously by the fact that the number of providers with an in-year deficit increased from seven (5%) in 2015/16 to 80 (32%) in 2019/20. Of these 80 providers, 17 had been in deficit for the past two years and a further 20 for three years or more. The OfS does not, however have a complete set of measures by which its performance can be judged. Of the 26 performance indicators the OfS sets out on its website, eight are still in development or have incomplete performance information and a further 11 indicators do not yet have associated targets. Complete information is available for just seven indicators, giving an inadequate picture of performance. The Department asserts that it is not

complacent and has committed to reviewing the set of performance metrics and ways to measure them, by the summer. Furthermore, the OfS does not ask providers for structured feedback on its own performance as a regulator.

Recommendation: ***Working with the OfS, the Department should establish a complete set of robust, published performance measures and targets, including structured feedback from providers, and use these to hold the OfS to account for its effectiveness.***

3. **Protections for students, in the event of providers facing financial distress, are not strong enough.** The OfS requires providers to have a student protection plan in place to address the risk of continuity of study for its students, but it has identified common weaknesses in them – including over-optimism about risks and weak refund and compensation policies. When initially registering providers, the OfS approved a number of student protection plans that it considered inadequate, so as not to delay registrations. During the pandemic, it found that it needed greater powers to intervene more quickly, and introduced a new condition of registration from April 2021 allowing it to issue directions to universities it considers at material risk of failure. However, the process of implementing a student protection plan, which the OfS described to us, appears to be reactive.

Recommendation: ***The OfS should prioritise ensuring that all providers' published student protection plans are fit for purpose and sufficiently clear for students to make confident, well-informed decisions about the protections universities are promising them.***

4. **We are concerned that the financial sustainability of some providers is being put at risk by their heavy dependence on their ability to continue growing overseas student numbers.** Many providers are already highly dependent on cross-subsidy to make up deficits in publicly funded teaching and research. Much of this subsidy comes from income from overseas students' fees; in 2019–20, there were more than 340,000 overseas students at English providers, almost half of whom came from China or India. Many providers' medium- and long-term financial forecasts assume continued growth in student numbers, particularly overseas students. The OfS monitors providers' forecasts and has in the past found their student number projections to be over-optimistic. There are also risks associated with an over reliance on international recruitment which may not align well with the UK's wider geopolitical interests. The Department asserts that it is aware of such risks and is encouraging the sector to diversify in terms of where providers recruit their students from. There are also cross-government considerations, such as how student recruitment is affected by, and potentially at odds with, the Home Office's plans to control migration. The Department recognises that it is a very competitive market and that there are many countries around the world seeking to bring in more international students, for exactly the same reasons that UK providers are.

Recommendation: ***The Department, drawing on OfS analysis as appropriate, should set out what it considers to be the risks to achieving the continued forecast growth in overseas student numbers universities are relying on for their future financial security, and explain how it is mitigating those risks.***

5. **Student satisfaction with the value for money of their courses is at a worryingly low level.** One of the OfS's four regulatory objectives is that students receive value for money. OfS says that students should receive the academic experience they were promised by their provider and their interests as consumers should be protected before, during and after their studies. Overall student satisfaction has been consistently over 80%, but fell to 75% in the pandemic- one of the main contributing factors being dissatisfaction with learning resources required by lockdown restrictions. The proportion of students who thought their course was value for money is much lower and dropped from 38% in 2020 to 33% in 2021, with more than half saying it was not value for money. The OfS acknowledges that students' view that they are not getting value for money is a cause for concern. The OfS believes that quality of provision is central to how students regard value for money, and asserts that quality is one of its top three concerns. The OfS says that it is looking at quality issues closely and that working with the universities to ensure that, even on oversubscribed courses, quality remains good.

Recommendation: ***The Department and the OfS should set out what action the OfS is taking to improve students' satisfaction with value for money, including the OfS's assessment of the impact of hybrid teaching on students' experience and what progress has been made in addressing the causes of dissatisfaction.***

6. **The Department failed to adequately assess the current and future financial impacts on providers of disruption to A-level assessments.** The use of locally assessed grades in place of A-level exams during the COVID-19 pandemic led to substantial grade inflation in 2020 and 2021. This meant that more students were able to take up places at high-tariff providers, but left many medium- and low-tariff and specialist providers undersubscribed, who have therefore lost expected fee income. The Department had anticipated the likely impact of locally assessed grades on providers that would be oversubscribed and that could require additional funding for high-cost courses. But it had not considered the impact on those providers that would become undersubscribed. Being undersubscribed causes financial pressure on providers for an extended period, as most courses last at least three years. At the same time, oversubscribed providers risk not being able to maintain the quality of provision they have promised their students as they may not have sufficient teaching facilities or student accommodation.

Recommendation: ***Learning from the disruption to the higher education market during the COVID-19 pandemic, the Department and the OfS should model and review the financial impacts on providers of changes to the number and profile of domestic students over the short, medium and longer terms.***

1 Oversight of financial sustainability in the higher education sector

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from the Department for Education (the Department) and the Office for Students (the OfS) on the financial sustainability of the higher education sector in England.[1]

2. Universities and other higher education providers are autonomous institutions with a high degree of financial as well as academic independence. For a provider to access government funding for research or teaching, however, or for its students to receive government tuition fee and maintenance loans, it must be registered by the OfS, the sector regulator. The Department is responsible for setting higher education policy and for the overall regulatory framework for the sector. The OfS is sponsored by, and accountable to, the Department.[2]

3. In July 2021, there were 254 higher education providers in England registered with the OfS, excluding further education and sixth-form colleges, educating an estimated 2.3 million students. Of these, 1.8 million were from the UK, and 1.6 million were undergraduates. The total income of higher education providers in 2019/20 was £36.1 billion, 36% of which came from public sources. The financial sustainability of the sector has been declining since before the pandemic and the OfS recognises that providers face ongoing pressures. The number of higher education providers with an in-year deficit increased from seven out of 133 (5%) in 2015/16 to 80 out of 247 (32%) in 2019/20. The number with an in-year deficit of 5% or more of income has also grown each year, from one out of 133 (1%) in 2015/16 to 37 out of 244 (15%) in 2019/20. This trend is still clear after excluding volatility caused by fluctuations in pension revaluations and other relevant accounting adjustments relating to pensions. In 2019/20, of the 80 providers with an in-year deficit, 17 had been in deficit for the past two years and a further 20 for three years or more.[3]

4. The OfS has very broad objectives: to help students access higher education; ensure they have a high-quality experience of higher education; protect their interests while they study; make sure they can progress to employment or further study; and ensure they receive value for money. Should higher education providers become financially unsustainable or unviable, students would be adversely affected in all these areas. Financial pressure could increase the risk of providers failing, closing campuses or courses, reducing the quality of teaching, or limiting access.[4]

What the OfS does to understand providers' financial sustainability

5. There are increasing financial pressures on higher education providers, including:

- those arising from the COVID-19 pandemic;[5]

1 C&AG's Report, *Regulating the financial sustainability of higher education providers in England*, Session 2021–22, HC 1141, 9 March 2022

2 C&AG's Report, paras 1, 1.8

3 Q5; C&AG's Report, paras 2, 2.2

4 C&AG's Report, para 3

5 Q 19

- rising energy costs, which will particularly impact on universities that do a lot of research;[6]
- increasing pension costs and the expectation that these will rise further;[7]
- an ongoing freeze in the tuition fee cap since 2017/18 – both the Russell Group and Universities UK told us in their written submissions that there had been a 17% cut in the value of the fee between 2012/13 and 2021/22;[8]
- the potential impact of changes to student fee repayment terms, for example for lower earning graduates,[9] and
- uncertainty arising from other upcoming policy reforms on which the Department is consulting, for example, the introduction of minimum entry requirements.[10]

6. We asked the OfS whether the financial risk to the sector or institutions was greater than it was five years ago. The OfS told us that, at the beginning of the COVID-19 pandemic, it was very concerned about the consequential financial risk, which it would have assessed as being "extremely high". However, because of the way in which providers managed the challenges facing the sector during the pandemic, and the government support available, it was no longer expecting large numbers of university failures, despite significant remaining pressures.[11] While the OfS has analysed individual factors affecting providers' financial sustainability, it does not yet have an integrated model with which it can assess the combined impacts of ongoing, multiple and systemic risks to financial sustainability, such as changes in recruitment, different costs and demographics. It told us that it was investing in the development of a much more sophisticated model, and that this was a priority for this calendar year.[12]

7. The OfS carries out the annual National Student Survey to collect students' views on, for example, the quality of teaching and learning they are getting. The 2021 survey ran from January to April and was open only to final-year undergraduates.[13] The OfS commissions a separate survey each year, seeking students' views on the value for money of their courses. It also engages with the National Union of Students and listens to a panel of student representatives – the chair of which also sits on the OfS's own Board.[14] We asked the OfS why the National Student Survey was restricted to final-year students, and whether this meant that it missed out on the opportunity for some early warning signals from other students. The OfS responded that it considered that students would have a

6 Q 19
7 C&AG's Report, paras 9, 2.8
8 FSE0003 Financial Sustainability of the higher education sector in England, The Russell Group, 21 March 2022, para 6; FSE0005 Financial Sustainability of the higher education sector in England, Universities UK, 21 March 2022, pages 1–2
9 Qq97–102
10 Qq 96–97; FSE0001 Financial Sustainability of the higher education sector in England, UCAS, 21 March 2022, page 2; FSE0005 Universities UK, 21 March 2022, page 2; C&AG's Report, para 2.12
11 Q 25
12 Qq 19, 21; C&AG's Report, para 3.15
13 Qq 33, 72; C&AG's Report, paras 4.6–4.7
14 C&AG's Report, paras 4.6, 4.8

better sense of the overall performance of the university and their experience in the final year. But it also admitted that it was missing out on early warning signals from other students and said it would consider widening the survey to include other students.[15]

8. We asked the OfS whether satisfaction rates among students had changed as a result of the pandemic, and what the impact of hybrid learning had been on students. The OfS told us that, following the widespread use of online provision during the COVID-19 pandemic, it was undertaking work to better understand the impact of hybrid provision—a mix of face-to-face and online provision—on students, what is going on in the sector and what 'good' looks like. It noted that while there might be some lag in identifying trends through the National Student Survey, its work on hybrid provision would give it evidence "that is much more real-time". It expected this work to be completed by summer 2022.[16]

9. To create and maintain its regulatory independence, and seeking to minimise regulatory burden, the OfS does not maintain close ongoing contact with individual providers it considers at low risk. The OfS explained that it collected "a basic core from every registered university and college" but beyond this it considered its approach was "proportionate to the particular circumstances they face".[17] The National Audit Office reported that the sector bodies and providers it had spoken to told it that, because the OfS had not routinely spoken to most providers, they were not confident that the OfS had all the information it needed to contextualise the financial data it collects. The OfS asserted that it did not recognise that criticism in relation to financial data, as opposed to information about quality. It accepted that there were issues around the burden on providers of collecting this data, and that it was doing a lot of work on that, but that "in terms of us needing this core data, the case is unequivocal".[18]

The Department's oversight of the OfS's performance

10. In addition to setting higher education policy, the Department is responsible for the overall regulatory framework for the sector.[19] It holds the OfS to account through quarterly performance reviews with the OfS's leaders and has regular discussions about the performance indicators which the OfS uses to measures its own performance.[20]

11. The National Audit Office reported that the OfS does not yet have a complete and transparent set of performance measures to demonstrate its own performance as a regulator.[21] Of the 26 performance indicators the OfS sets out on its website, eight are still in development or have incomplete performance information and a further 11 indicators do not yet have associated targets. We asked the Department how it was able to hold the OfS to account without the management information that such a set of measures would provide. The Department and the OfS recognised that development of the indicators had

15 Qq 72–78
16 Q 33–35, 42–43
17 Q 55
18 Q 55; C&AG's Report, paras 3.5–3.6
19 C&AG's Report, para 1.8
20 Qq 45, 50; C&AG's Report, paras 3.5, 3.25
21 C&AG's Report, para 16

not been a priority during the COVID-19 pandemic, but told us that it was not something they were complacent about. They told us that the measures would be reviewed in line with the OfS's new strategy and would be in a better place by summer 2022.[22]

12. The OfS assured us that it consulted widely on changes to its regulatory framework and holds meetings and workshops with stakeholder groups. However, there is no routine way in which it captures structured stakeholder feedback through which it can gather the views of regulated bodies on its own performance. It told us that it planned to ask for more systematic feedback through a survey, which will provide comparable data against which it can benchmark itself each year.[23]

Providers' financial dependence on overseas students' tuition fees

13. Publicly funded teaching and research make a loss across the sector once the full economic costs of those activities are taken into account. Providers' financial viability depends on subsidising these activities from the surplus generated by non-publicly funded teaching – primarily fees from overseas students.[24] The Department told us that this was a very competitive market, and estimated that international students contributed some £17 billion to GDP.[25]

14. The medium- and long-term financial sustainability of some providers is heavily dependent on continued growth in student numbers, particularly overseas students. In 2018, providers forecasted that the number of non-EU students would grow by 29% between the 2019/20 and 2024/25 academic years, compared with a 17% increase in UK student numbers and a 31% fall in the number of EU students. The OfS told us that it monitored providers' student number projections closely to check whether they were credible. Having previously found a degree of over-optimism in some providers' forecasts, it told us that it continued to encourage caution while recognising that there are reasons why providers might feel more confident about recruitment over the next few years. It explained that this included: an increase in the number of 18-year-olds because of demographic changes; and evidence on international student flows, which do not show signs of abating.[26]

15. We received written evidence from the Universities and Colleges Admissions Service (UCAS), which told us that it also projected growth in recruitment of both domestic 18-year-olds and international students between now and 2026. UCAS projected that the 2026 admissions cycle would have one million applicants compared with just over 700,000 in 2021. About 40% of this increase would be attributable to growth in demand from UK 18- year-olds (driven by increases in both application rates and the population), with the remaining 60% driven by continued growth in demand from mature and international students.[27] The OfS assured us that it would be checking whether, if projections do not materialise, providers still have the ability to remain financially viable and sustainable.[28] The Department told us that, among its main international competitors, the UK was

22 Qq 44–49; *Office for Students Strategy 2022 to 2025*, Office for Students, 23 March 2022; C&AG's Report, para 3.25
23 Qq 59–63; C&AG's Report, para 3.6
24 Q 24; FSE0003 Financial Sustainability of the higher education sector in England, The Russell Group, 21 March 2022, para 28; C&AG's Report, para 1.12 and Figure 3
25 Q 80
26 Q 5; C&AG's Report, paras 2.9–2.11 and Figure 8
27 FSE0001 Financial Sustainability of the higher education sector in England, UCAS, 21 March 2022, page 2
28 Q 5

the only country that significantly grew its international student recruitment during the pandemic. The Department recognised, however, that it is a very competitive market and that there are many countries around the world seeking to bring in more international students, for exactly the same reasons that UK providers are.[29]

16. In 2019–20, more than 340,000 overseas students came from 204 countries worldwide (excluding the EU and UK): 35% of those came from China and 14% from India.[30] We received written evidence from Universities UK that this income stream may be subject to pressure from wider concerns, with overreliance on certain countries that may leave UK universities vulnerable to competition and concerns about global affairs.[31] The Department told us that it was seeking to encourage providers to diversify the range of countries from which they recruit, and has identified five priority markets which it was working to develop: Indonesia, Nigeria, Saudi Arabia, Vietnam and India. It also said that it encourages providers to think about whether there might be broader political or other risks associated with becoming over-dependent on students from a particular country.[32]

17. The Department described the responsibility for maximising international student participation as being a shared one between government as a whole and individual institutions. We expressed concern about potential tensions between the aims of the Department, along with the Department for Business, Energy and Industrial Strategy, to see more students coming from overseas and the efforts of the Home Office to control migration. The Department told us that it worked closely with the Home Office on visa arrangements to ensure that overseas students can come and study and also have opportunities after studying. It explained that it also worked with the Department for International Trade to ensure that education opportunities were included in wider trade discussions including, for example, by sending university delegations.[33]

The impact of disruption to A-level assessments

18. During the COVID-19 pandemic, the government moved to a system of locally-assessed grades in place of the usual A-level examinations. This led to significant grade inflation in 2020 and 2021 and meant that many more students than expected were able to take up places at their first-choice providers and on high-tariff courses. This meant that many medium- and low-tariff and specialist providers recruited fewer students in 2021 than they had in 2019, despite a 10.8% overall rise in undergraduate entrant student numbers over the two years.[34]

19. As most degree courses last three or four years, there is an ongoing negative impact on the income of providers who are unable to recruit enough students to match their forecast numbers.[35] Oversubscribed providers can also face adverse financial consequences from exceeding their planned recruitment as domestic students are, overall, loss-making. There

29 Qq 6, 80–81
30 C&AG's Report, para 2.10
31 FSE0005: Financial Sustainability of the higher education sector in England, Universities UK, 21 March 2022, page 2
32 Qq 6, 8, 11
33 Qq 6–7, 79, 81, 85–86
34 Qq 1–3; Correspondence from Susan Acland-Hood, Permanent Secretary, Department for Education, re PAC hearing on the financial sustainability of higher education providers 21 March 2022, dated 4 April 2022, page 2; C&AG's Report, para 4.24
35 Q 3; C&AG's Report, para 4.28

are also risks to quality of provision and the overall student experience in oversubscribed providers. For example, some have offered students financial incentives to defer entry and some have struggled to provide accommodation for their first-year students.[36]

20. The Department told us it had not modelled the impact on providers of grade inflation in 2020 because nobody had anticipated the last-minute decision to use locally assessed grades. For the 2020/21 academic year, it provided an additional £10 million to support oversubscribed providers that were teaching high-cost subjects, and up to £10 million capital funding to help them expand capacity. However, neither the Department nor the OfS modelled in advance whether the changes to A-level grades would, by themselves, lead to some providers becoming undersubscribed and what the financial consequences for those providers could be. The National Audit Office reported that many medium- and low-tariff and specialist providers recruited fewer students in 2021 than they had in 2019, despite a 10.8% overall rise in undergraduate entrant student numbers over the two years, and that this created short-and medium-term financial risk.[37] The Department told us that it had been challenging for the, typically middle- and lower-tariff, institutions that had ended up being undersubscribed. It explained that there had been some financial impact on those providers, although that impact had not been uniform because it also depended on the local actions taken and the subject profile of each provider. However, the Department asserted that its priority had being making sure it was doing what it believed to be the right thing for students.[38] The OfS told us that it was now seeing universities' financial forecasts starting to return to normal, but that it remained concerned about the quality of provision where courses had been very heavily oversubscribed. The OfS told us it was now looking at this issue closely and working with the universities to ensure that, notwithstanding increased numbers, quality remained good.[39]

36 Q 4; FSE0003 The Russell Group, 21 March 2022, paras 15, 19; C&AG's Report para 4.27

37 Qq 1, 4; C&AG's Report, paras 4.24–4.26 and Figure 12

38 Qq 2–3; Correspondence from Susan Acland-Hood, Permanent Secretary, Department for Education, re PAC hearing on the financial sustainability of higher education providers 21 March 2022, dated 4 April 2022, page 2

39 Q 4

2 Impact on students

Protections for students

21. As a condition of registration, the OfS requires each higher education provider to have in place and publish a student protection plan setting out what it would do to safeguard students' interests—such as by making arrangements for continuity of study—if it, as an institution, were in difficulty.[40] The OfS reported in October 2019 that, when assessing applications for initial registration of providers, it had found student protection plans very variable in quality. Because it believed it was not in students' interests to delay registration, it nonetheless approved a number of plans that were significantly below the standard it would expect. It identified weaknesses including providers being over-optimistic about the risks they faced, lack of detail about what specific actions providers would take, and weak refund and compensation policies. In the small number of cases where the OfS had required providers to undertake more detailed planning, it had found that existing student protection plans had been the starting point for discussion, rather than a set of actions that could be taken. We asked whether the OfS was now confident that student protection plans are fit for purpose and would adequately protect students. The OfS acknowledged that protections for students did still need further review and told us that it was committed to doing this over the course of the next 12 months as part of its next business plan.[41]

22. The OfS told us that one of the things it became very aware of during the early days of the pandemic was that it did not have the tools needed to intervene quickly if facing a provider failure. It said that, because addressing that issue was urgent, in early 2020 it consulted quickly and introduced a new regulatory condition, effective from 1 April 2021, which enables it to impose directions on providers it considers at material risk of failure. The OfS described to us examples of the sort of directions it might make, including: requiring a provider to specify what it was doing to protect students' interests; ensuring that students could transfer to a different institution to complete their studies; complete their intended course of study, or complete their current academic year or term and receive an exit award or credit to recognise their achievements with sufficient evidence retained to enable students to demonstrate the credit they had secured; and ensuring that complaints processes and a compensation scheme were in place.[42]

23. We asked the OfS how it made sure that providers had the relevant preparations in place to access support in the event that their financial sustainability was under threat, since some risks could materialise quite quickly. It described a process of escalating requirements, starting with discussions with the provider when the OfS first had concerns, rather than something that is suddenly triggered. It explained that, as the situation got more serious, the OfS's expectations would increase and it would ask the provider to put plans in place if they were not already there. The OfS told us that, at the point where the OfS issued a direction, the provider would "just have to do it".[43]

40 Qq 50–51; C&AG's Report, para 4.2
41 Q 82; C&AG's Report, paras 4.3–4.4
42 Q 65; Office for Students Regulatory notice 6: Condition C4: Student protection directions; C&AG's Report, para 4.5
43 Qq 66–67

Student satisfaction

24. The results of the National Student Survey show that overall student satisfaction was stable at 82–83% between 2017 and 2020, falling to 75% in 2021.[44] The OfS measures students' perception of value for money in a separate survey, which, unlike the National Student Survey, is not restricted to final-year undergraduates. In this survey, the proportion of then-current undergraduates saying that university offered good value for money fell from 38% in 2020 to 33% in 2021, and the proportion saying it did not rose from 48% to 54%.[45] We asked the OfS whether it was concerned by these figures. The OfS told us that value for money is one of its four regulatory priorities. It agreed that the proportion of students thinking that their course was value for money was a very low figure and "absolutely" a cause for concern. The OfS assured us that it saw tackling the situation as a priority. It explained that a lot of the OfS's work would be looking to reverse that, primarily by addressing issues of quality, where students think they are not getting the quality that they deserve.[46]

25. The OfS told us that it did not have a definition of value for money because it believed that it could mean different things to different people at different times. In 2018 it had commissioned a consortium of student unions to look at what the definition of value for money should be, and had found there were different views. There were some common themes and priorities, of which quality of provision was at the core, but also outcomes for students on graduation.[47] It told us that quality was at the heart of what the OfS does and is one of its top three concerns, along with financial viability and sustainability, and access, participation and social mobility.[48]

26. The OfS suggested to us that students' satisfaction with their courses and assessments of value for money were also related to their perceptions of what they were getting for the tuition fee. During the pandemic, there were calls for higher education providers to refund a proportion of tuition fees in recognition of the shift to online learning required by lockdown restrictions, and restricted access to laboratories, libraries and other learning resources. Student satisfaction with learning resources had the greatest fall of factors measured between 2020 and 2021. The government's position was that students ordinarily should not expect any fee refund if they were receiving adequate online learning and support. The government did not define what it meant by 'adequate', and students were not consulted on this decision nor on how it affected the value for money they were getting. The NAO found that it was likely, however, that the government's position reduced financial stress on providers.[49]

44 Q 69; C&AG's Report, para 4.7
45 Qq 33, 69, 71; C&AG's Report, para 4.8
46 Qq 69, 71
47 Qq 29, 70, 83; C&AG's Report, para 4.8
48 Qq 69, 83, 95
49 Q69; C&AG's Report, paras 4.19–4.20 and Figure 11

Formal minutes

Wednesday 8 June 2022

Members present:

Dame Meg Hillier

Shaun Bailey

Dan Carden

Peter Grant

Kate Green

Sarah Olney

James Wild

Financial sustainability of the higher education sector in England

Draft Report (*Financial sustainability of the higher education sector in England*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 26 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Resolved, That the Report be the Eighth of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Adjournment

Adjourned till Monday 13 June at 3.30pm

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Monday 21 March 2022

Susan Acland-Hood, Permanent Secretary, Department for Education; **Nicola Dandridge**, Chief Executive, Office for Students; **Anne Spinali**, Director for Higher Education Reform and Funding, Department for Education Q1–111

Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee's website.

FSE numbers are generated by the evidence processing system and so may not be complete.

1 Coventry University (FSE0004)

2 Institute of Physics (FSE0006)

3 Senior, Carl MBA, PhD (FSE0002)

4 The Russell Group (FSE0003)

5 UCAS (FSE0001)

6 Universities UK (FSE0005)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

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1st	Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2020–21	HC 59
2nd	Lessons from implementing IR35 reforms	HC 60
3rd	The future of the Advanced Gas-cooled Reactors	HC 118
4th	Use of evaluation and modelling in government	HC 254
5th	Local economic growth	HC 252
6th	Department of Health and Social Care 2020–21 Annual Report and Accounts	HC 253
7th	Armoured Vehicles: the Ajax programme	HC 259
1st Special Report	Sixth Annual Report of the Chair of the Committee of Public Accounts	HC 50

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5th	COVID-19: Government Support for Charities	HC 250
6th	Public Sector Pensions	HC 289
7th	Adult Social Care Markets	HC 252
8th	COVID 19: Culture Recovery Fund	HC 340
9th	Fraud and Error	HC 253
10th	Overview of the English rail system	HC 170
11th	Local auditor reporting on local government in England	HC 171
12th	COVID 19: Cost Tracker Update	HC 173
13th	Initial lessons from the government's response to the COVID-19 pandemic	HC 175
14th	Windrush Compensation Scheme	HC 174
15th	DWP Employment support	HC 177
16th	Principles of effective regulation	HC 176

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18th	Government's delivery through arm's-length bodies	HC 181
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20th	Optimising the defence estate	HC 179
21st	School Funding	HC 183
22nd	Improving the performance of major defence equipment contracts	HC 185
23rd	Test and Trace update	HC 182
24th	Crossrail: A progress update	HC 184
25th	The Department for Work and Pensions' Accounts 2020–21 – Fraud and error in the benefits system	HC 633
26th	Lessons from Greensill Capital: accreditation to business support schemes	HC 169
27th	Green Homes Grant Voucher Scheme	HC 635
28th	Efficiency in government	HC 636
29th	The National Law Enforcement Data Programme	HC 638
30th	Challenges in implementing digital change	HC 637
31st	Environmental Land Management Scheme	HC 639
32nd	Delivering gigabitcapable broadband	HC 743
33rd	Underpayments of the State Pension	HC 654
34th	Local Government Finance System: Overview and Challenges	HC 646
35th	The pharmacy early payment and salary advance schemes in the NHS	HC 745
36th	EU Exit: UK Border post transition	HC 746
37th	HMRC Performance in 2020–21	HC 641
38th	COVID-19 cost tracker update	HC 640
39th	DWP Employment Support: Kickstart Scheme	HC 655
40th	Excess votes 2020–21: Serious Fraud Office	HC 1099
41st	Achieving Net Zero: Follow up	HC 642
42nd	Financial sustainability of schools in England	HC 650
43rd	Reducing the backlog in criminal courts	HC 643
44th	NHS backlogs and waiting times in England	HC 747
45th	Progress with trade negotiations	HC 993
46th	Government preparedness for the COVID-19 pandemic: lessons for government on risk	HC 952
47th	Academies Sector Annual Report and Accounts 2019/20	HC 994
48th	HMRC's management of tax debt	HC 953
49th	Regulation of private renting	HC 996

Number	Title	Reference
50th	Bounce Back Loans Scheme: Follow-up	HC 951
51st	Improving outcomes for women in the criminal justice system	HC 997
52nd	Ministry of Defence Equipment Plan 2021–31	HC 1164
1st Special Report	Fifth Annual Report of the Chair of the Committee of Public Accounts	HC 222

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1st	Support for children with special educational needs and disabilities	HC 85
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3rd	High Speed 2: Spring 2020 Update	HC 84
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5th	University technical colleges	HC 87
6th	Excess votes 2018–19	HC 243
7th	Gambling regulation: problem gambling and protecting vulnerable people	HC 134
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9th	Water supply and demand management	HC 378
10th	Defence capability and the Equipment Plan	HC 247
11th	Local authority investment in commercial property	HC 312
12th	Management of tax reliefs	HC 379
13th	Whole of Government Response to COVID-19	HC 404
14th	Readying the NHS and social care for the COVID-19 peak	HC 405
15th	Improving the prison estate	HC 244
16th	Progress in remediating dangerous cladding	HC 406
17th	Immigration enforcement	HC 407
18th	NHS nursing workforce	HC 408
19th	Restoration and renewal of the Palace of Westminster	HC 549
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24th	Selecting towns for the Towns Fund	HC 651
25th	Asylum accommodation and support transformation programme	HC 683

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26th	Department of Work and Pensions Accounts 2019–20	HC 681
27th	Covid-19: Supply of ventilators	HC 685
28th	The Nuclear Decommissioning Authority's management of the Magnox contract	HC 653
29th	Whitehall preparations for EU Exit	HC 682
30th	The production and distribution of cash	HC 654
31st	Starter Homes	HC 88
32nd	Specialist Skills in the civil service	HC 686
33rd	Covid-19: Bounce Back Loan Scheme	HC 687
34th	Covid-19: Support for jobs	HC 920
35th	Improving Broadband	HC 688
36th	HMRC performance 2019–20	HC 690
37th	Whole of Government Accounts 2018–19	HC 655
38th	Managing colleges' financial sustainability	HC 692
39th	Lessons from major projects and programmes	HC 694
40th	Achieving government's long-term environmental goals	HC 927
41st	COVID 19: the free school meals voucher scheme	HC 689
42nd	COVID-19: Government procurement and supply of Personal Protective Equipment	HC 928
43rd	COVID-19: Planning for a vaccine Part 1	HC 930
44th	Excess Votes 2019–20	HC 1205
45th	Managing flood risk	HC 931
46th	Achieving Net Zero	HC 935
47th	COVID-19: Test, track and trace (part 1)	HC 932
48th	Digital Services at the Border	HC 936
49th	COVID-19: housing people sleeping rough	HC 934
50th	Defence Equipment Plan 2020–2030	HC 693
51st	Managing the expiry of PFI contracts	HC 1114
52nd	Key challenges facing the Ministry of Justice	HC 1190
53rd	Covid 19: supporting the vulnerable during lockdown	HC 938
54th	Improving single living accommodation for service personnel	HC 940
55th	Environmental tax measures	HC 937
56th	Industrial Strategy Challenge Fund	HC 941